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SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

Public

WEDNESDAY, 26 FEBRUARY 2025

CANBERRA

BY AUTHORITY OF THE SENATE

ECONOMICS LEGISLATION COMMITTEE

Wednesday, 26 February 2025

Members in attendance: Senators Askew, Bragg, Hume, Kovacic, McDonald, McGrath, McKim, O'Neill, Barbara Pocock, Rennick, Dean Smith, Stewart and Walsh

TREASURY PORTFOLIO

In Attendance

Senator Ayres, Assistant Minister for Trade, Assistant Minister for Manufacturing, Assistant Minister for a Future Made in Australia

Senator Gallagher, Minister for Finance, Minister for Women, Minister for Government Services, Minister for the Public Service

Treasury

Dr Steven Kennedy, Secretary

Macroeconomic Group

Dr Shane Johnson, Acting Deputy Secretary, Macroeconomic Group

Dr Adam Cagliarini, First Assistant Secretary, Macroeconomic Conditions and Population Division

Dr Nathan Deutscher, Acting First Assistant Secretary, Macroeconomic Analysis and Policy Division

Dr Alex Heath, First Assistant Secretary, Climate and Energy Division

Ms Mohita Zaheed, First Assistant Secretary, National Interest Framework Division

Mr Kai Everist, Assistant Secretary, Future Made in Australia and Front Door Policy Branch

Ms Rachael McCririck, Assistant Secretary, National Interest Assessments Branch

Mr Mosfequs Salehin, Acting Assistant Secretary, Front Door Implementation Branch

Ms Ineke Redmond, Assistant Secretary, Macroeconomy Branch

Mr Chris Perks, Acting Assistant Secretary, Domestic Demand, International and Trade Branch

Mr Nick Latimer, Assistant Secretary, Centre for Population

Mr David Lancaster, Acting Assistant Secretary, Fiscal and Monetary Policy Branch

Ms Eleanor Williams, Assistant Secretary, Australian Centre for Evaluation

Ms Rebecca Cassells, Assistant Secretary, Climate and Industry Modelling Branch

Mr Matthew Maloney, Assistant Secretary, Climate and Energy Policy Branch

Ms Penny Sirault, Assistant Secretary, Sustainable Finance Branch

International and Foreign Investment Group

Mr Chris Tinning, Acting Deputy Secretary, International and Foreign Investment Group

Ms Isobel Sloan, Assistant Secretary, Frameworks Branch

Mr Hector Thompson, Deputy Commissioner, International Support and Programs, Australian Taxation Office

Ms Steph Gorecki Natic, Acting First Assistant Secretary, International Economics and Security Division

Mr Paul Cotterill, Assistant Secretary, International Engagement Branch

Mr Justin Baguley, Assistant Secretary, Indo Pacific Branch

Ms Jessica Block, Acting Assistant Secretary Geoeconomics and Security Branch

Small Business, Housing, Corporate and Law Group

Ms Victoria Anderson, Deputy Secretary, Small Business, Housing, Corporate and Law Group

Mr Anthony Seebach, First Assistant Secretary, Small and Family Business Division

Ms Kylie Bourke, Assistant Secretary, Small and Family Business Division

Ms Robyn Beutel, Assistant Secretary, Small and Family Business Division

Ms Kerren Crosthwaite, First Assistant Secretary, Housing Division

Mr Felix Donovan, Assistant Secretary, Housing Division

Mr Christian Vallence, Assistant Secretary, Housing Division

Mr Nicholas Dowie, Assistant Secretary, Housing Division

Ms Fiona McSpeerin, Chief Operating Officer, Corporate Division

Ms Felicity McGinnes, Chief Finance Officer, Corporate Division

Ms Amara Foster, Assistant Secretary, Corporate Division

Ms Jody Riley, Chief People Officer, Corporate Division

Ms Angela Mason, Assistant Secretary, Corporate Division
Ms Melanie Moore, Acting Assistant Secretary, Corporate Division
Ms Erin Wells, First Assistant Secretary, Law Division
Ms Amy Jarvoll, Acting Assistant Secretary, Law Division
Ms Kate White, Acting Assistant Secretary, Law Division
Mr David Hertzberg, Acting Assistant Secretary, Law Division

Fiscal Group

Mr Damien White, Deputy Secretary, Fiscal Group
Ms Philippa Brown, First Assistant Secretary, Budget Policy Division
Mr Luke Spear, Assistant Secretary, Budget Policy Division
Mr Oliver Richards, Assistant Secretary, Budget Policy Division
Ms Marg Thomas, First Assistant Secretary, First Nations and Commonwealth-State Division
Ms Jaclin Craig, Assistant Secretary, First Nations and Commonwealth-State Division
Ms Heather Cochrane, Assistant Secretary, First Nations and Commonwealth-State Division
Dr Louise Rawlings, First Assistant Secretary, Labour Market, Environment, Industry, and Infrastructure Division
Mr Damian Mullaly, Assistant Secretary, Labour Market, Environment, Industry, and Infrastructure Division
Mr Nick Loan, Assistant Secretary, Labour Market, Environment, Industry, and Infrastructure Division
Ms Anthea Long, First Assistant Secretary, Social Policy Division
Mr Jordan George, Assistant Secretary, Social Policy Division
Mr Adam Bogiatzis, Assistant Secretary, Social Policy Division

Markets Group

Mr Brenton Philp, Deputy Secretary, Markets Group
Ms Lynn Kelly, First Assistant Secretary, Financial System Division
Mr Robb Preston, Assistant Secretary, Insurance Taskforce Branch
Mr Tim Baird, Assistant Secretary, Banking and Credit Branch
Ms Lauren Hogan, Acting Assistant Secretary, Regulators and Capital Markets Branch
Dr Andre Moore, Assistant Secretary, Banking Review, Investment and Financial Advice Branch
Mr James Kelly, First Assistant Secretary, Digital Competition and Payments Division
Mr Tony McDonald, Assistant Secretary, Competition and Digital Platforms Branch
Mr Tom Dickson, Acting First Assistant Secretary, Market Conduct Division
Mr Aidan Storer, Assistant Secretary, Consumer Branch
Ms Vaishali Dave, Acting Assistant Secretary, Corporations Branch
Ms Shellie Davis, Director, Scams Taskforce
Mr Jason McDonald, First Assistant Secretary, Competition Taskforce Division
Dr Owen Freestone, Assistant Secretary, Competition Taskforce Division
Ms Anna Barker, Assistant Secretary, Competition Taskforce Division

Australian Competition and Consumer Commission

Ms Gina Cass-Gottlieb, Chair
Ms Sarah Proudfoot, Interim Chief Executive Officer
Ms Kathie Standen, Executive General Manager National Anti-Scam Centre
Ms Sharon Alley, Chief Financial Officer
Mr Tom Leuner, Executive General Manager, Mergers, Exemptions and Digital [by video link]
Mr Rami Greiss, Executive General Manager, Consumer and Fair Trading [by video link]
Ms Nicole Ross, Executive General Manager, Infrastructure Regulation
Ms Lauren White, Acting Executive General Manager, Consumer Data Right

Ms Melinda McDonald, Executive General Manager, Competition Division [by video link]
Ms Madeline Richardson, Executive General Manager, Consumer Product Safety [by video link]
Mr Richard Home, Executive General-Manager, Digital ID

Australian Prudential Regulation Authority

Mr John Lonsdale, Chair
Ms Margaret Cole, Deputy Chair
Ms Therese McCarthy Hockey, Executive Board Member
Ms Suzanne Smith, Executive Board Member
Ms Carmen Beverley-Smith, Executive Director, Life and Private Health Insurance and Superannuation
Mr James Calveley, Acting General Counsel

Revenue Group

Ms Diane Brown, Deputy Secretary, Revenue Group
Mr Darren Kennedy, Acting First Assistant Secretary, Tax Analysis Division
Ms Laura Berger-Thomson, First Assistant Secretary, Personal and Indirect Tax and Charities Division
Mr Marty Robinson, First Assistant Secretary, Corporate and International Tax Division
Ms Neena Pai, First Assistant Secretary, Retirement Income and Superannuation Division
Ms Susan Bultitude, Assistant Secretary, Corporate and International Tax Division
Ms Kathryn Davy, Assistant Secretary, Corporate and International Tax Division
Dr Yi Yong Cai, Assistant Secretary, Tax Analysis Division
Mr Daniel Ledda, Acting Assistant Secretary, Tax Analysis Division
Ms Emma Gabrielsen, Assistant Secretary, Tax Analysis Division
Ms Emma Baudinette, Assistant Secretary, Personal and Indirect Tax and Charities Division
Mr Richard Maher, Assistant Secretary, Personal and Indirect Tax and Charities Division
Mr Bede Fraser, Assistant Secretary, Personal and Indirect Tax and Charities Division
Mr Adam Hawkins, Assistant Secretary, Retirement Income and Superannuation Division
Mr Lachlan Alvey, Acting Assistant Secretary, Retirement Income and Superannuation Division

Australian Taxation Office

Mr Rob Heferen, Commissioner of Taxation
Ms Jacqui Curtis, Chief Operating Officer, Enterprise Strategy and Corporate Operations
Mr Jeremy Hirschhorn, Second Commissioner, Client Engagement Group
Mr David Allen, Second Commissioner, Frontline Operations
Ms Kirsten Fish, Second Commissioner, Law Design and Practice
Mr Matthew Hay, Acting Chief Information Officer, Enterprise Solutions and Technology
Ms Janine Bristow, Deputy Commissioner, ATO Finance
Mr Julian Roberts, Acting Deputy Commissioner, Frontline Compliance [by video link]
Mr Hector Thompson, Deputy Commissioner, Internationals, Support and Programs
Ms Karen Foat, Deputy Commissioner, ATO Corporate
Ms Emma Rosenzweig, Deputy Commissioner, Superannuation and Employer Obligations [by video link]
Mr Nicholas Shizas, Acting Deputy Commissioner, Office of General Counsel
Ms Rebecca Saint, Deputy Commissioner, Public Groups, Client Experience [by video link]
Ms Alison Stott, Deputy Commissioner, ATO People
Mr Adrian Jeczewski, Acting Chief Finance Officer, ATO Finance
Mr Will Day, Deputy Commissioner, Small Business
Ms Anna Longley, Acting Deputy Commissioner, Frontline Risk and Strategy

Tax Practitioners Board

Mr Peter de Cure AM, Chair

Mr Michael O'Neill, Chief Executive Officer and Secretary

Ms Janette Luu, Assistant Secretary

Australian Charities and Not-for-Profit Commission

Ms Sue Woodward AM, Commissioner,

Ms Natasha Sekulic, Assistant Commissioner, General Counsel and Regulatory Service

Ms Catherine Bennett, Assistant Commissioner Operations and Engagement

Ms Rachel Smith, Acting Assistant Commissioner

Housing Australia

Mr Scott Langford, Chief Executive Officer

Mr Tim Elliott, Chief Financial Officer

Ms Lisa Braid, Chief Operating Officer

Australian Bureau of Statistics

Dr David Gruen AO, Australian Statistician

Ms Kylie Bryant, Deputy Australian Statistician

Mr Brenton Goldsworthy, Deputy Australian Statistician

Ms Jenny Telford, General Manager Census and Population Division

Australian Small Business and Family Enterprise Ombudsman

The Hon. Bruce Billson, Australian Small Business and Family Enterprise Ombudsman

Dr Craig Latham, Executive Director

Dr Matt Steen, Executive Director

Committee met at 09:01

CHAIR (Senator Walsh): I declare open this hearing of the Senate Economics Legislation Committee into the 2024-25 additional budget estimates. I begin by acknowledging the traditional custodians of the land on which we meet today and pay my respects to their elders past and present. I extend that respect to Aboriginal and Torres Strait Islander peoples here today. The committee has set 4 March 2025 as the date by which senators are to submit written questions on notice and 24 March 2025 as the date for the return of answers to questions taken on notice. The committee's proceedings today will begin with the Department of the Treasury's Macroeconomic Group and International and Foreign Investment Group. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee. Such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence.

The Senate has endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Witnesses are reminded of the Senate order specifying the process by which a claim of public interest immunity should be raised. I incorporate the public immunity statement into the *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: I remind senators of their obligations under the Behaviour Code for Australian Parliamentarians to treat witnesses with dignity, courtesy, fairness and respect. The committee has agreed to authorising all media outlets to record the proceedings of the public hearings subject to the broadcasting resolutions in the standing orders and the following conditions. The committee or a witness may object to being recorded at any time and the committee may require that recording cease at any time. Recording must not occur from behind the committee or between the committee and witnesses and must not otherwise interfere in the proceedings. Computer screens and documents belonging to senators, members and witnesses must not be recorded, and flashes must not be used. The directions of the committee secretariat must be followed at all times. An officer called to answer a question for the first time should state their full name and the capacity in which they appear. I remind committee members and witnesses who are appearing via videoconference and who are not speaking to please mute your microphones.

Department of the Treasury

[09:04]

I now welcome Senator the Hon. Katy Gallagher, Minister for Finance, Minister for Women, Minister for Government Services and Minister for the Public Service, representing the Treasurer. Dr Kennedy, we look forward to your opening statement.

Dr Kennedy: The global economy continues to face headwinds. While growth in the United States remains strong, growth in other advanced economies has been weak. In its most recent update, the IMF upgraded its expectations for growth in the United States this year by 0.5 percentage points to 2.7 per cent, reflecting supportive financial conditions and wealth effects from stronger equity prices. In contrast, conditions in the Euro

area are softer, particularly in Germany, where conditions in the manufacturing sector have been challenging. Political and policy uncertainty is also weighing on growth in the Euro area. China's economy expanded by five per cent last year. Chinese export growth was stronger than anticipated. In part, this reflects some firms in the United States bringing forward orders in advance of expected increases in tariffs under the new Trump Administration. We expect growth to ease this year as the structural weaknesses in the Chinese property sector continues alongside weak consumer demand. Global disinflation has continued, although it seems to have stalled in some economies. Much of the disinflation experienced so far has been driven by declining inflation in goods prices. The disinflation in goods prices reflects the normalisation of supply chains following the disruptions through the pandemic and the decline in energy prices following the surge induced by the Russian invasion of Ukraine. In contrast, prices for services have continued to grow relatively quickly in some economies.

The escalation in trade tensions is creating significant global policy uncertainty. This may dampen business investment, including in Australia, which will pose risks to both growth and employment. The Australian economy grew by 0.8 per cent over the year to the September quarter. Weaker economic conditions among some trading partners resulted in weaker exports of commodities and some services. Private demand contributed around half of a percentage point to growth. Household consumption has been soft as a result of cost-of-living pressures, interest rate settings and declining real household incomes. More recently, we have observed that household disposable incomes have begun to grow again. Data for the December quarter suggests that growth in household spending has lifted alongside consumer confidence.

In the Mid-Year Economic and Fiscal Outlook household consumption was expected to increase by one per cent in 2024-25 and two per cent in 2025-26. There is uncertainty regarding the speed and timing of the response of consumption to higher disposable incomes. Households had earlier reduced their rate of savings to deal with cost-of-living pressures. More recently they have begun to increase this rate. It may take longer than expected for households to build their savings buffers to a point where they feel confident to increase spending.

We have seen the beginning of a recovery in dwelling investment. Construction of new dwellings has been facing significant capacity constraints. Supply disruptions had caused a rapid increase in the prices of building materials. Difficulty finding skilled labour and tighter financial conditions were also factors constraining the building of new dwellings. More recently, with supply having normalised, inflation in the cost of building materials has eased and in some cases prices have fallen. Labour constraints, while still present, are also beginning to ease. This is reflected in recent inflation outcomes where inflation in the price of new dwellings for owner-occupiers has fallen significantly. Through last year, dwelling approvals increased and are now at levels similar to those immediately prior to the pandemic.

New public final demand grew by 4.3 per cent over the year to the September quarter. This strength reflected spending on demand-driven programs such as Medicare as well as state and Commonwealth electricity rebates. In the September quarter, public investment was in particular strong. This was largely due to spending on defence equipment and increased activity in major road and renewable energy projects. Business investment expanded by 1.5 per cent over the year to the September quarter. Business investment in the non-mining sector grew by 5.4 per cent. Business has looked to add capital as it has added new workers. This has prompted investment in new machinery and equipment, computer software and AI, renewable energy projects and data centres. In contrast, mining investment contracted by 10.3 per cent over the same period, reflecting a weaker outlook for the commodity sector. We expect business investment to slow over the coming year as major mining projects reach completion and the momentum in non-dwelling construction slows.

Below average global growth and in particular lower growth in the Chinese economy has affected demand for Australia's mining exports. This weakness has been reflected in volumes and prices. Since the start of 2024, iron ore prices have declined by 23 per cent while metallurgical coal prices have declined by 43 per cent. We expect the demand for commodities to remain weak given the outlook for China.

In the December quarter 2024, inflation moderated to 2.4 per cent. Measures of underlying inflation suggest that there has been a broad easing of inflationary pressures. Trimmed mean inflation eased to 3.2 per cent over the year to the December quarter. Much of the easing in inflation until recently reflected disinflation in goods prices. Services inflation, which has tended to be more persistent, has begun to decline. Rent inflation has fallen a little faster than we had been expecting. We have also passed the peak in insurance inflation. Growth in insurance premiums moderated for house, home contents and motor vehicle insurance as a result of easing reinsurance, replacement and repair costs.

Net overseas migration peaked in 2022-23 and is expected to continue to decline over the forward estimates. Thus far, the reduction in net overseas migration has been driven by declining migrant arrivals in line with what we expected in our budget forecasts. However, departures continue to be lower, reflecting our relatively strong

labour market. Overall, population growth peaked at 2.5 per cent in the September quarter 2023 and fell to 2.1 per cent over the year to the June quarter 2024.

The labour market has remained strong despite the slowdown in economic activity. Employment growth has been robust and the participation rate and employment-to-population ratio are at record highs. The unemployment rate has risen from its post-pandemic trough of 3.4 per cent and has remained around four per cent in recent months. The unemployment rate has not risen as much as would have been expected given the historical relationship with economic activity. Going into the most recent period of the economy slowing, the number of vacancies per unemployed person was around record highs. This meant the economy began slowing while jobseekers still had greater opportunities to find jobs. As the economy slowed, vacancies were being filled faster than new vacancies were being created, which has helped sustain strong employment growth and kept the unemployment rate low.

Nominal wage growth has been supported by generally tighter labour market conditions. The Wage Price Index grew by 3.2 per cent over the year to the December quarter 2024. With inflation normalising and unemployment steady, we expect wage growth to remain around this rate in the near term. The Australian dollar has depreciated against the US dollar over the past four months, as have many other currencies, and is trading at the lower end of the range it has traded in over the past 10 years. On a trade weighted basis, the Australian dollar has depreciated by half as much as it has against the US dollar. The depreciation in the Australian dollar late last year reflected a repricing of the US dollar after the Federal Reserve communicated some caution around future easing in monetary policy. Investors have also responded to the policy agenda of President Trump by seeking out higher-risk US investment assets. This has been reflected in recent increases in global bond yields as investors react to the probusiness policy agenda of the Trump administration. The investment inflows into the US have added to demand for US dollars, which has put pressure on a broad range of currencies including the Australian dollar.

Australia's trade exposure to China has also placed some pressure on the Australian dollar. The prospect of US tariffs on Chinese exports has exacerbated existing concerns about how weak Chinese domestic demand and the ongoing property downturn in China could flow through to an already weak Chinese demand for Australian exports. The flexible exchange rate is an important institutional feature of our economy. When there are adverse global shocks, the depreciation in the Australian dollar helps cushion the full effects of global events on the Australian economy. The use of tariffs, trade restrictions and subsidies has become more common and widespread in recent years. According to the IMF, restrictions on investment and the trade of goods and services have grown sixfold over the past 15 years. It's not new for countries to put restrictions on trade and investment for important but limited national security reasons. Export controls are in place for weapons or new technologies. Scrutiny is placed on foreign investment in critical infrastructure and systems that are vital to the operation of the economy for similar reasons. Nonetheless, when it comes to the use of tariffs more broadly, for a medium sized economy such as Australia there is overwhelming evidence that the use of trade restrictions imposes costs on our consumers and businesses. Tariffs directly increase the prices businesses and consumers pay for imported goods. Many of these goods are used as imports into the production of other goods and services. Ultimately, tariffs can push up a broader set of prices across the economy and reduce economic growth. If Australia were to impose tariffs, we would bear nearly all of the cost given our size and inability to affect the world prices of the goods we import. Cutting tariffs has provided substantial benefits to the Australian economy. Firms in sectors that are more trade exposed are typically the most productive in an economy because these firms face more intense competition. They need to keep finding ways to remain competitive by innovating and finding productivity improvements. Firms that are protected by tariffs have less incentive to compete, which reduces their need to drive productivity improvements. Even small tariffs create inefficiencies and costs for businesses and ultimately higher prices for consumers. In this light, the government's 2024-25 budget reforms to abolish around 500 nuisance tariffs will lower costs and contribute to productivity.

It is important that, should trade tensions escalate around the world, Australia's response is responsible, rigorous and effective. Even if tariffs are applied to our exports, it will seem counterintuitive to many but responding to tariffs or trade restrictions with similar measures will only make matters worse. Australia has already shown how to respond successfully to trade restrictions. We took a well-calibrated approach when China imposed restrictions on Australian exports of barley, coal, wine and lobster among other goods. Producers in the targeted industries were adversely affected, but governments did not compound the economic cost by implementing retaliatory tariffs or barriers that would have harmed Australian consumers and businesses. In many cases our exporters found alternative markets. In the case of barley, by 2022 Australia accounted for 95 per cent of Mexico's imports of barley. We also increased our exports of barley with other parts of Latin America and coal exports with South-East Asia. Australia's diplomatic engagement with China was subsequently successful in

having the restrictions lifted. Trading has resumed in all markets and, importantly, Australia has not compromised its principles.

Part of setting up Australia for success in an increasingly uncertain global economy is making sure we do not cut ourselves off from the world. But there are things we can do at home to build our resilience, including implementing and maintaining policies that underpin our market based economy and ensuring fiscal policy is sustainable while investing appropriately in our defence and security. As a medium sized open economy—a trading nation—this will ensure we are best placed to weather any major global shocks.

CHAIR: Thank you very much, Dr Kennedy, for taking us through your opening statement and for all of the work that you and your team do. I'll just take the opportunity to formally table the opening statement. We'll go straight to questions. Senator Hume.

Senator HUME: Thank you, Secretary, for your opening statement. We'll address some of the matters that are in that over the day. Firstly, I would like to address an important issue that's outstanding on the eve of an election. This issue has come to our attention via an order of production of documents in the Senate and the letter that you have provided the shadow Treasurer around the costing request that was made by the Treasurer to you to cost up a coalition policy. As part of that, Chair, I'd like to table two documents. One is the letter from the Secretary to Mr Taylor, and the other is a copy of the order of production of documents so that everybody knows exactly what it is that we're talking about. Secretary, exactly when were you made aware of the costing request that the Treasurer had made to Treasury?

Dr Kennedy: It's in the letter. I think the request was made on the 29th from the Treasurer's office to my colleagues. I'll do my best through this. Of course, my colleagues appear with revenue group, so you can also ask them questions of more detail.

Senator HUME: We will. Were you made aware of that request on that date?

Dr Kennedy: Yes.

Senator HUME: In the letter to shadow Treasurer Angus Taylor, dated 4 February, you said that the request specified policy parameters and that 'neither the request received from the Treasurer's office, nor our response, made reference to any opposition policy'. Is that still your position?

Dr Kennedy: Yes.

Senator HUME: The documents you provided through the order for production of documents reveal that senior Treasury officials directly reviewed the coalition's media statements when undertaking the costings request. How does this reflect your statement that Treasury officials were not costing opposition policy?

Dr Kennedy: We weren't costing opposition policy because, as a practice, we don't. To cost opposition policy, we'd have to engage with the opposition and ask them what the parameters of the policy were.

Senator HUME: Surely looking at opposition media statements is engaging with the opposition.

Senator Gallagher: Chair, we had a lot talking over the top of witnesses yesterday from Senator Hume.

Senator HUME: I'll get to questions for you.

Senator Gallagher: She should be listening to answers.

CHAIR: Something procedural, which is—

Senator Gallagher: You were a major offender yesterday, Senator McGrath, in particular if a woman was speaking. You talked over the top of them.

Senator McGRATH: There was a lot of incompetence with the minister at the table—

CHAIR: Senator McGrath! Minister, I'll make a procedural intervention, which is that the committee circulates and tables the documents. Senator Hume asked a question. I think Dr Kennedy was ready to answer it, unless you wanted it to be repeated?

Dr Kennedy: No. From my perspective, we could only cost an opposition policy if we engage with the opposition to understand the parameters. As a practice, we don't. If the government were to ask us, 'Could you just cost this opposition policy?' we would not do so. If the government asked us to cost a policy with parameters, then it's a lawful request and we would cost that policy. I've been very clear in the documents that we did not consider that we were costing the opposition's policy. The opposition had that policy costed by the PBO, as I understand it from the media,. You would have engaged with the PBO about the parameters of that policy, presumably, and they have costed it for you. We costed a policy that the government gave us some parameters on. The interchange that you're referring to occurred after the costing documents had been provided to the Treasurer's office. They were an exchange around officials working through what different definitions of meals and other matters of the

costings might mean. From memory, one of the officials was using as an example the opposition's policy where it could be the case that they were using a different definition of meals or entertainment from the one we were using. I want to be as clear as I possibly can: we have not costed your policy. We would not cost it if we were asked to do so. We've costed a policy that the government provided us some parameters to cost. We do it all the time. Nothing has changed in our practice.

Senator HUME: Yet in that order for production of documents a Treasury official, Richard Maher, stated:

Ultimately, this one is where the devil really would be in the detail of any policy or law change. The coalition's media release of 19 January 'Tax Deduction To Deliver Red Tape Relief For Small Business' includes the following paragraph:

'Shadow Treasurer Angus Taylor said the new deduction would apply to meal and entertainment expenses that have a connection with business activity and income, including dining and entertainment provided to clients, vendors, and employees.'

That sounds like a pretty direct reference.

Dr Kennedy: I think it makes my point. My colleague is pointing out that the devil would be in the detail. We haven't costed your policy. We don't know exactly what your policy is, and that's what he's pointing out.

Senator HUME: You replied to the shadow Treasurer's letter within 24 hours. Thank you for that. Were you aware of this email chain before you gave the assurance that there was no reference to opposition policies?

Dr Kennedy: I didn't review all of the emails until the order for the production of documents came through. It wasn't reviewed by colleagues. I hadn't seen the exchange, but I drew confidence from the colleagues I had engaged in that they had behaved appropriately throughout the entire process. I still believe they did.

Senator HUME: Did it come as a shock to you, then, when the Treasurer said in the media, 'We asked Treasury to cost the announced policy from the coalition'?

Dr Kennedy: I'm not going to comment on how the Treasurer represented what we did, but I can tell you directly we did not cost the opposition's policy.

Senator HUME: Did you ask him to correct the record?

Dr Kennedy: I haven't spoken to the Treasurer about his comments. I don't have them in front of me and I haven't reviewed them. I can go away and review them if you wish, but I haven't since spoken to him about how he expressed the policy.

Senator HUME: I don't think they need much context: 'We asked Treasury to cost the announced policy from the coalition.'

Dr Kennedy: That's a matter for the Treasurer and the minister. I've told you what we did.

Senator HUME: He misrepresented you, then?

Dr Kennedy: As I said, it's a matter for the Treasurer and the minister. We did what I said we did.

Senator HUME: He said that he politicised you. Does that not bother you?

Dr Kennedy: I'm behaving in a way that I believe and the department believes is appropriate. My ministers and elected officials behave in the way they feel is appropriate. As I said, I can be clear through all of this. We did not cost your policy. We don't cost opposition policies.

Senator HUME: Do you think that you were misinformed in your letter to the shadow Treasurer where you said, 'Neither the request received from the Treasurer's office, nor our response, made reference to any opposition policy'? Would you like to take the opportunity to correct that record?

Dr Kennedy: No, that is still correct. The conversation occurred after the information had been provided. It was a subsequent conversation around a debate that people began to have about what meals or entertainment would reflect. There was no reviewing of the opposition policy in preparing that costing. We were not asked to cost an opposition policy. In costing the policy, we did not review the opposition's policy. We costed along the lines and the parameters that were presented.

Senator HUME: If the costing was based on specifications provided by the Treasurer, why were senior Treasury officials referring to the coalition's media statements and the shadow Treasurer by name and not seeking clarification from the Treasurer's office about the specifications?

Dr Kennedy: As I said, that conversation occurred after the event. It was a subsequent conversation between officials trying to understand differences that were being discussed obviously in the media. We don't live in a vacuum. Of course we understand that the coalition announces policies. We don't provide the government advice on them, but we seek to understand them, because perhaps not too far down the track I'll be preparing advice for

alternative governments which will require us to understand your policies in detail. But we did not cost that policy by reference to your announcements.

Senator Gallagher: You could have released your costing.

Senator HUME: Minister, I'll get to you eventually.

Senator Gallagher: I'm looking forward to it!

CHAIR: Order!

Senator HUME: I don't have the Secretary for very long.

Senator Gallagher: You could have actually released a costing, as is normal practice, with a policy announcement, of course. You chose not to do that.

Senator HUME: Ms Brown asked Treasury officials, 'Can I please get a crisp, publicly repeatable definition of meal expense and entertainment expense.' If the Treasury only costs the policy that's specified by the Treasurer, shouldn't they know how the policy is defined?

Dr Kennedy: You can ask her yourself this evening.

Senator HUME: We will.

Dr Kennedy: Ms Brown was seeking more information. We were asked to do that costing in a relatively short period of time. We did our best. All of the documents that you asked to be produced have been produced—more detail, and lots of flowing back and forward. I believe we've done the right thing there. As it went on, it occurred to her to ask for more information about this particular dimension, and her officers attempted to answer that question.

Senator HUME: Did that exchange take place after the Treasurer had stood up and said, 'We asked Treasury to cost the announced policy from the coalition'? I might add that quote is on Treasury's website.

Dr Kennedy: The Treasurer's press release is not on our website.

Senator HUME: It is.

Dr Kennedy: I can have that checked. I don't believe that it is. My understanding is the Treasurer's press release is only on the ALP website.

Senator HUME: No.

Dr Kennedy: We can go and confirm that for you, if you like. Have you got that material?

Senator HUME: It doesn't matter. Just take my word for it.

Senator Gallagher: If there's a document that you're referring to, you know that you should circulate it.

Senator HUME: It's ministers.treasury.gov.au/ministers/jim-chalmers-2022/transcripts.

Dr Kennedy: It's a transcript. So, the transcript is there. Normally what we would engage in is press releases. The Treasurer's press release, just so I am clear with the committee, is not on our website because our judgement is that it was of a nature that, according to the DTA guidelines, wouldn't be appropriate to have on our website.

Senator HUME: Why was the request necessary, the one that was made prior to the costing being released to the media? Do you reject that Treasury knew that this policy costing was for public consumption and not for genuine policy advice? This is the request by Ms Brown for a crisp, publicly repeatable definition of meal expense.

Dr Kennedy: You could confirm with Ms Brown, but my understanding is she was seeking to, by that, understand in a non-technical way what people were talking about when they were talking about differences in definitions of meals and entertainment.

Senator HUME: It was for public consumption. Why would genuine policy advice be for public consumption?

Dr Kennedy: That's something you can confirm with her, but my understanding is she was just seeking to understand it in a careful and easy way.

Senator HUME: Do you reject that Treasury knew that this policy costing was of opposition policy and therefore for public consumption?

Dr Kennedy: We were asked to do a costing by the government with specific parameters, which we did. What the government does with it after that is a matter for them. That question should be, if you like, addressed directly to the Treasurer or the minister.

Senator HUME: I have the minister at the table—

CHAIR: Senator Hume!

Dr Kennedy: I can't second-guess. I can't go around second-guessing how all of my ministers will use the briefing or materials that we provide to them. It's not appropriate for me to do so. We went about it in an appropriate way. We costed a policy that we were asked to cost. We provided the information to the Treasurer's office. The actions of the Treasurer and his office subsequent to that are a matter for them.

Senator HUME: Minister, the Treasurer said, 'We asked Treasury to cost the announced policy from the coalition.' Was he wrong or was he right?

Senator Gallagher: The costing request is clear and it's in the OPD that you have tabled that shows the question that was asked of Treasury. The Treasurer's media comments were to explain, I think, the advice that had been received about that and to draw attention to the fact that your policy was released without any costings or any advice. I think the government's view was there was a responsibility to explain what impact that policy would have on the budget.

Senator HUME: Was he wrong or was he right?

Senator Gallagher: The Treasurer's remarks are his. He made them at a press conference.

Senator HUME: You're representing him here.

Senator Gallagher: Yes, I'm representing him. He made them because you did not release any costings to go with your policy, which is very unusual. He was provided with advice based on some information and parameters that have been provided to Treasury in the absence of you fronting up and being honest about what your policy was.

Senator HUME: Minister—

Senator Gallagher: Sorry; If I could actually answer your question.

Senator HUME: Wrong or right?

Senator Gallagher: Chair, I'm not going to put up with Senator Hume and the talking over the top that I experienced yesterday. It is not appropriate in a workplace.

CHAIR: Minister, I'll let you finish your answer, and then I will share the call, because we are at 15 minutes for your block, Senator Hume. Minister, if you'd like to conclude your answer.

Senator Gallagher: The responsibility then fell to the government to explain the fiscal impact of your policy because of your refusal to release a costing. I would also—

Senator HUME: Why don't you tell the truth?

Senator Gallagher: I haven't finished my answer. I would also draw the committee's attention to a letter by Mr Philip Gaetjens on 12 April 2019.

Senator HUME: Minister, I'm asking about policy now.

CHAIR: Senator Hume, you don't have the call.

Senator Gallagher: I have not finished my answer.

Senator HUME: Stop being grubby. Just get on with answering the question.

CHAIR: Senator Hume, if you would like me to direct the call to you again, please desist. You do not have the call. Your block has concluded. The minister has the call.

Senator Gallagher: I know this might be uncomfortable for you, Senator Hume, but the advice that Dr Kennedy has given this morning is in line with the advice that former Secretary of the Treasury gave in a similar circumstance where he explains:

Treasury received requests from the Treasurer's Office outlining a number of policies to be costed with details and specifications also provided. The specifications provided made no reference to the Opposition. The relevant officials costed these proposals and provided this analysis to the Treasurer's Office prior to the commencement of the caretaker period.

It's quite a long letter, but it deals with the issues specifically that you have been raising. It continues:

In keeping with that responsibility, we have been regularly asked by governments over many years to undertake costings on policies and proposals. ... if a government makes a lawful request of Treasury for information, we will generally seek to do what the government has asked us. We were not asked to cost another party's policies and would not do so if the request was made specifically to 'cost Party X's policy'.

I just wanted that on the record because the situation that is being examined here this morning is exactly the same as a situation examined; the advice from both secretaries of Treasury is exactly the same.

Senator HUME: Chair, we only have the secretary for a limited time.

CHAIR: Dr Kennedy, thanks again for your opening statement and for all of the work that you and your team have done through a really uncommon set of economic circumstances after the pandemic. I note that the work you've been doing over a period of time and over the last couple of years has really been about trying to land that narrow path as we as a country, like other advanced countries, have been left with in the post-COVID inflation bubble. I noticed in your opening statement that you didn't talk too much about that domestic situation and where we are on that narrow path. You focused a bit more, if I read your remarks correctly, on international risks that are emerging. We seem to be in a place where that narrow path has emerged, where we have been able to do something incredible, which is maintain employment gains, low unemployment, good jobs growth, good wages growth, and real wages growth, at the same time as we've been able to put that downward pressure on inflation. I did want to get your reflections on that journey and how we've gone on clearing that narrow path and landing that narrow path perhaps before we go to some of the international risks you're identifying there.

Dr Kennedy: I'm very happy to make some remarks around that. As I've remarked in previous estimates, it is very pleasing to see the economy operating—it is always hard to know exactly whether we're at full employment—at least close to full employment. It is a good outcome, in particular when, from the macro policy setting perspective, we look back at the pre-COVID period where the unemployment rate tended to average about a percentage point higher. The opportunity, in particular for young people, that is generated by being able to maintain having an unemployment rate close to four—at the very least in the low fours—is not only in the longer term positive for growth but a great opportunity for welfare more broadly.

The first step towards the focus on this type of path was actually made under the previous government when former Treasurer Frydenberg included full employment in his fiscal strategy, and the subsequent Treasurer has continued that focus. For my part, I think it's been an excellent development to see a stronger focus on our ability to maintain strong employment while also maintaining low and stable inflation.

Of course, it has been a very difficult adjustment from the post-COVID period and also the energy shocks that we've seen through Russia's illegal invasion of Ukraine. There's no doubt that has been a difficult adjustment, and we, frankly, did not foresee at the end of COVID that type of shock and what it would mean. But the economy has adjusted well. It has been difficult. Price levels are higher. It is fantastic to see those youth unemployment outcomes and some of those employment outcomes that's generated by that path.

Headline inflation is, as I said, 2.4 per cent, and underlying inflation is easing. There are some good signs. I'll leave it to the RBA tomorrow to talk about the governor's remarks. The governor recently outlined the positive signs we have seen. We're continuing to watch developments very closely. As I said in my opening remarks, some countries have seen some reemergence of inflation—we will watch that closely—or they've seen some subsequent stickiness. But it is pleasing that we're not experiencing unemployment rates that are going through five per cent as they are in other countries—New Zealand, Canada and the UK.

As they say, the job is not done. We have to continue to watch this very closely. But for the overall resilience and strength of the economy to have as many people as reasonably possible in employment with low and stable inflation is an excellent outcome. We are making good progress towards that.

Lastly, on the outlook for growth, we at MYEFO did express some confidence that growth would begin to strengthen from here and, of course, with that real household disposable incomes and some real wage growth. I would be the first to acknowledge that's after a significantly difficult period with prices having risen to high levels. I spoke about the insurance premiums. I am increasingly optimistic that we are definitely through the worst of it and that we may land the recovery in a place that hopefully in years to come we will reflect on very positively.

CHAIR: We've been able to navigate this period of time and maintain those gains in the labour market, with low unemployment and wages continuing to be strong. I think we've had five quarters now of real wages growth at the same time as we've been able to put that downward pressure on inflation. Everyone is working together on that. When you look at the international experience in similar economies where many countries have gone through this post-COVID inflation spike, how does our experience in maintaining those employment gains compare with other countries? You mentioned a couple in your previous answer—I think New Zealand and the UK, for example. What are some of the insights we have about how we have been able to maintain those employment gains here in this country?

Dr Kennedy: It's probably a unique feature of our recovery from the ongoing adjustment to that shock that we have had really what are extraordinary employment gains, and to have participation and employment to population at record levels. Even in the US where they've had much stronger growth, as I mentioned, compared to other countries and their unemployment rate is around a similar level, they have not experienced the increase in the employment-to-population ratio or participation rate that we have. In other words, we've managed to keep the

unemployment rate low but also bring more people from outside the workforce into the workforce. A lot of that has occurred across the care economy as in the post-COVID period we've structurally adjusted to the investments that have taken place there. Of course, it's worth noting that we have had strong population growth through this period, which can naturally lead to its own supply and demand. But if you look at the ratios, they give you a sense of how the internal labour market is operating.

The counterpart of that—and there are some conundrums in it—is that with such strong employment growth productivity growth has not been as strong, for example, as it has been in the US. It is similar to other countries; growth there has been much stronger, but our labour market has been much stronger. I'm hopeful that the substantial part of the productivity story is cyclical. As I said in my remarks, as firms come to put more machinery and equipment and capital investment with their increased labour, we will see productivity begin to improve. But it's something we're watching closely. It's trend productivity we're most focused on. That's something to watch carefully. Fundamentally, real wage growth will end up depending on what productivity growth is in the longer term. But as a starting point, to be close to or near full employment is a great outcome.

CHAIR: In your opening statement, you spent a bit of time talking about international conditions and how they may impact our economy here. You've focused a bit on the slowdown in China. You've talked a bit about what's going on in the US and tensions around trade. What's keeping you awake at night? At this stage of your time in your role, hopefully nothing much in relation to these questions. But what's occupying your mind the most when you look at those international pressures that we're facing and that you have sought today in your comments to draw our attention to?

Dr Kennedy: I refer to the global developments in trade and international relations. I'm not the expert on it. It's best to talk to colleagues in foreign affairs, national security, defence and other areas. I think they're quite profound. They can have profound economic consequences. The reason I spent some time talking today about how much Australia has benefited from its own trade reform, which I might add has been conducted by all governments, both sides of politics if you like, reinforces the great strengths I've seen in that, as I understand it, bipartisan approach around trade liberalisation. I'd remind people, as we did with the previous government when trade measures were applied to us from China, that our flexible economy can respond well to these if we keep it flexible and if we're sensible in the way we go about it. It can look very appealing to apply trade restrictions, but they fundamentally will harm us. People will be talking about these issues; they're in the press a lot. Other countries are choosing to go down the path of using trade restrictions for a variety of reasons. I don't want to be in the political domain here, but I thought it was worth at least telling the story of Australia here and reminding ourselves, frankly, of how well we and our exporters did when we had trade restrictions applied to us. I'm not saying it was easy for all. It was quite difficult for some who found it hard to find alternative markets, but we showed that a focus on market flexibility is one of the strongest things we can do to support our resilience in those difficult periods.

CHAIR: Following on from that answer and looking again at your opening statement, you say we took a well-calibrated approach when China imposed restrictions on Australian exports. You say that governments did not compound the cost by implementing retaliatory tariffs. It seems that you're wanting to draw attention to the risks of taking such an approach given the debate that is on at the moment about international trade. What do you see as the risks for us if we were to engage in emerging trade contests in a way, to use your words, that is not well calibrated?

Dr Kennedy: The risk for us—and it's actually related to the fact that our economy is near full employment—is that if we behaved in such a way and responded with measures that saw people employed in areas that weren't as productive as they otherwise could be, in toto that would be a net negative for Australia. One of the things that we have to think very carefully about when we're at full employment is, if you like, the reasonable and efficient allocation of that labour—and, as you said, receiving real wage increases, which will depend on productivity. But related to that is that people are working in the activities where they are needed most. Australia has had a long history of operating behind significant trade barriers. The broad consensus is that the removal of those barriers through the eighties and nineties and even into the 2000s has been positive for Australia. It's important to remember that they leave us stronger, not weaker, and that reimposing them would not ameliorate the costs that come from other actions. We're not happy about other actions should they take place. But there are sensible ways for Australia to engage. As I said, the diplomatic efforts with respect to China's coercion of us have been successful and that trade has resumed. That's a great outcome. As I also said, it's a matter for you as elected officials to judge, of course. But from my perspective it is quite important that our principles are not compromised in those diplomatic engagements.

CHAIR: Senator Hume.

Senator HUME: You said that you had not seen this email chain that's in the OPD before you wrote the letter to the shadow Treasurer. Can I just be very clear: that order for production of documents reveals that there was in fact a lower preliminary estimate of the coalition's policy that was provided to the Treasurer's chief of staff and that was lower than the final costing. Was Treasury asked to come up with a higher figure by the Treasurer's office?

Dr Kennedy: You'll have to go to the relevant officials for that. But I think that was a costing for meals, not meals and entertainment. I'm not certain of that. You will have to check the documents you have in front of you. We did do separate costings for meals and then for meals and entertainment. From memory, the meals one was around 500. Sorry. You'll have the documents in front of you. I'll just point out one other thing with that costing. That was not a year-by-year costing. It's an accrual costing of the mature cost of the policy as well. Just to point out what I presume would be a difference with a PBO costing that's costed your policy specifically, we haven't said that this is what it costs in the first year, the second year, the third year and subsequently. If you like, it's the first preliminary run for what the cost would be on an accrual basis. I just clarify that for you at the same time.

Senator HUME: The order for production of documents has language that says, 'We can round it up. We'll get us close to \$1 billion.' I again ask you: was Treasury asked to come up with a high figure by the Treasurer's office?

Dr Kennedy: I'm not aware. You can check with them. In my investigations I am not aware they were asked to do that. I would of course be very concerned if they did, but I have every confidence they did not.

Senator Gallagher: You could just release the costings that you've had done and the assumptions.

Senator HUME: We've released the order for production of documents instead. Sorry. Just let me ask the Treasury Secretary some questions, because I don't have him for very long. Is it usual practice for Treasury costings to rely on LinkedIn articles or data sourced from overseas with very different taxation arrangements, or data sourced that was eight years old, from 2017? I note that this is all the same source.

Dr Kennedy: We were asked to do a costing in just the time available. As was indicated on the email that was sent, it was draft. We did the best in the time we had. We were explicit about the sources. As I just said to you, in the sense of a costing being finalised from year to year, we were not asked to do that. We were simply asked to cost in broad terms where it's at. You have the documents in front of you. That's what we did in the time available.

Senator HUME: You said 'in the time available'. Why was it so urgent? Was it going to ERC?

Dr Kennedy: As far as I'm aware, it wasn't going to ERC; it was an engagement with the Treasurer's office and they asked for the numbers.

Senator HUME: Urgently?

Dr Kennedy: I don't know whether 'urgent' appears in the email. They asked for the numbers over that time period.

Senator Gallagher: It said, 'Could you please get back to me by Friday morning?'

Dr Kennedy: When we get asked to do things, we get asked to do a lot of things quickly and we do our best to do them.

Senator HUME: The order for production of documents reveals that Treasury appears to have contacted three independent agencies to work on this costing. In what context was Treasury communicating with the PBO? The order for production of document says, 'Work sharing this with John Clark', who's the assistant parliamentary budget officer, 'with the ATO'. It says, 'Thoughts from Julia Neville, Assistant ATO Commissioner, re our approach' and 'from New Zealand officials'. 'I am going to reach out to one of the New Zealand contacts.' Why would they do all of those?

Senator Gallagher: The Treasurer is providing advice.

Dr Kennedy: I think that's really unremarkable. We're asked to do something in a short period of time.

Senator HUME: But you have the parameters. Why do you need that?

Dr Kennedy: We would reach out to known experts to understand and to get some feedback on whether our approach seemed reasonable. When you don't have long to do it, one of the ways to ameliorate risks is to ask others to review what you were doing. I think it would be more remarkable if we hadn't reached out to people to ask them for a view whether we were taking a reasonable approach in costing a request from the government.

Senator HUME: The OPD also says, 'This costing is of low reliability.' Did you reinforce this to the Treasurer?

Dr Kennedy: That's in the documents that were provided to the Treasurer's office.

Senator HUME: You did reinforce to the Treasurer that these costings were of low reliability?

Dr Kennedy: I didn't talk directly to the Treasurer about the costing, but the officials who sent the documents through to his office—it sits in the documents in front of you—were very clear. It's of low reliability. Sometimes our costings are of low reliability because of the data available and the number of assumptions we had to make. I think we've been very transparent.

Senator HUME: That wasn't in any of the press releases.

Senator Gallagher: Neither was your costing.

Senator HUME: The order for production of documents identified that the bulk of the work occurred over the weekend. What overtime arrangements do you have in Treasury for weekend work?

Senator Gallagher: People work hard in Treasury.

Dr Kennedy: For senior officials, we tend to just work as required. For APS staff and EL staff, we have arrangements. I don't know whether overtime was asked for that weekend. I can get that confirmed either—

Senator HUME: If you could, we'd like to know exactly how much taxpayers' money was claimed in overtime at Treasury for working on a coalition policy.

Senator Gallagher: That's not what happened and you've had that evidence—

Senator HUME: Would you further consider—

Senator Gallagher: Sorry. No. Those little asides—no, that is not the evidence that has been given here today. For the record, Treasury costed a request from the Treasurer's office of a policy with certain parameters.

Senator HUME: Would you consider having the Australian Public Service Commission investigate this further?

Senator O'NEILL: Why don't you just release your costing so everybody can actually see what's going on instead of this?

Senator Gallagher: I'd be embarrassed if it was my policy.

Senator HUME: Is there a problem in having the Australian Public Service Commissioner investigate this?

Dr Kennedy: I did bring the issue to the attention of my colleague at the Public Service Commission. I'll have to confirm this. I provided him with a copy of the letter I provided to the shadow Treasurer. It's a matter for him if he wishes to investigate me or the department more broadly. I'll leave that with him. I'm very comfortable that you tabled the letter today. I hadn't put it on the website because I hadn't engaged with the shadow Treasurer about whether he would have concerns about me making the letter public. Now that you've done that, that's also done.

Senator Gallagher: If I can add to that answer, which I am allowed to do, I would remind Senator Hume of the advice from Mr Gaetjens around exactly the same circumstance.

Senator HUME: We've heard that advice. I want to ask—

CHAIR: Senator Hume—

Senator HUME: This is absolutely time wasting.

CHAIR: Senator Hume, what is taking more time is when opposition senators are talking over the answers that are given. When you do that, I will intervene in this way. That will cost you more time. The minister is answering, as she is entitled to do.

Senator HUME: She's not entitled to filibuster, though.

CHAIR: Minister?

Senator Gallagher: It's hardly a filibuster to promptly put on the record that in the advice from Mr Gaetjens in 2019 around a situation of almost identical concern raised from a member of the opposition there was no further investigation of that.

Senator HUME: Secretary, I know that this is uncomfortable; the Treasurer has put you in an invidious position. Given his repeated referral to this costing as opposition policy—and he did this as recently as last Friday—can we please get an undertaking from you whether you have spoken to the Treasurer about how he is politicising your job and putting you in a terrible position? He did this last Friday.

Dr Kennedy: I haven't spoken to the Treasurer about the issue.

Senator HUME: You haven't said to him, 'It is very uncomfortable when you say'—

Senator O'NEILL: He said no.

Senator BRAGG: Can you stop doing that?

Senator O'NEILL: He said no.

Senator BRAGG: It's disorderly.

Senator O'NEILL: And this is orderly? She's verballing the Treasurer, which is absolutely out of order, and she's continuing to ask the same question over and over.

CHAIR: Thank you for all of the interjections inviting me to maintain order. Senator Hume?

Senator HUME: The Treasurer has repeatedly said that he asked Treasury to cost opposition policy. Even when it became clear you had written to the shadow Treasurer to say that wasn't so, the Treasurer repeated it.

Dr Kennedy: The Treasurer's remarks are a matter for him.

Senator HUME: He has specifically said that he has politicised the Public Service. He's put you in an awkward position. I know this, Secretary.

Senator Gallagher: He has not said that. You are saying that. He is not saying that. The elephant in the room is: release your costings. Why are you so embarrassed about it? An alternative government announcing a policy but not releasing a costing—it's remarkable. It's extraordinary.

Senator HUME: Will you make a formal statement, Secretary, clarifying the fact that the Treasurer has asked you to cost opposition policy? Every email trail suggests that this is so.

Senator Gallagher: No. That is incorrect. It is not true, and you've got the order of production of documents that clearly shows that was not the request from the Treasurer or his office.

CHAIR: The minister is entitled to answer a question.

Senator Gallagher: Yes.

Senator McGRATH: The question went to the Secretary.

CHAIR: The Minister is entitled to answer a question. Senator Hume.

Senator HUME: Let me just move on. Dr Kennedy, it's no secret, but can I confirm for the record that you worked as an adviser to Kevin Rudd during the GFC?

Dr Kennedy: I did work with Mr Rudd.

Senator HUME: Did you work with the now Treasurer in that capacity?

Dr Kennedy: The now Treasurer was in the Treasurer's office. I was in the Prime Minister's office. I was a seconded Treasury official.

Senator HUME: I note that Mr White, who is the new head of fiscal, worked as an adviser in the personal offices of Wayne Swan and Chris Bowen as Treasurer. I note that Ms Brown supervised that work, and she also worked on the personal staff of Stephen Conroy—

Senator Gallagher: Chair, this is an extraordinary attack on Treasury officials.

Senator HUME: Yes, it's awful!

Senator Gallagher: There would be many Treasury officials—

Senator HUME: It's awful what you've done to them! Dr Kennedy—

Senator Gallagher: There would be many Treasury officials who have worked in a seconded way to governments of all different types over the last 30 years, I would expect. To be fair, Treasury and Public Service has a proud record of being apolitical. People turn up to work and are professional. What you are doing here, Senator Hume, is disgusting and outrageous.

CHAIR: Senator Hume—

Senator HUME: I just have two more questions.

CHAIR: The standing orders give us guidance about impugning the motives of public servants.

Senator HUME: I didn't impugn anybody. I asked about their—

CHAIR: I am concerned, Senator Hume, about the line of questioning that you are adopting for one of the most well respected, on all sides of politics, public servants in this country.

Senator McGRATH: On a point of order.

CHAIR: I haven't finished, Senator McGrath. I am listening carefully to your line of questioning. Do you want to do your point of order or shall I give Senator Hume the call for the short amount of time she has left?

Senator McGRATH: Chair, you and the minister interrupted Senator Hume. She's unable to finish her question to the Secretary. If Senator Hume could be allowed to finish her question to the Secretary without interruption, please.

CHAIR: I was just about to give Senator Hume the call for a final question before we had to listen to that point of order.

Senator Gallagher: I'm not going to sit here and allow this sort of outrageous, disgusting attack on people who have served their country with distinction in public service for governments of all persuasions. Let's be clear about that.

CHAIR: This is your final question, Senator Hume.

Senator HUME: Dr Kennedy, knowing that you deny that the Treasury has acted in a political manner, that there are numerous Deputy Secretaries and Secretaries who will be appearing today on the personal staffs of Labor politicians, and at the same time we have in writing that those officials have been discussing using opposition press announcements as the basis of a costing, putting forward a piece of work that they admitted was of low reliability while ensuring that the costing had crisp, publicly repeatable, defined terms, clearly knowing that it was intended for public use—

Senator Gallagher: Just release your costings.

Senator HUME: but not for policy consideration, is it your assertion that Treasury has not been politicised?

Dr Kennedy: Yes, it's my assertion that Treasury is not being politicised. I'll make a few remarks around some of your questions. It would be a shame if government officials chose not to go and work in ministers' offices—

Senator HUME: I agree.

Dr Kennedy: because of the experience they would obtain. I have an acting Deputy Secretary, for example, who worked former Prime Minister Turnbull. Recently one of my Deputy Secretaries left the department who worked former Prime Minister Abbott. We've all gained enormous experience and, frankly, empathy and insight into the demands on elected officials by taking an opportunity in our careers to work with elected officials. I think it would be a real shame if public servants felt that it would be a negative for their career if they did not take up those opportunities. As to the officials in Treasury and the way they're behaving, I do completely reject that the department or the officials are politicised. As you pointed out through these remarks, we are sometimes put in a challenging position, but we respond as best we can. We serve the government of the day. We form our advice independently. I am very confident that we do not act politically. I do reject that assertion. I don't believe Treasury has become political. I very much enjoyed the appointment that was made of me by Prime Minister Turnbull into infrastructure, by Prime Minister Morrison into Treasury, and then my reappointment by Prime Minister Albanese into Treasury. Through all of those appointments, and with the various ministers, I believe I worked with over 17 ministers in the coalition government in infrastructure, and then a few less in the Treasury portfolio. I've behaved no differently with this government. Nor have I observed the departments behaving any differently. I understand how the circumstances might lead you to question that, but all I can do is assure you that has not been the case.

Senator HUME: So knowing that the Treasurer has—

CHAIR: No, Senator Hume!

Senator HUME: let you down. Has the Treasurer let you down?

CHAIR: I am sharing the call, as I have foreshadowed multiple times that I was about to do, because you are well over time, Senator Hume.

Senator O'NEILL: Can I take the opportunity to thank you, Dr Kennedy, and all those public servants who serve their nation with integrity and apply very strict principles to the way in which you engage with government. I just think, given what's gone on, to note the final sentences of your letter, which you turned around, I think on your evidence, in 24 hours at the request of the shadow Treasurer, you state that 'we will not cost a policy that is specified as a policy of another political party', which is your evidence to us today despite Senator Hume's tender ministrations, if I can put it that way. 'This has been a longstanding practice of Treasury consistent with statements made by my predecessors in similar circumstances to the Hon. Chris Bowen MP in 2019 and the Hon. Joe Hockey MP in 2012.' For the record, the letter I believe Senator Gallagher has referred to of 2019 states that 'if a government makes a lawful request of Treasury for information, we will generally seek to do what the government has asked' and that 'we were not asked to cost another party's policies and would not do so if the request was made specifically to cost party X's policy'. That's a letter from Phil Gaetjens to Mr Bowen on 12 April 2019. What you've been asked about today, for those who don't pay a lot of attention to politics, is your standard

operating procedure. You're asked about a matter of public interest. You're asked to put together some indication for the government in the absence of information from the opposition. You did not cost the policy; is that correct? You did not cost the policy; is that correct Dr Kennedy?

Dr Kennedy: That's correct. We didn't cost the opposition's policy, and you're also correct that we behaved in practices that are longstanding in serving the government of the day.

Senator O'NEILL: Whatever government—whatever shape or form?

Dr Kennedy: Correct.

Senator O'NEILL: Thank you very much, Dr Kennedy. Can I go to—

CHAIR: Senator O'Neill, just before you continue, there's a letter that's been referred to by you a couple of times from Mr Gaetjens to Mr Bowen, and the committee tables that letter.

Senator O'NEILL: Can I go to another matter that I think exercises the minds of Australians. People understand their own personal budget, but they are very interested in the federal budget and fiscal settings. Could I ask you to give us the sense, Dr Kennedy, of when was the last time, given your long service to this country, back-to-back surpluses were actually achieved?

Dr Kennedy: That's a good question. It was 15 years, from memory. Dr Johnson will just check for us on back to back. It has been an unusual period in the country. We had the very large movements in COVID negative—and needed—but it has been in particular compared with other countries excellent to see us print two surpluses in this country. Few others can claim that. In fact, I can't think of anyone off the top of my head. From my perspective, our relative fiscal position compared with the rest of the world remains quite good. Our gross debt to GDP is relatively low, as is net debt. But that's not to say that ongoing fiscal circumstances don't require close attention given the global circumstances that I also spoke about earlier. But it is an important achievement to have seen the budget go into surplus over two years.

Senator O'NEILL: How does the budget position compare to the 2022 pre-election fiscal outlook at this point?

Dr Kennedy: I won't have the precise numbers in front of me, but the budget position has improved significantly compared with how we expected the economy would unfold from that period. An important feature of why that is the case is the government's decision to save, if you like, the vast majority of the revenue surprises that we received to the upside. That has been an important decision and it's part of the government's fiscal strategy. We were, it's worth acknowledging, the beneficiary of some higher prices. They were negative for consumers but quite positive for some of our exports. What was important was that we used that as an opportunity to improve the underlying fiscal position. Of course, that has led to a significantly lower debt profile compared with the PEFO period.

Senator O'NEILL: I've noted the comments that you've made about the uncertainty of the global reality. Perhaps we're all a little more aware of that than we were 25 years ago. One of the questions I think that Australians are asking is: why is it important to undertake the strategies that you've just described to rebuild fiscal buffers?

Dr Kennedy: I think with our response in COVID and also in the GFC, because governments of all persuasions had been reasonable in the way they approach fiscal policy, we were able to respond forcefully and quite positively for the economy. It gives us that flexibility when we do get these shocks to support the transition if it's needed through public expenditures. Looking around the world at the moment, I guess one could hardly feel relaxed about the prospect for more shocks given conflicts and, as I said earlier, the trade tensions. That's why I made the comment in my opening remarks about how part of resilience is ongoing fiscal sustainability. We've seen comments in the press from the UK Prime Minister about their focus on defence. We may well be entering a period where the country has to focus on those expenditures, and to do that will require difficult trade-offs. But it's much better to start from our fiscal position than the fiscal position that many other countries will start from.

Senator HUME: That's a consequence of determined decisions by primarily the finance minister and the Treasurer around managing things like our debt and banking the money when we can in the way that ordinary Australians might think, 'We need to save for these rainy days and pay down our debt.' Could you explain what the impact of the improvement in the fiscal position on debt and interest costs has been as a result of these responsible fiscal decisions by the financial leadership team?

Dr Kennedy: I'll leave the minister to explain the government's position, but I can explain how those dynamics work. Certainly by reducing debt, regardless of the interest that's going to be applied to it, you will—not 'regardless'—all things given reduce the amount of interest payments you have to pay. One of the fastest

growing government expenditures was interest payments on debt. That was actually not reflecting the debt rising. In fact it was falling because of the overall government position, but it reflected the fact that interest rates were going up and we were paying higher on our bonds. There's some prospect they may come down a little bit as they have, and so that will lower the interest burden. The debt level is important because it means, regardless of what interest rate we're facing on raising that debt, it will cost us less to service that debt, and that will leave more money available for other activities. The second thing I would say is that it also means, if there are shocks or significant swings, we're able to use fiscal policy appropriately to assist the community in those times because we can feel comfortable that we're in a good debt position.

Senator O'NEILL: When you say the responsible management of this creates the context where you can assist the community if need be, what does that actually mean practically?

Dr Kennedy: In the case of some shocks—we talked a little bit about full employment earlier—there can be, for example, the potential for investment and employment to be affected by global uncertainty. What can happen to firms under conditions of significant global uncertainty is that firms can delay investment. They can be unsure about what the future looks like, and demand can fall. Sometimes it can fall very significantly. Of course, monetary policy is the first avenue to respond to those types of cycles, and in particular for demand shocks remains, in my view, our first port of call and the primary one. I think the Reserve Bank over many years has done well from that perspective. The second feature that gets relied upon is fiscal policy, where the government may need to assist the transition or some communities may be much more badly affected than others, for example, if a particular export market was badly affected or an industry was under significant pressure. Understanding that your fiscal position is both good today and in the future gives you the opportunity to confidently respond to those concerns. To be clear, that's not just about the government's budget. That's about people's welfare. That's about their ability to get jobs, their ability to feel confident and to continue to consume. If they don't feel confident about the outlook for their own economy, they'll stop consuming and that will make matters worse. There's a very important role, in my mind, for government to give the community confidence that not only is its own finances well managed; they also will respond responsibly when circumstances demand.

Senator O'NEILL: The reality, Dr Kennedy, with the delivery of two surpluses and paying down the debt, is that this responsible economic management is providing certainty to our economy and to the people of Australia. Does that accord with Treasury's view of the current situation?

Dr Kennedy: I think certainly through that period, with the significant surge in export revenues and tax revenues, that saving that money rather than recycling it is an important and responsible way to manage fiscal policy. There are, I might mention, long-term pressures on the budget in many areas. Beyond servicing debt, other expenditure areas that grow quickly, for example, are the NDIS and aged care. It's important that we also continue to think about the growth rates of those areas because those spending pressures are going to be important in taking pressure off the budget more broadly. As I mentioned in my previous opening statement to the last committee, it was pleasing to see the bipartisan support across aged care reform and NDIS reform. They're both very valuable and important programs, but we must make sure they're set on a sustainable footing.

Senator O'NEILL: One of the things that I think all public participants here in the parliament see when we move around electorates and across the state for senators is the empowering nature of people having work. We often talk about unemployment figures, and it becomes a number. But ultimately what we're really talking about is people having a sense of purpose, being able to go to a place where they're seen and noticed and productively engage in their local community and get the certainty that a job provides. In that context, I don't think we minimise the value of the numbers, but that's what it's about. My question goes to how many jobs have been created since May 2022?

Dr Kennedy: I will pass to my colleague for the answer on the number of jobs that have been created. It has been an extraordinary time in terms of the amount of employment that has been generated. To go back to those earlier ratios I spoke about, to have this proportion of people employed from the population and to have those very high participation rates is a great outcome. It's very valuable. I think the evidence is overwhelming as to the positive impact of employment. The great value people derive not only from the wage but from the manner in which they engage in the community is very significant. A great feature of what we've seen in the labour market more recently is the ability to draw in people who might have at other times struggled to get jobs. I'll just pass to my colleague Dr Johnson to see if he has the numbers that you asked for.

Senator O'NEILL: Dr Kennedy, you're talking about people perhaps who were long-term unemployed?

Dr Kennedy: Yes.

Senator O'NEILL: We've had a lot of people who might have had episodic mental health challenges who have now returned to the workforce and found certainty in employment. This is very significant for particular cohorts, these numbers.

Dr Kennedy: It goes to the issue the chair raised earlier more broadly around full employment. Full employment is not just simply about the headline unemployment rate. It's about underemployment—people who want more hours. It's also about people who may have given up and who are not trying to get a job anymore for a range of reasons, and often complex health interactions. A strong labour market gives those people the best opportunity they can maybe to engage in the workforce on a part-time basis. I would just pause for a moment and say that many of these people are highly productive. We're also talking about in particular female participation that has been incredibly strong. It's not just a question of giving people an opportunity. The more opportunity they have, the more productive they will become. It's also the case that we've been drawing back into the workforce, I think, particularly among women highly productive people who can see more opportunity because the opportunity presents itself.

Senator O'NEILL: How many—

CHAIR: Just while we've still got you, Dr Kennedy, rather than going to your colleague I'll redirect the call now, Senator O'Neill. I didn't give you the heads up. Apologies. I'm going to redirect the call so that we maximise our time with you, Dr Kennedy.

Dr Kennedy: Perhaps my colleague can provide the numbers in subsequent—

Senator O'NEILL: There were two questions—about the number of jobs, 1.1; and how long since we've had back-to-back surpluses.

Senator RENNICK: I'd like to raise a question about superannuation and the ability to deal with this inflection point. There was an article on the weekend in the *Australian Financial Review* which said that secret Treasury briefings reveal the future of pension savings and the fact that there may be limitations placed on the amount of money that people can withdraw from their superannuation in retirement. That concerns me greatly. Firstly, it's a free country. We should be able to access our own money when we want it. The other issue is that we've got an increasing percentage of retirees who are actually retiring with a mortgage. That's increased, according to the ABS, from 10 per cent in 1992 to approximately 40 per cent today and still increasing. My concern is that people will be unable to access their superannuation to pay off their mortgage and then go on the pension. It's a point of view, but to me owning your own home in retirement if not throughout your working career is of utmost importance. Could you perhaps comment on that article—I'm not sure if you've read it—about briefings on dealing with this inflection point in super where withdrawals will start to exceed contributions?

Dr Kennedy: I don't disagree with anything you just said. I think it is important that people have that choice. I agree that people may want to take some of their super to retire debt. In Mike Callaghan's review of the superannuation system a little while ago now home ownership was a very important feature of people's circumstances post retirement. I think the thing that we've engaged the government on that we've been a bit concerned about is that, to be straightforward, we've been a bit concerned that people aren't being given the choices they possibly should be around retirement products, and that the superannuation industry—maybe this is a bit unfair—has tended to focus more on accumulation than offering on the services and products they need to offer people in the retirement phase. I'll just say I personally—it would be a matter for government for subsequent policy—haven't heard anything different. I think we have to be very careful about any form of removing choice. It's not on my list, but I do wonder—and it's an area Senator Bragg also knows very well—whether this is an area where at least some nudging is required to see people offered products. We all know this from family and friends. Managing your retirement savings requires key decisions. It will require decisions across the latter decades of your life. We're just really testing the hypothesis as to whether people feel confident to access that money they've put aside, because of the longevity risk. They're concerned about having enough money throughout their retirement. I just thought I'd give you some assurance that at least from our perspective it's not about taking away choice, it's more about whether people are being offered enough choice.

Senator RENNICK: The other issue I have is that, once those withdrawals start to exceed contributions, we're going to have issues with the markets because suddenly super funds are going to start having liquidity issues and cashing in some of their assets. That may not be until the late '30s, but I'm glad you're looking at it because I've always thought that sooner or later this thing is going to tilt the other way. The other thing I'm concerned about is I asked the ATO in the last set of estimates—and I might have raised it with you—how much money was in franking accounts that hasn't yet been distributed. I was shocked to find out that about \$480 billion is sitting in franking accounts. That's a contingent liability on the Australian government. That's almost a half-a-trillion-dollar

debt again. Is that figure ever disclosed regularly, like every year in the budget? If not, shouldn't it be given the size of it?

Dr Kennedy: That's a good question. I haven't followed the debate. I'm going to have to take on notice—and I'll come back to you quickly—what's disclosed in the budget. That may be through the course of this estimates actually when the relevant officials turn up a bit later.

Senator RENNICK: I also asked what the net company tax rate was. My concern was that, when Peter Costello started refunding franking credits in 2000, we had \$500 billion in super and now it's \$4 trillion. As you well know, companies pay 30c in the dollar to Canberra and then at least half of it comes back to super funds during the accumulation stage and in retirement all of it goes back. I'm not sure if it was Treasury or the ATO that replied that they didn't think there was a decrease in the company tax rate as a result of that. I tend to dispute that. If there's \$4 trillion—and I know it's not all invested in the ASX, but a certain percentage of it is—and if we're increasing the amount of money invested in the ASX that's held by super funds, we're really just washing money through the system. I would have thought from a policy setting point of view you'd need to look at the net company tax rate to see what impact superannuation is having on our overall tax receipts. Of course, the people who pick up the slack here are the income earners through bracket creep. Could you address the fact that you don't think it's an issue, because I think it is?

Dr Kennedy: I'm sorry to pass this, but I am going to ask a colleague in Revenue Group to look at it. I wasn't aware of a significant change, to be honest. We do talk about the interaction of the super system and company tax. However, in front of me, I'm not across the detail you've raised, but my colleagues don't appear until 5 pm this afternoon. They can be well placed to go to that.

CHAIR: Senator Smith.

Senator DEAN SMITH: Secretary, I want to turn to matters with respect to your participation on the RBA board. Of course, the RBA reforms take effect next week, I think on 1 March. I am keen to understand, in the first instance, how those particular reforms, once implemented, might change the way you conduct yourself and operate as a board member on the RBA?

Dr Kennedy: Probably the key legislative change, which is a confirmation of something that has been a longstanding practice but it's now in law, will be that the Treasurer cannot direct me in any way in my considerations. That has been the practice for the two treasurers I have worked for, and they have always been very respectful and mindful of my particular role on the board. It's also the case that I have always taken the view that in relation to matters pertaining to the RBA the Treasurer should be discussing those in the first instance with the governor, and that was the case with both the treasurers I worked with. They have good working relationships with the governors who have worked for them, and they would talk to them directly. An element that probably hasn't been spoken about much is that the creation of the governance board will mean that there will be two boards, a monetary policy board and a governance board. Often on the RBA board, the one that's just finishing up, we would look at matters of governance even though we may not have had a legal responsibility for those because, if you like, the accountable authority was the governor, and the governance board has particular accountabilities now. What would sometimes come to us in the RBA board—say, about staff surveys, how the RBA itself is operating, other balance sheet transactions or issues around Note Printing Australia, for example—will now all go to the governance board, which I am not a part of. To be honest, I think it is a good outcome to separate those governance-type activities from the monetary policy considerations. I'm an accountable authority of Treasury and, of course, the RBA is in the Treasury portfolio. I never felt like I was in a difficult position, but I feel it's a cleaner split of responsibilities to have a governance board, of which I'm not a part, chaired by the governor and those independent members overseeing the governance of the institution. Sorry. I've thought about this a lot. I hope you don't mind the answer. In terms of my contribution, insights into how the economy is unfolding and effectively the decision that comes through the monetary policy decision I think are a value I can add. It could feel a little strange for one accountable authority to be talking to another accountable authority, because I'm not in any way legally oversighting that.

They're probably the two main changes. One is, if you like, the formalisation of a longstanding practice, which I understand was the practice of all my predecessors and their treasurers. To give credit to all of those treasurers, they have all been careful in the manner in which they've engaged with Treasury secretaries. Secondly, there is this distinction between monetary policy matters and governance matters, and I won't see those papers; I won't be part of that process.

Senator DEAN SMITH: The third element I would add to the two you've identified is that, now that the monetary board sits over two days, I'm keen to understand how that actually works in practice. Agendas and

papers are distributed, and you participate in that board meeting over two days. Obviously you're not in there for 48 hours?

Dr Kennedy: No, we're allowed to go home and sleep.

Senator DEAN SMITH: You're allowed to go home and sleep?

Dr Kennedy: Not home but to the hotel, yes.

Senator DEAN SMITH: Does it have a papal quality, for example? Are you not allowed to speak to Treasury officials? Are you not allowed to confer with other board members? How does it operate over that 48-hour period?

CHAIR: Is it a conclave?

Dr Kennedy: Did you say a 'papal' feel? I'll describe it, but it would probably be important to raise it with the RBA directly tomorrow because it's their practice.

Senator DEAN SMITH: I'm sure they might be watching, and they can correct your record.

Dr Kennedy: I'm not sure I'm of that much interest to them, but anyway.

Senator DEAN SMITH: Senator Walsh might be!

Dr Kennedy: The board members usually receive the papers on the Friday before the board meeting—that was the case in the past and it remains the case—so we have the papers to consider over the course of the weekend and now we meet on the Monday afternoon. Occasionally we have a brief dinner or other times we just break and then we reconvene on the Tuesday morning. I'll leave it to them to answer; it's their process. I'll leave it to them to describe their process, if you want to take it up with them in any more detail. From my perspective—and, as I said, it's been the practice that I've adopted throughout this process and I'm quite certain it was the practice of my predecessors—I am briefed on the board papers by the Treasury—

Senator DEAN SMITH: Over the weekend?

Dr Kennedy: Usually late in that week, on the Thursday or Friday. We may not have the papers then, but with a sense of how the economy is unfolding, so I get my own—

Senator DEAN SMITH: You're given a briefing, but that briefing might be absent of the actual papers and agenda of the board meeting?

Dr Kennedy: Correct. A small number of Treasury officials have access to the papers, and if anything has come up that's unusual, they might contact me over the weekend and say, 'We've got a different outlook here', or something along those lines. I also have the other business of the Treasury to continue, which is, 'What's our position on an ERC?', or that type of thing, which I continue to do through that period. As a matter of—

Senator DEAN SMITH: Through the period of the 48 hours?

Dr Kennedy: No.

Senator DEAN SMITH: From the commencement of the board meeting?

Dr Kennedy: Typically, no, unless it's something urgent.

Senator DEAN SMITH: So it's 'do not disturb the secretary' time?

Dr Kennedy: Yes, because they are important considerations. I can be contacted, of course. For example, there may be ERCs or other things going on, and I normally ask the deputy secretary of fiscal to take those issues forward. We speak about them beforehand, so that minimises the need for contact. I hope that helps. That's in broad terms. Just to finish, previously it was that Monday; it was just the half a day. So, we would do it that way. Then the last thing is, which is just good board practice, of course we don't have any electronic devices in the meeting itself. That in my view is just good board practice. I'll leave all those various—

Senator DEAN SMITH: That's observed at the RBA board meetings, is what you're saying. When the board meeting is suspended and then recommences the following morning, on the Tuesday, are there any rules that govern the communication that you or other board members can have with external parties, whether they be Treasury officials or others who might be interested in decisions of the board?

Dr Kennedy: Yes. There are definitely rules for board members in terms of contact with the markets and all of those sorts of things, because this can be market sensitive information. Once I've received those briefings on the weekend, I don't engage with my staff or others once the meeting has started. From my perspective, I'm in the meeting from that point in time. I'm just being careful; I would prefer the governor told you about this. We have gone through our considerations on that first day, and the second day is often a reflection on what we've discussed and often other matters that have come up on that second day. Can I leave it to her or her deputy to talk to you

about that in detail? Certainly, it is new; it is a new process. I haven't—and I don't intend to—sought to engage on it, frankly. It's not a conclave. However, I do feel like, once we go into that discussion, we are in that discussion and it needs to stay—

Senator DEAN SMITH: You do have a unique role compared with other Treasury secretaries, and that is that you are the Treasury secretary and you participate on the RBA board. Of course, the precedent that you might set for other secretaries is of interest to me. Is it a personal decision or personal style of yours that you don't confer with other board members outside of the formal board meeting once it has commenced but before it concludes?

Dr Kennedy: No, board members might chat to each other. We all chat to each other outside. We behave like a board; we chat to each other outside the board meeting. By way of example, last year I went to South Australia to meet with businesses to understand economic activity and I took the opportunity to do that with one of the board members, Carolyn Hewson. It was excellent for the two of us to go around and talk to manufacturing companies. Of course, we talk about our—

Senator DEAN SMITH: Your own liaison program?

Dr Kennedy: A little. It won't surprise you as an elected official, but it is amazing what you learn when you go out and talk to people.

Senator DEAN SMITH: Seeing is believing. It is a heavy burden, Secretary, because you have been characterised as the second most influential person on the RBA board. Is that a characterisation that fits comfortably with you?

Dr Kennedy: I think it's a significant overstatement. The deputy chair is the deputy governor of the board. The RBA is a strong and independent institution. Hopefully, the value I think I can add is I have an institution that can assist me to generate insights into the economic outlook. Sometimes we agree and sometimes we disagree. You know the joke: you get 12 economists in a room and you get 12 different views. It is important that there's a reasonable contest there. I think that's the real value I bring. The second value I bring is—and I have found this to be the case throughout my term—that it is very helpful for those board members to have insights into where the government might be headed from a fiscal policy perspective. Of course, I have to respect the cabinet decision-making processes that are occurring, particularly during COVID with former governor Lowe who, frankly, I thought did an excellent job through that period. Our ability, in that more extreme circumstance, to be able to talk about the government which had very significant programs running, when they may be ending, what deliberations look like, what they would mean for monetary policy—there may be other ways to do it, but I felt at that time that was when that contribution was most significant. In more usual times it's more around a finessing, if you like. However, in very significant crises, which sadly we may well face more of, my ability to talk to that board—I have to say and I know people have had some different views on that—and I'm sure it will be the case with the new board who all bring their own fierce independent assessment of what they see in front of them—

Senator DEAN SMITH: I also agree.

Dr Kennedy: They genuinely want to hear. They want to ask me, 'How do you feel, Steven? This policy is unfolding. What impact will it have on the economy?' That assists them in their broader deliberations.

Senator DEAN SMITH: I agree with your assessment of the previous governor as well. Finally, is the final matter of the monetary board agenda the rate decision? Most people would think that there is so much attention given to the rate decision. Is that the final item of business of the board's discussion? It obviously does not happen on the Monday. Is it not the final item? Do you see what I'm saying?

Dr Kennedy: Yes. I know exactly what you mean. I'm not sure it's my role.

Senator DEAN SMITH: I accept that.

Dr Kennedy: I would prefer the bank take you through that. Once they've done that, I'd be very comfortable to talk to you about it. It's their process. They bring that process to the board and the governor is our chair and, as I said, the deputy governor is our deputy chair. They've developed all of those processes and thought carefully about them. It's probably best that you talk to them tomorrow.

Senator DEAN SMITH: I understand that completely.

CHAIR: Thank you very much, Dr Kennedy. Thank you, Senator Smith.

Senator DEAN SMITH: Dr Kennedy, we've confirmed that you're the third most influential person—

Dr Kennedy: No, I feel like I am just another board member.

CHAIR: Thank you, Dr Kennedy. Senator Stewart.

Senator STEWART: I also want to express my thanks to an incredible Public Service that we have across the country. Thank you for all of the great work you do to serve the country. As a former public servant myself, I know how difficult that job is sometimes. I wanted to start where Senator O'Neill finished in her question. It will hopefully save you some of the paperwork on the questions on notice. How many jobs have been created since May 2022? I think that will be a relatively brief answer. How does the rate of jobs growth over that period compare with that observed by G7 nations and our own jobs growth history?

Dr Kennedy: I'll pass to Dr Johnson.

Dr Johnson: Since May 2022 around 1.2 million jobs have been created. If we look at employment growth across countries since May 2022, Australia's employment growth is around 8.5 per cent. That compares with the United States, at around 4.7 per cent; Canada, at about 6.7 per cent—these are all to January 2025—Italy, at about 4.2 per cent, and that's up until December 2024; France, at 1.7 per cent, up to the September quarter of 2024; and Germany, at 0.9 per cent, up to December 2024. The United Kingdom has had growth of 2.4 per cent up to the December period. Japan has had growth of about 1.5 per cent up to December as well.

Senator STEWART: Why are those numbers important in terms of our jobs growth? I've asked you these types of questions before in the sense that I'm always interested to know how we explain why this is important to the community when we're chatting to them all. I often think about how I explain these things to my mum, who's not in this world at all. How do we explain to the community why these numbers are so great for our country?

Dr Kennedy: I think once you begin the conversation with them people quickly come to understand a number of dimensions. One is that sometimes there are shocks in life and the job that you're in isn't going to persist and you'll feel a lot more confident and positive about the future if you're confident you can get another job, and a vibrant job market delivers that. It really changes people's attitudes. It also means that, if they're confident about getting another job, they might leave a job that maybe they're a little unhappy with and move to another job and they'll be, frankly, more productive. This vibrant job market gives people more choice, and it also adds to productivity and growth. Secondly, it allows people to get on the jobs ladder that people talk about. If young people are able to get jobs—the first job might not be exactly what they want, but then they get another job and they get another job—they're able to begin to make a contribution to the community and to society more broadly that's incredibly valuable. We know that so much of the way you'll engage in our economy and society more broadly will be through the job that you may have or the job you may be working towards. That's, I think, incredibly important. Lastly, it generates income and it means that you're able to support your family well and invest in your children's opportunities and education more broadly, and it allows that intergenerational virtuous cycle to continue.

Senator DEAN SMITH: That's all very true, but when I read your opening statement—

CHAIR: Senator Stewart has the call. Senator Stewart.

Senator STEWART: Thank you for your attempt at assistance, Senator Smith.

CHAIR: I don't think Senator Stewart needs your assistance, Senator Smith. Senator Stewart.

Senator DEAN SMITH: I think it's a more interesting line of questioning.

Senator STEWART: I bet you do!

CHAIR: Senator Stewart.

Senator DEAN SMITH: I've got facts and figures that are already on the parliamentary record.

CHAIR: More time is being taken. Senator Stewart.

Senator STEWART: Were you done?

Dr Kennedy: Sorry. I lost my track a bit through that. In terms of your question around engaging with people and the importance of it, I think it is well worth considering. I don't suppose you should do this too often in Senate estimates, but to reflect on my personal experience, I entered the labour market in 1984 and then subsequently changed my career path, did some study and re-entered the labour market in the early '90s. They were vastly different experiences for people seeking jobs, and there were long periods subsequently where people's productive capacity was not fully utilised, to their personal detriment but also to the detriment of others, because the economy was not growing as quickly. It is not because of that personal experience, but I have long held the view that our ability to sustain employment, even through shocks and through those cycles, is often hard to measure but it has long-lasting benefits for the community and for incomes and growth more broadly.

CHAIR: This is the last question, Senator Stewart. I'm generously going to go to the deputy chair.

Senator STEWART: That is very generous of you. My question is: what has been driving higher participation rates in Australia and how does Australia's participation rate compare to history and other countries? Obviously you will answer, but I'm also interested in the frame of then turning to how do you explain to people on the street why that's important for our country?

Dr Kennedy: We have record high participation in Australia.

Senator STEWART: What is it?

Dr Kennedy: It's 67.3 per cent. It's grown significantly over the last few years. As I said earlier to one of the other senators, that's unlike other countries that have not experienced this increase in participation. The way I talk to people about it is that it basically means more opportunities are being generated and more people are willing to put themselves forward to participate in the workforce. A lot of it has been driven by increased opportunities for women. Those decisions are often going to relate to child care, the availability of flexible work, part-time work in particular—basically the ability to manage those circumstances. In more recent times there has been a significant investment from the government in the care economy and being a sector that has a higher proportion of women that works in it, that has been very positive for female participation. There have also been some relative wage cases that have improved the attractiveness of those jobs for women. It's a very different question from the superannuation question that Senator Rennick asked, but it's about choice. Participation is about giving people more choice, more opportunity and more ability to do the things they see of great value to them. I also genuinely think, as I said in an earlier remark, that it is also about highly productive people being able to take that decision to work a little more, because associated with those higher participation rates are lower underemployment rates; people are getting the hours they wish. I can only see that as a positive.

CHAIR: Dr Kennedy, we're due to break now and release you. I'm wondering if it would be okay with you if we move the break to 10 minutes past 11 just to facilitate the Deputy Chair, who has some questions. Deputy Chair.

Senator BRAGG: Are you currently working on a full budget, and what day is the print date?

Dr Kennedy: We are working on a full budget to be delivered on 25 March. My Fiscal Group colleagues will appear, I think, after the next session. They can tell you the usual dates that we go to the printer. We have everything we need to have in place to deliver a budget on that date.

Senator BRAGG: Are you also working on an economic statement?

Dr Kennedy: We're working on a budget. As I've said in my earlier remarks, we do whatever the government asks of us, but we are working on a budget.

Senator BRAGG: Could that budget be transformed into an economic statement or part thereof?

Dr Kennedy: That would be a decision for the government.

Senator Gallagher: We're working on a budget.

CHAIR: The extra time was specifically for the purpose of facilitating the Deputy Chair. I know Dr Kennedy is always generous with his time, but I'm going to take the opportunity to release you with our sincere thanks, Dr Kennedy.

Proceedings suspended from 11:01 to 11:17

CHAIR: We are continuing with representatives from macro group and international and foreign investment group. I'll go to Senator O'Neill.

Senator O'NEILL: I want to follow up on some developments yesterday where we saw concerning reports about Mr Dutton's transactions on the stock market during the global financial crisis. In an article by Samantha Maiden, which I'm tabling now, on news.com.au, which was entitled 'Peter Dutton's "highly unusual" GFC share-trading in Labor's sights', it was revealed that the day before the Rudd government announced a \$4 billion stimulus package to be delivered in partnership with the Australian banks, Mr Dutton declared that he'd purchased a quantity of shares. Those shares were in the National Australia Bank, the Commonwealth Bank and Westpac. This was at a time when everyone in the community was freaking out about the GFC. This is what Mr Dutton was doing. For the benefit of the committee and officials, I have a copy of an update to Mr Dutton's Register of Members' Interests dated 23 January 2009, and I would like to table that. I've got some documents there for you, Chair. I'll provide this to the secretariat. If you have a look, dated the 23rd, that is one day before the Rudd government's announcement of a \$4 billion stimulus package dated 24 January. That statement, under the banner of the Prime Minister of Australia, is a second document that I would also seek to table. Given this package had a value of \$4 billion in the course of a global financial crisis, I want to check: would such a statement of \$4 billion in a global financial crisis have an impact on the share market?

Dr Johnson: It would depend on the nature of the package and where it was directed to. It would depend on a number of factors on whether or not it would have an impact on the share market.

Senator O'NEILL: Sorry, Dr Johnson, I'm having a little difficulty hearing you.

Dr Johnson: It would depend on the nature of the package and where it was directed to on whether or not it would have an impact on the share market.

Senator O'NEILL: Okay, so this particular—

CHAIR: Senator O'Neill, the committee tables the documents circulated.

Senator O'NEILL: A stimulus package with a value of \$4 billion is not a small amount. Clearly, if you look at the Prime Minister's statement, you'd expect that it would have some impact on the share market because that, in fact, was part of its design. Is that correct, Dr Johnson?

Senator McGRATH: Can I just raise a point of order, please?

CHAIR: Yes, Senator McGrath.

Senator McGRATH: Thank you. I ask you to rule on how this meets the test of relevance. How do these questions go to the operations or financial positions of departments and agencies which are seeking funds in estimates? I would like you to rule, please, in relation to these questions concerning muckraking from Labor concerning the Leader of the Opposition.

CHAIR: Thank you, Senator McGrath. The questions which are relevant to Senate estimates are questions going to the operation or financial positions of the department and agencies. The test of relevance relates to matters going to the operations of departments that are with us. Obviously, Senate estimates is an important vehicle for transparency in the parliament. You've asked me to rule on Senator O'Neill's questions, which I have not seen or heard yet. I'll give Senator O'Neill the call, and Senator O'Neill can ask her questions.

Senator DEAN SMITH: Chair, a point of order—

CHAIR: If your point of order is the same as Senator McGrath's—

Senator DEAN SMITH: My point of order is that, to satisfy yourself that Senator O'Neill's line of questioning is or is not out of order, I propose we have a private meeting so that Senator O'Neill can—

Senator O'NEILL: I haven't even asked a question.

Senator DEAN SMITH: I would make the point that Senator O'Neill is trying to conflate two unrelated issues.

CHAIR: I don't think we know what—

Senator DEAN SMITH: One issue is contents on the register of interests for a House of Representatives member; and completely unrelated is government attitudes and the impact on stock markets of government decisions. You've got a course of action, Chair. I strongly suggest we might have a private meeting so you can satisfy yourself—

Senator O'NEILL: The course of action is protecting your leader. These matters go to matters of probity.

Senator DEAN SMITH: I think this is novel. It is creative. I don't deny Senator O'Neill that attribute.

CHAIR: Senator Smith, my answer is the same as to Senator McGrath. We're pre-empting a line. I haven't heard it yet. Senator O'Neill, you have the call.

Senator O'NEILL: Thank you very much. We're discussing the GFC. Roll back the clock—we're back in 2008 and 2009. The government is contending with a massive shock to the economy right across the globe. A stimulus package worth \$4 billion during that global financial crisis would definitely have an impact. My question is: would it have an impact on the share market?

Senator McGRATH: A point of order—

CHAIR: Senator McGrath, Senator O'Neill has asked a question.

Senator DEAN SMITH: We're only asking for a point of order.

CHAIR: We'll just have an answer.

Senator O'NEILL: They're defensive.

CHAIR: The points of order have been the same. Your two points of order have been the same.

Senator O'NEILL: The point of order is: don't let Senator O'Neill ask the questions. That's implied, I think.

CHAIR: Senator O'Neill has a question. Dr Johnson is about to answer it.

Senator McGRATH: I have a point of order, Chair.

CHAIR: I very much hope it's different from your previous point of order, Senator McGrath.

Senator McGRATH: This goes to actually a hypothetical situation, and the minister—

Senator O'NEILL: The GFC wasn't hypothetical, Senator McGrath.

Senator McGRATH: Please don't interrupt me when I'm speaking.

Senator O'NEILL: Please let me ask the question. You're creating a defensive line here. You won't even let me ask a single question. Have you got that much time that you don't want me to interrogate?

Senator McGRATH: Am I allowed to speak without being interrupted?

CHAIR: What is the point of order, Senator McGrath?

Senator McGRATH: My point of order goes to the relevance of the question that has been asked by Senator O'Neill, because it relates to a hypothetical situation—

CHAIR: Senator McGrath, in fairness to you, I've already ruled on relevance and said that I will allow the questions. You've raised the same point of order. We've had three goes at a point of order. Senator O'Neill has asked a question. Dr Johnson was about to answer the question.

Senator McGRATH: I'm trying to raise a point of order here, Chair.

CHAIR: Thank you, Dr Johnson.

Senator McGRATH: Chair, I was halfway through my point of order when you interrupted me.

Senator BRAGG: Can we at least hear him?

CHAIR: Is the point of order different? You've said that the point of order is about relevance. Again, I've said that we're going to hear the questions from Senator O'Neill. What is the difference in your point of order?

Senator McGRATH: Am I allowed to finish my point of order without being interrupted by either you, Chair, or Senator O'Neill? Can we at least agree to that, please?

CHAIR: Get to it.

Senator McGRATH: So I'm allowed to. My point of order goes to the question that has been put by Senator O'Neill. Senator O'Neill is asking for an opinion from the officials at the table in relation to what may or may not have happened concerning the government expenditure that happened over 16 years ago. Firstly, it is hypothetical, but also I don't see how the officials at the table could have knowledge of the events that have been asked about.

Senator O'NEILL: This is not a point of order.

Senator McGRATH: Chair, there's a hypothetical question. Previously in this committee, you have ruled out questions that have been put that are hypotheticals. The minister has refused to answer questions that are hypotheticals. I'm asking, again, for your ruling that, in this situation, we're dealing with a hypothetical question. And if that is—

Senator O'NEILL: We are not.

Senator McGRATH: Please don't interrupt me. If that is the case—

CHAIR: Thank you, Senator McGrath. There is no rule against hypothetical questions in estimates. Your point of order is essentially, again, about the test of relevance. I've ruled on that point of order already and said it's difficult to judge that when we have barely heard Senator O'Neill's questions. Senator O'Neill, you have the call.

Senator O'NEILL: Thank you. The first document that I provided, the attachment with the register of Mr Dutton's member's interest statement, is hardly hypothetical. It's a document of fact; it's available. He bought shares in the National Australia Bank, Commonwealth Bank and Westpac. At the same time, a stimulus package, as a matter of fact, was provided of \$4 billion in the global financial crisis. I do wish the GFC was a hypothetical—

Senator McGRATH: Chair, I have a point of order.

Senator O'NEILL: but it was a reality that the Australian government had to deal with.

Senator McGRATH: Chair, I have a point of order.

CHAIR: I'm going to allow Senator O'Neill to ask her question.

Senator McGRATH: Chair, I have a point of order.

Senator O'NEILL: Given this package was being delivered in partnership with Australia's major banks—

Senator McGRATH: Chair, I have a point of order.

CHAIR: I'm going to allow Senator O'Neill to ask her questions.

Senator O'NEILL: you would expect this package would have an impact on the prices for shares in major banks—

Senator McGRATH: Chair, I have a point of order.

CHAIR: Senator McGrath, stop interjecting.

Senator McGRATH: Chair, I have a point of order.

Senator O'NEILL: You've got a problem—I don't know if it's a point of order. It's completely inappropriate behaviour, Senator McGrath. I've never seen defence like this. There's got to be something pretty bad here if you're running this line of defence. Why don't you just let me ask my question?

Senator McGRATH: Chair, I've got a point of order.

CHAIR: Can we hear the question? I think you have a hypothetical point of order, Senator McGrath, because we haven't even heard the questions being asked.

Senator McGRATH: Two things—three things. First of all, in relation—

Senator O'NEILL: They are very concerned. They just don't want to even hear the question, let alone have the answer.

Senator McGRATH: Chair—

CHAIR: Senator McGrath, all I am attempting to do is allow Senator O'Neill to ask some questions. You've got a point of order on relevance, which you've put in a different way a few times, and I've responded and ruled on that already and said we need to hear the questions. I'm not sure why you are so concerned about these questions being put.

Senator McGRATH: Chair, I have a point of order.

CHAIR: Is it a different point of order, Senator McGrath?

Senator McGRATH: Chair, I have a point of order and, with respect to what we just witnessed then, it should not take a senator 20 or 30 times when they wish to raise a point of order to—

Senator O'NEILL: You have already had your point of order ruled on, Senator McGrath

Senator BRAGG: You're not the chair.

Senator O'NEILL: Well, it's already been ruled on, though. I mean, that's the reality. We should be getting on with the questions.

Senator BRAGG: This is a shambles. You're not the chair.

Senator O'NEILL: You're running cover.

Senator BRAGG: It's a point of order.

Senator O'NEILL: You are running cover for your leader.

CHAIR: What is the point of order?

Senator BRAGG: He's got a point of order. He wants to raise his point of order.

CHAIR: What is the point of order?

Senator O'NEILL: Again, same one?

Senator BRAGG: The chair is required to hear his point of order.

Senator O'NEILL: It's your time you're eating into.

Senator BRAGG: You're not the chair.

Senator O'NEILL: I want to ask the questions. I've made that pretty clear.

Senator BRAGG: There's a point of order. You can't just make your own rules.

CHAIR: Would you like the call now, Senator Bragg? You would or would not like the call, Senator Bragg?

Senator McGRATH: I am trying to raise a point of order. As a senator, I am entitled to ask or call for a point of order. With respect, Chair, it should not take me 20 or 30 times for you to give the call to me in relation to a point of order. I think that was actually discourteous because all senators have the right to ask for a point of order. I think we should try—

CHAIR: I'll respond to what you've said is discourteous there, Senator McGrath, because I think I'm able to do that. The parliament and the committee can't operate if senators repeatedly take the same point of order over and over and over again. I'm hoping that you will have a different point of order this time. I've ruled on relevance, and I've said that it is appropriate for Senator O'Neill to ask her questions. Do you have a different point of order?

Senator McGRATH: With respect, Chair, to that ruling you just made then, you don't know what point of order I was actually going to raise. I don't think that you should assign or assume—

CHAIR: What is the point of order?

Senator McGRATH: that particular senators—

CHAIR: What is the point of order?

Senator O'NEILL: It's been four minutes and we still haven't had the point of order. I want to talk about \$4 billion investment in the Australian economy. You want to waste four minutes.

Senator McGRATH: The point of order goes to the question that Senator O'Neill first put, which the table started to answer. Then I raised that point of order, and you ruled on that, Chair. You then gave the call back to Senator O'Neill, which is your right as chair to assist in the smooth running of this committee. But Senator O'Neill then proceeded to talk about the register of interests of the Leader of the Opposition. The register of interests of the Leader of the Opposition is in no way relevant to the proceedings underway here at the moment. I would ask you to rule that the register of interests of Peter Dutton are not relevant to the proceedings of this committee today, where we are here to inquire into and examine funds that are expended by the relevant departments. Now, I would ask you to rule on that particular element, please, Chair.

CHAIR: I have ruled on relevance already—that I would like to hear Senator O'Neill's questions. I believe that Senator O'Neill is going to matters of transparency, matters of accountability and matters of operations of departments. Senator O'Neill has the call.

Senator O'NEILL: Thank you, Chair.

Senator DEAN SMITH: Chair, if I may—

Senator O'NEILL: And I seek your protection to actually ask these questions.

CHAIR: Senator O'Neill has the call.

Senator O'NEILL: Thank you, Chair.

Senator DEAN SMITH: Chair, if I may—I'm a substantive member of this committee.

CHAIR: But I haven't given you the call, Senator Smith, and Senator O'Neill has the call.

Senator DEAN SMITH: But I have a point of order. You don't have discretion on whether to give someone the call when they've asked a point of order.

CHAIR: I didn't hear you raise a point of order. Is your point of order different?

Senator DEAN SMITH: The matter that Senator O'Neill seeks to prosecute—

Senator O'NEILL: This is going to be a marathon of points of order. We're 10 minutes in now.

Senator DEAN SMITH: by her own admission is at the wrong committee. Senator O'Neill proceeded to quote from a letter that she has tabled. That letter makes it very clear.

Senator O'NEILL: Stay tuned. I've got a part for you to follow.

Senator McGRATH: There's no need to shout.

Senator DEAN SMITH: My first point is that the letter that Senator O'Neill has quoted from makes it very clear that letter is directed to the Clerk of the House of Representatives and the Registrar of Members' Interests. That's the first point. My second point is that, if Senator O'Neill would like to prosecute this matter, it should be done elsewhere.

Senator O'NEILL: It's a public document.

Senator DEAN SMITH: My third point is—and Senator O'Neill failed to quote this—that it makes it very clear that Mr Dutton was providing full disclosure to the Clerk of the House of Representatives as the shadow minister for health and ageing. On both accounts, Senator O'Neill is seeking to prosecute this matter at the wrong place. You are either prosecuting a matter in regard to the GFC full stop, or you are prosecuting a matter in regard to the Leader of the Opposition at the wrong forum.

CHAIR: I'll let Senator O'Neill respond in general terms about the matters that she is raising—

Senator DEAN SMITH: It's clear in the document. This would be as relevant as Senator O'Neill giving a speech in the House of Representatives.

CHAIR: I've invited Senator O'Neill to respond to the point of order.

Senator O'NEILL: Thank you. I'd like to actually speak to—

Senator HUME: Should she seek advice from the clerk on this matter? I think that would be a very reasonable request.

CHAIR: I've asked Senator O'Neill to respond—

Senator HUME: I know, but I'm asking her to seek advice from the clerk—

CHAIR: to the point of order.

Senator O'NEILL: The facts are there was a GFC; there was concern about the economy and about the banks; a stimulus package was designed to the value of \$4 billion; and it was integrated with the banks. It was a partnership to be delivered with the major banks. Is it clear from such a general practice in advancing a policy of that kind that there would be an impact on the prices in the share market of the major banks from a federal investment by the government of \$4 billion, Mr Johnson?

Senator DEAN SMITH: Is it not right to assume that every member of parliament—

Senator O'NEILL: Sorry, Dr Johnson.

CHAIR: Dr Johnson is actually prepared to answer a question, which is great.

Dr Johnson: I didn't work on those policies at the time, so I'm not sure exactly about their makeup. A number of things will influence share prices. I think in terms of these ones, if you're interested in the particular measures, it's probably best to refer them to my colleagues in Markets Group. I think they're the ones that you seem to be interested in.

Senator O'NEILL: Thank you. Can I go to the fact that's a matter of historical record and seek your response to this. The fact is that Commonwealth Bank shares rose from \$23.94 at the close of trading on 23 January, the same date as Mr Dutton's Register of Members' Interests, to a high of \$29.11 on 3 February 2009. Such was the impact of the \$4 billion statement. That was a significant rise in the share price. Now, you're Treasury—I'm just going on my maths. That is a rise of 21.6 per cent in a period of 12 days. Clearly, we can just look at the line of facts: GFC hits; the government comes up with a package and interacts with the banks on the planning; serious planning goes on; and \$4 billion is invested. On 23 January, at their lowest price, Mr Dutton purchases Commonwealth Bank shares and then moves to hold those shares for 12 days, according to his register of interests. In that period, there is a significant rise of 21.6 per cent. Clearly, based on Mr Dutton's records, there has been a clear policy impact to boost the availability of finance in the midst of the GFC and an impact on the shares. In the way in which these things are done, can I come to your knowledge as a Treasury official? To your knowledge, were any parliamentarians—or would it generally be the practice if that is the way you need to respond—would parliamentarians be briefed ahead of the announcement?

Dr Johnson: As I said, I wasn't involved in that policy, so I'm not sure who was briefed ahead of it. I can't answer. I didn't work on that policy.

Senator O'NEILL: Mr Cagliarini, would you be able to give me a response to the process that would be involved with such a significant policy announcement? It's from the Prime Minister. If you were going to be implementing this at this point of time, what would the process be in terms of briefing parliamentarians?

Dr Johnson: What do you mean by briefing parliamentarians? The normal process would be that proposals will be taken to cabinet for cabinet consideration.

Senator O'NEILL: Yes.

Dr Johnson: Cabinet would consider those measures. They would then decide on whether or not they want to go ahead with that proposal. Often, in that type of environment, they would then work out some form of announcement and handling strategy. That would be a normal process, I would think—just a normal cabinet process. As I said, I was not involved in that process. I'm not sure if that was taken, but that would be a pretty standard process.

Senator O'NEILL: There's generally an iterative process and there's involvement of a range of parliamentarians at different points. Could you take this on notice: were any parliamentarians briefed ahead of the announcement? Also, to your knowledge—and you may need to take this on notice—were any representatives of the opposition briefed ahead of this announcement?

Senator DEAN SMITH: It's highly unlikely that a shadow spokesman—

Senator O'NEILL: Well, you can pontificate—

Senator DEAN SMITH: would be briefed, if a briefing were to happen, on a Treasury matter. It is a pretty common occurrence—

Senator O'NEILL: Stay tuned.

Senator DEAN SMITH: You are clutching at straws.

CHAIR: Senator O'Neill has the call.

Senator O'NEILL: To your knowledge, were there any representatives of the opposition briefed ahead of this announcement? If you need to, you can take that particular question with regard to this matter on notice. Generally, could you speak to major policy announcements and practices of briefing members of the opposition?

Senator DEAN SMITH: Outside of their portfolio responsibilities.

Dr Johnson: I'd have to take that on notice. I'm not sure. As I said, I didn't work on that policy. In terms of general practice, it's a matter for government.

Senator O'NEILL: And the government could choose to do so?

Dr Johnson: If it wanted to, I'm sure it could.

Senator O'NEILL: Okay, thank you very much. If you could take on notice who was briefed about this announcement, when that occurred and what information they were provided. Could you also take a moment to give me some insights into any specific probity arrangements that might be made for market-sensitive information moving from Treasury amongst stakeholders and parliamentary members of both the government and the opposition. How do you deal with market-sensitive information?

Dr Johnson: Sorry, could I—unfortunately I missed the first bit of the question. I couldn't hear—

Senator O'NEILL: It is rather difficult.

CHAIR: The senator's question will be heard in silence.

Senator O'NEILL: Thank you. On notice, I've asked you to provide this committee with—were any parliamentarians briefed ahead of the announcement? The document summarising it—you have—I've called it attachment 2 under the heading 'Prime Minister of Australia', 'Building Australia's Future: a \$4 billion Australian Business Investment Partnership to support Australian jobs'. I'm seeking: who was briefed—parliamentarians in particular? To your knowledge, were there any representatives of the opposition briefed ahead of this announcement? What information were they provided, and at what time? Now, on notice, specifically in this instance, were any specific probity arrangements made for this particular market-sensitive information? I expect you want that on notice, but in general, now, for the record, Dr Johnson, given the scale of a \$4 billion announcement to support jobs through the Australian Business Investment Partnership designed with the banks, what sort of specific probity arrangements would be generally applied in such circumstances?

Dr Johnson: When you're talking about probity arrangements, do you mean in terms of departmental officials?

Senator O'NEILL: Market sensitivity. Clearly, you must have some rules for your own staff, but interacting with parliamentarians—what are your practices?

Dr Johnson: For us, we would—let me just gather some thought because this doesn't often come up. A general practice would be—well, there's a range. Sometimes there might be a requirement to sign some kind of non-disclosure. Individuals who are working on a certain package or when they're being informed of it might be required to disclose particular conflicts of interest and address those appropriately. I think they're probably the two that I'd go to. The first would be ensuring that conflicts of interest are disclosed and they're managed appropriately. Secondly, if it would have significant market implications, there'd be a non-disclosure and also requirements not to act on that information as well. That would be what I would expect.

Senator O'NEILL: There are public standards around this that you would expect and processes that would kick in. If someone were to breach that, what would the reaction be from you?

Dr Johnson: That would be something that I would certainly raise with the secretary and we'd raise it with the APSC.

Senator O'NEILL: Because it would be completely at odds with the APS code. You have mentioned the signing of documents with regard to confidentiality around things that would be market sensitive. In other committees in the course of my work, we've seen people who abrogated that responsibility and shared confidential information. It does happen from time to time with individuals of uncertain character. Now, can I go to the fact that this Australian Business Investment Partnership clearly was the responsibility of a Treasury

official. As just a reminder of a matter of fact, I proffer attachment 3, which I've marked up. Have you got a copy of that?

CHAIR: Yes.

Senator O'NEILL: Attachment 3 indicates that the person responsible for this particular \$4 billion project—the Australian Business Investment Partnership—was Mr Godwin Grech. That is noted in the Senate Standing Committee of Privileges report—the 142nd report, I believe, which I will have at hand. In the committee of privileges, on page 84, it says Mr Grech was heavily involved in the development of the Australian Business Investment Partnership, ABIP, including attending meetings and negotiations with the major banks. What does that mean for Mr Grech's professional responsibilities as a heavily involved person in the development of that program?

Dr Johnson: I think those questions are probably better directed to our corporate area. They'll be coming up. I think they might be after this.

Senator O'NEILL: I will re-prosecute that question there. But I want to put on the record that the Treasury submission to the Senate Standing Committee of Privileges included emails from Mr Grech to senior Liberal Party figures. This ran across the period of time from September 2008—roughly the collapse of the Lehman Brothers around that period of time—through to the period ending June 2009. Now, reading these documents embedded in this report with submissions provided by Treasury and the Australian Federal Police, I seek to table two further documents. One is an email from Mr Grech to an unnamed individual, but it will become more clear where that went. Then I've got another one that I want to table as well. Perhaps we can put these in front of you. Can I point you to this email from Mr Godwin Grech to the person who is not identified. Just to confirm Mr Grech's perceptions of his role in the Australian Business Investment Partnership, he states in that email, 'I very much hope you and your family are well'. So, obviously, there's a familiarity. Then he goes on to say, 'I have been very busy here dealing with this bank guarantee business and Rudd's unintended consequences. There is much to discuss'. Have you got the document?

Dr Johnson: No.

Senator O'NEILL: I have provided copies.

Dr Johnson: My recollection was that Mr Grech was part of the Markets Group, so it's probably better directing the questions to Markets Group. As I said, I wasn't involved in the policy.

Senator O'NEILL: Look, in the interests of time—and I know that the Chair is seeking to move the call on—we'll just wait for these documents to come to you. If I can come back and follow that up, that would be great. Thank you very much.

Senator BRAGG: Just to move back to this century, what role is Treasury playing in supporting negotiations with the US on tariff exemptions?

Senator HUME: All that dirt and yet you never get promoted, Senator O'Neill. Why is that? They get you to do all the dirty work and yet they never reward you. They never reward you for doing all that dirty work.

CHAIR: Order! Senator Hume.

Senator BRAGG: Do you want me to repeat the question?

Dr Johnson: Yes, can you give me the question again, please.

Senator BRAGG: What role is Treasury playing in supporting negotiations with the US on tariff exemptions?

Dr Johnson: Treasury is supporting the Treasurer in its usual way in terms of tariffs. But if you want to talk about that supporting of tariffs, it's probably best directed towards, I think, our Fiscal Group colleagues.

Senator BRAGG: So you can't answer any more questions on tariffs?

Dr Johnson: It depends what the questions are, but you talked about tariff policy.

Senator BRAGG: Well, there was a background note sent to media yesterday by Minister Chalmers's office. Do you know about that?

Dr Johnson: No, I don't.

Senator BRAGG: It says that the US treasury secretary and Minister Chalmers had their first bilateral discussion. Do you know about this?

Dr Johnson: Yes, that's a matter for my colleague.

Mr Tinning: We're supporting the Treasurer's visit to Washington.

Senator BRAGG: Okay. The new US Secretary of the Treasury has been there since 28 January. Has there been any other engagement between the Australian Treasurer and the US treasury secretary?

Ms Gorecki Natik: They met in the margins of, I think, the October IMF meetings last year. That was their first encounter. Then I think this is the next meeting since.

Senator BRAGG: Has there been any other formal communication that you're aware of?

Ms Gorecki Natik: Senator, the congratulatory letter was sent out.

Senator BRAGG: The letter of congratulations. What about informal channels that you're aware of?

Senator Gallagher: There's been a lot of work done to ensure that this meeting occurred. So you can imagine that there has been communication between the administration and the Australian government and our representatives.

Senator BRAGG: What was the nature of those communications?

Senator Gallagher: Arranging to have a meeting—a formal face-to-face meeting.

Senator BRAGG: Who was involved with that? I'm just wondering who's doing diplomacy for Australia these days.

Senator Gallagher: What do you mean who's doing diplomacy?

Senator BRAGG: I mean who—it was informal engagement. You said it was an informal engagement. I'm asking you about the nature of the informal engagement between the Treasurer of Australia and—

Senator Gallagher: Who would you expect to do it?

Senator BRAGG: I don't know—Greg Norman or someone—the cat—I don't know. It could be anyone. I'm wondering who it might be.

Senator Gallagher: Well, we have an ambassador and we have an embassy. That is the normal way that governments engage in country to set up arrangements. You would expect that to be the case, and it is.

Senator BRAGG: But isn't the ambassador a formal channel, not an informal channel?

Senator Gallagher: That's your language. I'm not saying that. I'm saying there was engagement in order to establish and have this formal face-to-face meeting which has occurred. I understand it might be the first meeting of its type between treasurer and commerce secretary that's been held in country.

Senator BRAGG: Has the Treasury modelled the impact of the proposed tariff on Australia's steel and aluminium industry?

Dr Johnson: We've done a range of modelling around different tariff scenarios.

Senator BRAGG: What does it show?

Dr Johnson: The secretary talked a little bit about it, I think, at the last Senate estimates. I guess one of the challenges at the moment is that it is quite uncertain and unpredictable as to what might happen. So that adds to what might happen globally. But we've been looking—

Senator BRAGG: So you've done scenarios?

Dr Johnson: We've done scenarios, yes.

Senator BRAGG: What about the macroeconomic impact on the overall economy? Have you done analysis on that?

Dr Johnson: We've been provided advice to the Treasurer to support cabinet. However, just to go through where things are at—and the secretary talked about this before—we've tried to look at a couple of illustrative scenarios. One is where countries impose tariffs, for example, on our trading partners and then other one is where tariffs might be imposed directly onto Australia as part of a broader thing. On the first one, where you're looking on trading partners, we looked through three key channels. We're looking at the impact on global growth that then flows through to the domestic economy. We look at potential implications around inflation. Then also the other channel, which we can't model as well—well, we can, but it's a bit more challenging—is elevated uncertainty, just because of the environment as well. When we're looking at those ones, the extent of the impacts we can't really do—it depend on a range of factors—but we expect that the impact on Australian economy is quite modest. When we're looking at—

Senator BRAGG: Quite modest?

Dr Johnson: Quite modest, yes. When we're looking at tariffs directly imposed on Australian exports, again, it really does depend on a range of factors. It will depend on, for example, the trade share of the tariffs. It will also

depend on what happens globally—as the secretary mentioned earlier this morning, whether or not we can produce or identify an alternative market to sell to. It'll also depend on exchange rate impacts, which can go a variety of ways. But, again, we expect the impacts on the Australian economy as a whole to be modest. What I would say, and I think the secretary was going there as well before that, is that, if tariff rates do become significantly high or we start getting into an escalation of tariff, that spiral could have a significant impact on global growth, and that would have a significant impact on the Australian economy.

Senator BRAGG: Have you done any modelling on jobs?

Dr Johnson: The modelling normally will output jobs as well, yes.

Senator BRAGG: Do you know what it is?

Dr Johnson: No, I'm sorry, I don't have that.

Senator BRAGG: Can you supply that on notice?

Dr Johnson: We can take that on notice, yes.

Senator BRAGG: Thanks. Can I ask you about this superannuation summit in Washington? Is this your area?

Dr Johnson: That's not my area, sorry.

Senator BRAGG: Is it markets?

Dr Johnson: Revenue Group do superannuation, so it could be there. It depends on the nature of your question. If you want to ask the question, we can hear it and then I can help direct you to the right place.

Senator BRAGG: We can give them to Revenue Group if that's where they live.

Dr Johnson: If it's in relation to the summit itself, colleagues at international might—you might want to ask the question just in case it's not Revenue Group.

Senator BRAGG: I'll ask you about the summit. Did you provide advice to the Treasurer on the trade impact of super fund investment into the US as part of his remarks?

Ms Gorecki Natik: We did fact checking of the speech as is normal practice. I'm not aware that we provided particular advice on that matter.

Senator BRAGG: Do you think that super innovation investment into the United States is a significant capital investment in the scale of the US capital markets?

Ms Gorecki Natik: I think the US market is a significant market. They're an important investment partner for Australia.

Senator BRAGG: What about the origins of this summit? What can you tell us about it? Whose idea was it?

Ms Gorecki Natik: It was organised by colleagues at the department of foreign affairs and Washington post in particular. The event itself and questions around that are probably best directed to them.

Senator BRAGG: The idea of having this summit was from Mr Rudd?

Ms Gorecki Natik: It was from Washington post. I'm not sure of particulars—where the idea came from. As I said, Treasury was not involved in organising it.

Senator BRAGG: What sort of resourcing did you provide for it?

Ms Gorecki Natik: We supported the Treasurer for his trip over there, which was also to meet with his counterparts in addition to the summit. We have a posted officer in Washington who assisted more in a supporting role, but Treasury wasn't involved in organising the summit itself. We can try to answer questions as best we can, but it's colleagues at DFAT who would be more aware of the efforts behind it to pull it together.

Senator BRAGG: Did you work with industry stakeholders?

Ms Gorecki Natik: No, Senator.

Senator BRAGG: Okay, so all you did was provide fact checking for remarks?

Ms Gorecki Natik: And support for the Treasurer for the trip.

Senator BRAGG: What was the support?

Ms Gorecki Natik: The usual thing that Treasury does for these things is a briefing pack to support the meetings that he's attending. As I said, we did check the keynote speech that he's providing at the summit.

Senator BRAGG: Okay, so it was really just around the speech. There's no further insight you can give us into the origin of the summit other than that it came from Washington?

Ms Gorecki Natik: That's correct. These sorts of events are what our DFAT colleagues do on a fairly regular basis to promote investment opportunities between partner countries. But, beyond that, Senator, no. It's really best placed to direct those questions to them.

Senator BRAGG: Do you know which industry stakeholders attended from Australia?

Ms Gorecki Natik: No, I don't have the attendance. As I said, we weren't part of the organising.

Senator BRAGG: Okay, so when you prepared briefings with the Treasurer you didn't tell him who was going from Australia?

Ms Gorecki Natik: We had some information more on US participants. But, as I say, the event is just winding up now as well, so we don't have that clear picture of who actually did attend, but all that organising was done by our DFAT colleagues—the approaches to partners and organising attendance, et cetera, is all done by them.

Senator BRAGG: Okay, thank you. On the care economy and productivity, the Treasurer has spoken broadly about the need to differentiate between private and public sector jobs and market and non-market jobs. Can you confirm that non-market versus market jobs is an ABS metric?

Dr Johnson: Yes, we got the market versus non-market from the ABS labour account.

Senator BRAGG: It is?

Dr Johnson: Yes.

Senator BRAGG: Okay. Do you have a clear figure in Treasury on how many government-funded or non-market jobs have contributed to the labour market in the last year? Do you have any—

Senator Gallagher: Well, they're not all government, are they, in the non-market.

Senator BRAGG: Well, how do you break it down?

Dr Johnson: Non-market will include the care economy, education and public administration.

Senator BRAGG: Okay, so they're all in one bucket?

Dr Johnson: Under non-market, yes.

Senator BRAGG: Can you confirm how many government-funded jobs contributed to the labour market in the last year?

Dr Johnson: No, I don't think I can.

Senator BRAGG: You don't collect that information?

Senator Gallagher: That's why they're broken into market and non-market.

Senator BRAGG: But wouldn't it be helpful? Wouldn't it be a useful breakdown?

Senator Gallagher: For what?

Senator BRAGG: It's good to know how many jobs the taxpayer is propping up and how many jobs the market is propping up.

Senator HUME: The non-market is government funded—is that right?

Dr Cagliarini: The ABS don't publish it on a funding basis. They'll do it as private and public jobs, and they'll also do a market and non-market split. But on those jobs in the non-market sector, they do not provide information around which of those jobs are funded by government.

Senator HUME: What's the definition of non-market then?

Dr Cagliarini: Non-market are three sectors in the economy. It's in particular public administration, safety, education and training, and healthcare and social assistance.

Senator HUME: So they're roles that are supported by government funding—

Dr Cagliarini: They're predominantly government.

Senator HUME: We've got nods coming from the desk.

Dr Cagliarini: They're considered non-market because they're predominantly government.

Senator HUME: They're reliant on government funding?

Senator Gallagher: So they're not good jobs. Is that right?

Senator BRAGG: So the jobs wouldn't exist without government funding. Is that right?

Dr Cagliarini: Not all of them. There are some—for instance, in some of this stuff, like in education, there'll be employment in private schools in that, for example.

Senator BRAGG: Okay. How many government jobs have been created in the last year?

Senator Gallagher: Across the country—it's reporting employment across the country, as you'd understand.

Dr Johnson: In terms of public jobs, to the September quarter 2024, it's about a 1.2 per cent growth over the year.

Senator BRAGG: And of a proportion of overall employment growth?

Dr Johnson: As a proportion—so private was 1.8 per cent growth. But, in terms of shares, about 40 per cent is public.

Senator BRAGG: Okay, so 40 per cent of the employment growth in the last year, you're saying, is government-funded jobs?

Dr Johnson: Forty per cent represents the public—how the ABS defines 'public'.

Senator BRAGG: Which is separate from how you just defined 'non-market'?

Dr Johnson: That's right.

Senator BRAGG: To use your non-market definition, how big would that be?

Dr Johnson: Non-market would be 83 per cent.

Senator BRAGG: So 83 per cent of the employment growth in the last year was non-market jobs?

Dr Johnson: Yes.

Senator BRAGG: Does that concern you?

Dr Johnson: I think we've seen for a number of years there are shortages in the care economy and those related ones. So this looks like a recalibration that's coming through.

Senator BRAGG: Just to be clear, the definition of 'non-market' is largely government supported?

Dr Johnson: 'Non-market' includes education and training, health care and social assistance, and public administration and safety. So it'd be all of those three.

Senator BRAGG: Okay, so is it a true-to-label label—non-market? If they're not market jobs the jobs don't exist because of public subsidisation?

Dr Johnson: Sorry, I missed that question.

Senator BRAGG: Is it a true-to-label sticker in the sense that these roles wouldn't exist in the market without some government substitution or subsidisation? That's why you call them non-market jobs. Is that right?

Dr Johnson: They're certainly jobs that are supported by government provision—government support. However, it would depend on the nature of those entities, the businesses and how they interact. Some non-market provision can still be coming through a non-supported position, like my colleague said before.

Senator BRAGG: Was it 83 per cent that you said?

Dr Johnson: That's right. That was the share of growth.

Senator BRAGG: Of new jobs and non-market jobs in Australia. Okay. How does that impact productivity?

Dr Johnson: I think when you look at productivity, productivity in the non-market sector or the service sector is very difficult to estimate. But what we would tend to do is separate them out to look at market sector versus non-market sector. If we just look at the market sector, productivity is higher. Then we've also got some other things that will drag on on market sector productivity, such as the mining sector. The non-market sector is very difficult to measure. I think we talked about that at the last Senate estimates.

Senator BRAGG: Does it drive it down?

Dr Johnson: It would pull down total productivity, yes.

Senator BRAGG: It would?

Dr Johnson: It would, just because of the way it's measured, because there are measurement problems. I think I may have mentioned last time that the Productivity Commission did do some analysis looking at the productivity. It's really hard to measure quality improvements and other things in the non-market sector. There are measurement challenges.

Senator Gallagher: These are good, secure jobs for people across the community in aged care, in hospitals and in early education and care. I mean, these areas—

Senator BRAGG: What it's telling you is that the government is propping up the labour market. That's what it tells you.

Senator Gallagher: Are you suggesting that we shouldn't be subsidising early education and care—

Senator BRAGG: We want the private economy to be driving—we want small business and the private economy to create jobs.

Senator Gallagher: or the healthcare system or—

Senator BRAGG: You hate small business, so you've killed small business and replaced it with big government.

Senator Gallagher: That's not true.

Senator BRAGG: You hate small business. You always have. You've replaced it with big government jobs.

Senator Gallagher: That is not true. We have resourced the public sector.

CHAIR: Order! Thank you. I think the minister was seeking to conclude an answer in relation to your last block of questions. Have you concluded, Minister?

Senator Gallagher: Well, I just want to make the point that the disdain that the opposition are showing towards non-market employment is regrettable because those jobs are good jobs. We need people in those jobs. When you're looking after your grandmother in aged care, you would want the right level of staffing in those centres so that your grandmother can get adequate care. There's a bit of snobbery, I think, towards the service sector and towards the care economy. But we, through our policies, have supported jobs in that sector because we know that people want to be cared for properly, whether it's a young child or an older Australian or someone who needs—

Senator HUME: Would you prefer the private sector to go away?

Senator Gallagher: Excuse me, Senator Hume—you've had enough time this morning—or whether it's somebody who needs care through the healthcare system.

Senator HUME: But it'd be better to have private sector growth, wouldn't it?

Senator Gallagher: Well, I'm not going to respond to Senator Hume's extremely rude interjection.

Senator HUME: It's an economic question.

Senator Gallagher: She was out of control yesterday. She's been out of control all day today. But the point I'm making is that there is this disdain towards those jobs. They are good jobs, they are needed jobs and they need to be paid properly. This government has done exactly that. We've created more market jobs as well—and you won't like this, Senator Bragg—more market jobs than any first-term government in recorded history. How does that sit with you?

Senator BRAGG: Great. Small business is saying—

Senator Gallagher: Not very well, I imagine, because it's not really the narrative you're after. But it's actually the fact.

CHAIR: I'm going to share the call now, and I'm going to go to Senator O'Neill.

Senator O'NEILL: Thank you. Just to pick up the threads of where we were, I believe you now have all the documents that I've tabled. I want to clarify, because in some of these documents, Mr Godwin Grech—a figure well known in the public place with significant associations with the Liberal Party—indicated in his emails that he was dealing with the bank guarantee business. I want to draw attention to the Senate privileges committee's indication that the bank guarantee business to which Mr Godwin Grech refers is the Australian Business Investment Partnership, just to put that on the record. The documents that you have in front of you are, in fact, documents with a Treasury address: <mailto:godwin.grech@treasury.gov.au>. But they are highly personal in nature. As I indicated with attachment 4 that I've tabled, it starts, 'I very much hope you and your family are well. I've been very busy here dealing with this bank guarantee business and Rudd's unintended consequences. There's much to discuss'. If you can have a look at the fifth attachment, Mr Godwin Grech, as a senior Treasury official, using his Treasury email, writes this: 'I trust that you and your family are doing well. I think of you often. I've been quite busy here. They roped me in to work on the bank guarantee debacle about a month ago. Anyway, I've certainly been doing my best to help out. I think you know what I mean.' Does it constitute normal practice that a senior Treasury official, using his Treasury email, would be writing in such a tone, referring to Treasury as 'they' and writing incredibly personal emails indicating he's doing his best to help out, if 'you know what I mean'. Dr Johnson, would you undertake that practice?

Dr Johnson: No, I wouldn't, but I'm not sure what was going through Mr Grech's mind at the time.

Senator O'NEILL: To be clear, your answer is no, you would not be using your Treasury address to write such personal emails to members of a political party from within Treasury. Is that correct, Dr Johnson?

Dr Johnson: Yes.

Senator HUME: It is exactly the behaviour that—

Senator O'NEILL: I can see that this is a sore spot for others around the table, but I am pursuing this matter—a matter of probity of interest to the Australian people—proudly as a senator for New South Wales—a Labor senator.

Senator HUME: What is your experience with Mr Khemlani, Dr Johnson?

CHAIR: Senator Hume, please cease your interjections. Senator O'Neill has the call.

Senator O'NEILL: Based on the Treasury submission to the privileges committee, this is how the documents that you have are characterised—

Senator McGRATH: Can I raise a point of order, please?

Senator O'NEILL: documents and emails—

Senator McGRATH: Can I raise a point of order, please?

Senator O'NEILL: are covered from Treasury—

Senator McGRATH: Can I raise a point of order, please?

CHAIR: Senator O'Neill, Senator McGrath has a point of order which I hope is different from the multiple previous points of order on relevance. I hope it's a different point of order because I have already ruled on your previous points of order, Senator McGrath.

Senator McGRATH: My understanding is that Senator O'Neill is referring to submissions to a privileges report about—

Senator O'NEILL: Public documents.

Senator McGRATH: They are public documents? They have been published?

Senator O'NEILL: Yes.

CHAIR: Thank you, Senator McGrath.

Senator McGRATH: My next point of order is—it does go to relevance as to how events that happened back in 2009, which is 16 years ago, are possibly relevant to the budget estimates today. The precedent that will be set, Chair, if these documents and this line of questioning are relevant means that the bar has been lowered so much. But also, with respect, I might go back to Senator O'Neill's point. The report has been published, Senator O'Neill, but these submissions are not online. So I think we need to have a private meeting.

Senator O'NEILL: You can go to the—

Senator McGRATH: I think we need to have a private meeting.

Senator O'NEILL: You don't need a private meeting. You can just go down to the library and you'll find them there. They're actually there available for you if you want to do some research.

Senator BRAGG: I think we should call a public meeting and discuss this now. Given that the privileges committee is supposed to be beyond the reach of—

Senator O'NEILL: This is a public document. It's a public report on public documents.

Senator BRAGG: These submissions are not available online.

Senator O'NEILL: I want to continue with my line of questioning, Chair.

Senator BRAGG: I think we need a private meeting to discuss this and get some proper advice.

Senator HUME: You probably need to get some advice on this.

CHAIR: Just in relation to the matter on relevance, I understand the concerns that the opposition has around the line of questioning, but the questions are relevant because they pertain to an area of policy development—

Senator HUME: Chair, relevance is relevant—a private meeting has been requested.

CHAIR: Don't—

Senator HUME: You're ruling on something that probably should be discussed outside the door. I'm trying to help you.

CHAIR: I'll have to start again now and say that, in relation to the question of relevance which Senator McGrath did just raise—and so I should respond to that—the line of questioning is relevant because it pertains to an area of policy development that was undertaken by Treasury. I don't want that point of order to be repeatedly raised as it has been. I think it would be disorderly to continue to raise the same point of evidence when I have

ruled on it. In relation to the question that you've raised about the privileges committee and documents pertaining to the privileges committee, I will share with you that I don't have Senator O'Neill's questions, so I will ask Senator O'Neill to respond to that point of order so that I can understand what it is that she's asking.

Senator O'NEILL: There's no need to do anything in private. It's all very public.

Senator HUME: But it's been requested.

Senator O'NEILL: This document is available publicly—

Senator HUME: You don't have the opportunity—

Senator O'NEILL: and so are the documents to which I'm referring. They are public documents. So I will continue with my questions if I have the call, Chair.

Senator McGrATH: Chair, a private meeting has been requested.

Senator O'NEILL: This is an extraordinary cover-up—trying to hide behaviours of what they must—

Senator McGrATH: A private meeting has been requested.

Senator O'NEILL: That's the only explanation. This is extraordinary behaviour.

Senator McGrATH: Chair, I'm moving dissent. It is now serious. It is quite serious. I'm moving a motion of dissent on your failure to call a private meeting to discuss the use by Senator O'Neill in relation to—

Senator O'NEILL: Of public documents that you want to hide.

Senator McGrATH: documents which have not been published online in relation to a possible abuse of the privileges process. A private meeting has been called for—

Senator O'NEILL: It's not an abuse—it's a public document.

Senator McGrATH: by two permanent members of the committee.

Senator O'NEILL: I have chaired privileges and I am currently the deputy chair of privileges. This is a public document.

CHAIR: I was attempting to give—

Senator McGrATH: We need a private meeting.

CHAIR: Can you let me speak? I was just attempting to hear from Senator O'Neill whether the documents that she is talking to are in fact public, and she has said that they are.

Senator HUME: It doesn't matter because a private meeting has been called for.

CHAIR: The committee will take a brief suspension for a private meeting.

Proceedings suspended from 12:18 to 12:59

CHAIR: The committee resumes. The committee reports that the committee has had a private meeting, and the committee agrees the following: that the questions being asked by Senator O'Neill are relevant to these Senate estimates. Senator O'Neill will be heard in silence as she concludes her line of questions. The document in relation to Mr Dutton's register of interests will not be received by the committee.

Senator O'NEILL: Thank you very much, Chair. Just to pick up the pieces, I believe I was directing a question to you, Dr Johnson, reflecting on an email or a series of emails from Mr Godwin Grech using a Treasury email, noting that he was a senior Treasury official. Mr Grech indicated that he was working on the Australian Business Investment Partnership, which he shorthands in the term 'the bank guarantee business'. He states in one email dated 3 December 2008: 'I have been very busy here dealing with this bank guarantee business and Rudd's unintended consequences. There is much to discuss.' In the second document, which I think was just before the committee broke to consider the relevance of the questioning and which is dated 6 November 2008, he writes, again, from the Treasury email: 'They roped me in to work on the bank guarantee debacle about a month ago. Anyway, I've certainly been doing my best to help out. I think you know what I mean.' He also, in that 6 November email from Treasury, says to an individual engaged in political discussions with him: 'As for me, I think T sees me being of more value than I am (albeit at considerable personal risk for me). We have never discussed the possibility of me making the move.' These are political conversations, Dr Johnson, using the Treasury email. Would you behave in that way, and is that standard practice for Treasury officials?

Dr Johnson: My understanding is that the matters involving Mr Grech were investigated at the time. He no longer works at the department. I don't think he's worked for the department for many years now. I don't think I have any further comment or anything else to add on it.

Senator O'NEILL: And we wish Mr Grech all the best in his life as he continues. But this is interrogating practices around the time that \$4 billion was invested in the markets—a policy that is very significant for our response to the GFC. You indicated it was discussed at the time. I'm reading now from the privileges report:

... documents and emails recovered from the Treasury IT system indicate that Mr Grech was active during normal business hours in corresponding with third parties on issues of a political nature, and outside of his core work responsibilities.

Do the emails I've read into the record accord with that description of the Privileges Committee—the ones you have in front of you?

Dr Johnson: The emails—

Senator O'NEILL: Emails recovered from Treasury IT system.

Dr Johnson: I mean, it's got a Treasury address on the top, so—

Senator O'NEILL: Are these normal sorts of emails, or are they political in nature?

Dr Johnson: Like I said, the matters involving Mr Grech were investigated at the time.

Senator O'NEILL: This is the statement of the Privileges Committee. I'm asking you: do you agree with it? It said he was corresponding in business hours with third parties on issues of a political nature and outside of his core work responsibilities. Do these documents that I've tabled represent that kind of behaviour, Dr Johnson?

Dr Johnson: That's the finding of the Privileges Committee. I won't second-guess them.

Senator O'NEILL: You don't dispute that?

Dr Johnson: No.

Senator O'NEILL: Okay, thank you very much. The reality we have at this stage is that, from the reports of the committee and the evidence that we have that I've tabled today, Liberal Party officials were very aware, through Mr Godwin Grech's emails, of the Rudd government's developments around stimulus packages. In fact, on 18 February, Mr Grech emailed Malcolm Turnbull's staffer—and cc'd in Mr Turnbull himself—a series of suggested questions for Senate estimates about the Australian Business Investment Partnership, including answers from his knowledge. I believe you may have been provided a copy of that as well by the secretariat. I have multiple copies here. If you would like to get them to the officials, please, that would be great. I've got them here, Chair and Deputy Chair. Can you have a look at those. He addresses Paul: 'As promised and discussed, I have prepared some possible questions for Senate estimates on the car dealer SPV and the commercial property SPV.' Is it common practice, Dr Johnson, and is it in accordance with APS principles that a senior Treasury official engaged in policy would be providing this detailed question and answer to a political party?

Dr Johnson: Like I said, I think these matters have been investigated. I don't think I've got any more to add to it.

Senator O'NEILL: Dr Johnson, I'm not asking you to agree with this document. You've already said that you agree with the findings of the Privileges Committee, which found private emails going on. My question is: if this kind of behaviour was happening today, if one of your Treasury officials created a document like Godwin Grech and was sending it to members of the opposition, would you sanction that behaviour, Dr Johnson? Is that in accordance with APS values?

Dr Johnson: I would really need to look into all of the circumstances. Like I said, I haven't seen the document itself. But that would be something that I would likely raise with the secretary.

Senator O'NEILL: You would raise it with the secretary? Would you consider it a serious matter?

Dr Johnson: Like I said, I haven't seen the actual documents themselves, but—

Senator O'NEILL: Sorry, I thought you had a copy of the questions in front of you.

Dr Johnson: No, sorry.

Senator O'NEILL: Can you have a look at those? I do need to get your response to that once you've seen it. These are questions prepared by Mr Godwin Grech, principal adviser, corporations and financial services division, while he was working at Treasury, provided to the then opposition directly from him to Mr Paul Lindwall and cc'd to Mr Malcolm Turnbull. Is this the kind of behaviour that you would sanction amongst your Treasury officials working in the corporations and financial services division, Dr Johnson?

Ms Anderson: Senator, issues around the behaviour of staff and the standards we're expected to adhere to as public servants would be managed, in terms of the Treasury's business, by my group in the Corporate Division.

Senator O'NEILL: Have you got a copy of this document?

Ms Anderson: I just received one. I haven't had a chance to consider it, but anything that went to matters of a political nature—I'm talking theoretically here. As has been said by Dr Johnson, these matters were investigated quite thoroughly at the time in relation to Mr Grech, so I'm not referring to him or to those circumstances at all. But, if something like this were to occur again and we discovered it, that would be a matter of investigation by the department into a code of conduct breach, most likely. Clearly, behaving in a way that could be seen or actually was political and not impartial would be a breach of the code of conduct, and we would be required to investigate that. That would be done in the usual course of events. A decision would be made on whether a breach has occurred, and then a sanction would be applied.

Senator O'NEILL: What sort of sanction would we be talking about for that sort of level of breach?

Ms Anderson: It's very much—there's a delegate for each investigation, so it is actually up to the delegate to determine the sanction depending on the level of severity. I can't remember the exact range, but it can be anything from 'You're cleared,' obviously; there can be a reprimand; and then, obviously, someone can be removed from their position if it is seen as a serious enough breach.

Senator O'NEILL: I'm coming to the close of my questioning. Mr Grech—then, not now; we're talking about behaviours in that period of time—was, in common parlance, leaking like a sieve to the Liberal-National opposition. He has declared in these documents from his Treasury address to members of the Liberal Party his knowledge of and intimate involvement with policy design. He was engaged in multiple conversations with many people to the point that, when the IT system was investigated, Treasury indicated that he was corresponding with third parties on issues of a political nature outside of his core work responsibilities while at work and using his Treasury resources. Given that context around market-sensitive information—because this was profoundly market-sensitive information—what are your practices around that now? Have you changed any processes from that period of time?

Ms Anderson: I wasn't in the department at that time, but I certainly can talk to what we would do now. All senior executive employees and executive level 2 employees and some employees below that level—so that's middle management level and senior executives—are required to do at least an annual conflict-of-interest form to their manager where they declare any real or perceived conflicts of interest. Those forms are assessed by their manager and, if there is a management process needing to be put in place, it will be. If you have a business interest, for example, the management could be to not work on anything that related to that business. If you have significant numbers of shares beyond the ordinary, you may not want to work on something that relates to the company in which you have shares. Those sorts of things are quite routinely declared and managed within that process. And then we also have—

Senator O'NEILL: What about if you were highly engaged in a political party and communicating with senior people including ministers and shadow ministers?

Ms Anderson: Yes, that would definitely be required to be declared, although there are quite specific things that are allowable. Obviously, public servants are able to vote—

Senator O'NEILL: Of course. You're citizens in your own country.

Ms Anderson: as citizens and participate in the political process like anyone else.

Senator O'NEILL: Exactly.

Ms Anderson: However, how you express your political views and allegiances is constrained by being a public servant. I think the Public Service Commission has a good document, a guide to the code of conduct and what your obligations would be in that regard. So it depends on how active your political engagement is. Obviously, running for parliament and all those sorts of things are very obviously things that require you to step down. Identifying yourself as a public servant and then expressing your political views is also problematic. So there's a range of things. In the example you gave, sharing information that is confidential and effectively should be managed by the government with anyone who is not the government is probably not a breach of the code of conduct; it would go to confidentiality of government processes. There may be other things involved in those circumstances as well.

Senator O'NEILL: And we have no view, despite the report, of how far and widely Mr Godwin Grech shared his insights into this \$4 billion policy investment?

Ms Anderson: I have no knowledge of that.

Senator O'NEILL: No one has any knowledge of how far it went, I think. We've got the documents that I've tabled. I have a final question. If information of a market-sensitive kind, without authorisation, were used for

private personal profit such as to inform the purchase of shares in Australian major banks on the day before a bank bail-out package was announced, what would be the consequences for that sort of offence?

Ms Anderson: The consequences for the public servant involved? Obviously, we don't necessarily have jurisdiction over anyone who may receive it and do something with it.

Senator O'NEILL: That's up to their integrity to—

Ms Anderson: That is up to their integrity or whatever governs their behaviour, including a range of other things that that apply to private citizens.

Senator O'NEILL: Profit over principle or principle over profit. It's a choice, right?

Ms Anderson: Correct, yes. But for the public servant involved, in a theoretical sense, that sort of thing would trigger the sort of investigation I referred to earlier, a code of conduct investigation that we would conduct quickly once we knew about the information.

Senator O'NEILL: Would you characterise it as a serious matter?

Ms Anderson: I would characterise that as a serious matter, yes.

Senator O'NEILL: Thank you.

CHAIR: I have a number of senators who have questions. I'll go to Senator Bragg and then Senator Barbara Pocock.

Senator BRAGG: I will just ask you about some of the Centre for Population matters, please. I've also got some questions about the Barton government.

Dr Cagliarini: Sorry?

Senator BRAGG: The Barton government from 1901 to 1904. Can I ask those of you?

Dr Cagliarini: I am not that familiar with the Barton government, unfortunately.

Senator BRAGG: I'm only joking; don't worry. Let's talk about population. Is it true that, over the six-year period from 2022-23 to 2027-28, net overseas migration is expected to be in excess of two million people?

Dr Cagliarini: Sorry, Senator. Are you referring to the flow or the stock?

Senator BRAGG: No, the overall net overseas migration.

Dr Cagliarini: When we forecast net overseas migration, we usually refer to it as the flow. It's the number of people coming in and the number of people going out of the country.

Senator BRAGG: Yes, so the net figure. Is it true that the expectation is that there will be two million people from 2022-23 to 2027-28?

Dr Cagliarini: Yes, that's correct.

Senator BRAGG: How much over two million?

Mr Latimer: My numbers here are 2,027,000.

Senator BRAGG: How does that compare to prior years?

Dr Johnson: One of the things driving that is a rebound post-COVID, so looking at prior years probably isn't an accurate comparison.

Senator BRAGG: Right.

Dr Johnson: For example, in 2022-23 we're getting a strong rebound due to not having migration during the COVID period.

Senator BRAGG: But isn't it true that, if you go back to prior budgets and the prior budget projections since this government was elected, the projections have almost always been exceeded?

Senator Gallagher: I think we've dealt with that in previous estimates with advice from Treasury.

Senator BRAGG: Sorry, I didn't understand that answer.

Senator Gallagher: Well, I think we have covered this issue in previous examination of budget estimates, including the fact that upward revision post COVID was underestimated in the forecasts.

Senator BRAGG: Yes. Am I right in saying that, in the 2022-23 budget back from March 2022-23, the projection was that there were to be 180,000 people on a net basis, and it ended up being quite a lot higher?

Dr Cagliarini: Sorry, Senator. I don't have the numbers from that budget at hand. I will comment that at the time borders had opened, and at that time predicting migrant behaviour, particularly arrivals, was quite difficult. With the arrivals, there were some push and pull factors. Obviously, borders had opened. There were other

policies overseas, particularly in countries like China, which told their students, 'If you want to study abroad, you need to go abroad.' So there were some other push factors there. But understanding behaviours post COVID and when borders opened up was actually a really difficult matter for the forecasters at the time to deal with.

Dr Johnson: That's not just the Australian context; that's international. We saw it in the UK and Canada as well.

Dr Cagliarini: Canada was another one as well.

Dr Johnson: Also those countries that have net migration.

Senator BRAGG: But effectively we're still looking at over 250,000 people coming in 2025-26. Is that right?

Dr Johnson: That's the current forecast. Yes, 255,000 in 2025-26.

Senator BRAGG: That's right, isn't it?

Senator Gallagher: Yes.

Senator BRAGG: Okay. When did you finalise this population statement from 2024?

Mr Latimer: That was prepared late last year and finalised in December.

Senator BRAGG: Was it always intended to be released on the Friday before Christmas?

Mr Latimer: That was the date that we had been planning for, yes.

Senator BRAGG: That was the date?

Mr Latimer: Yes.

Senator BRAGG: Have you done any modelling on the impact of having a large migration program—two million people coming into the country over a few years—and how that's impacted housing?

Mr Latimer: That's not work that the Centre for Population has done, but I would clarify that that's not a migration program. It also includes the flow of Australians and New Zealanders in and out of the country.

Senator BRAGG: But you would accept, I imagine, that there is a connection between migration and housing. More people need more houses, right?

Dr Johnson: Short-term shocks can have and have had an impact. When there's a short-term change—I think the secretary has talked about this in previous estimates as well, about having short-term change—the housing market can't adjust as quickly. So having certainty in the long term is important. But yes.

Senator BRAGG: Minister, I know you are interested in these things. Have you asked, or do you know whether the Treasurer, Mr Chalmers, has asked, the Treasury to do some modelling on the connection between in-bound migration levels going up and how that impacts Australian housing?

Senator Gallagher: Well, clearly Treasury has been doing work on population and on migration. You have the report there but also the work that's done in budgets and MYEFOs. It's important to say net overseas migration has fallen for three consecutive quarters, in December 2023 and March and June 2024, and this is because of some of the work that's being done in making sure we are addressing some of those pressures we are now seeing come through. We're also focused on housing and increasing housing supply, and the Treasurer obviously has been very active in that space as well.

Senator BRAGG: So is the answer to the question that you have commissioned analysis on that nexus?

Senator Gallagher: My answer to the question is that the Treasurer is fully across migration, net overseas migration and housing policy.

Senator BRAGG: Okay. So what is the piece of work that exists in the Treasury that shows the impact of having a million people come into the country in the last two years and only building 160,000 houses? Where does that analysis exist? Who has got that? Have you got it here today?

Dr Johnson: No, we don't have that analysis, Senator Bragg.

Senator BRAGG: Does it exist?

Dr Johnson: We haven't done that. We haven't undertaken that analysis.

Senator BRAGG: That's bad, isn't it? Don't you think that's bad, Minister?

Senator Gallagher: No. I think—

Senator BRAGG: Most people will look at it and say, 'Well, the number of people you have in the country impacts how many houses you need.' I don't think you've done the work.

Senator Gallagher: I think the people of Australia want a government that's focused on increasing the supply of housing, which we are doing—

Senator BRAGG: Well, that would be great if you could.

Senator Gallagher: and taking responsible steps to ensure that our migration numbers are managed appropriately, and we are doing both of those things.

Senator BRAGG: I think, sadly, you and I both know that is not the case.

Senator Gallagher: No, I don't accept that view from you.

Senator BRAGG: Well, you're not building as many houses as the last government.

Senator Gallagher: You as a government did not build any houses. What you used there is the number for housing under construction. What we are doing—

Senator BRAGG: The government can't solve the problem. You need builders—you know builders?

Senator Gallagher: What we are doing is actively supporting the development of housing, which—

Senator BRAGG: Well, you're not.

Senator Gallagher: We are. In homelessness, in social, in affordable and in working with the states and territories, we are pulling every single lever we have available to us to deliver more housing in this country, and the only policy you have is to cut it. So don't sit in here and complain about lack of housing when your only policy is to abolish the Housing Australia Future Fund—

Senator BRAGG: We have lots of policies.

Senator Gallagher: which is actually the policy which is ramping up investment in housing in this country.

Senator BRAGG: How many houses have you built? How many houses does it have?

Senator Gallagher: Well, we can go through that at the relevant section. Don't worry; we're all prepared for you, Senator Bragg.

Senator BRAGG: It sounds like obfuscation to me, but anyway.

Senator Gallagher: No, not at all. We've got a special set of numbers for you.

Senator BRAGG: Fantastic. Great.

CHAIR: Thank you, Minister. We will go to Senator Barbara Pocock.

Senator BARBARA POCOCK: My questions relate to the Future Made in Australia program. The Future Made in Australia Bill states the Treasurer will ask the Treasury secretary to investigate a sector's potential, but in practice there will be preliminary work done by Treasury to create a shortlist or narrowed-down goods sectors to investigate. Has that work commenced?

Ms Zaheed: Since we have been funded and we've been established as a team within Treasury and the legislation passed parliament, we have been doing work across APS. There are a number of agencies who work in these sectors of the economy—for example, the Department of Industry, Science and Resources and the Department of Climate Change, Energy, the Environment and Water. So we have been working with our colleagues and peers to look at different sectors of the economy and get our team up to speed on how we would do a sector assessment if one were commissioned by government, and we have been looking at emerging sectors. We have engaged with lots of stakeholders who have raised issues and ideas with us. So we have been doing that general groundwork, as you would expect, to understand the economy and different sectors of the economy, monitor international developments and have that scan. I wouldn't say we've done formal pieces in that space, but it has been very much more about coming up to speed and understanding the dynamics of different segments of the economy.

Senator BARBARA POCOCK: So you're clearly working with very deep experience in a range of departments where there has been a lot of thinking about where our industry future strengths lie. Can we get a sense of the possible sectors that you're looking at?

Ms Zaheed: The legislation purposefully doesn't define a sector. There's, in some senses, a continuum when we think about the sector assessment process. The priority sector that has been announced, obviously, has been hydrogen and green metals. There is clean energy manufacturing and critical minerals processing within the economic resilience and security stream and low carbon future fields. There are always processes and supply chains adjacent to those sectors. We have been obviously looking at that. When you think about hydrogen supply chain, you look down the pipeline of that. Clean energy manufacturing is a really broad sector. So government

has made announcements in relation to solar, but there are other components within the clean energy manufacturing space.

And then, from an economic resilience and security perspective, there has been work done through primarily the department of industry. They have the OSCR function, the supply chain resilience function, who has looked at different components. As you said, there's a lot of expertise sitting within the APS across sectors of the economy, so we have been engaging across agencies to better understand what they have done and what areas of priority could come up, but, in some senses, we haven't got our shortlist of sectors that we are talking to government about in a formal way.

Senator BARBARA POCOCK: Given the recent announcements around Whyalla, will a green steel sector assessment be done?

Ms Zaheed: As part of the previous budget, green metals was identified as a sector that's aligned to the National Interest Framework. Given the opportunity that Australia has with the resources that we've got in the ground, plus the potential for renewable energy at cheap prices, green metals, which includes steel, aluminium and iron, was identified as a priority sector as part of that budget process.

Senator BARBARA POCOCK: So that's a yes, I think.

Ms Zaheed: It didn't go through—I mean, I'm splitting hairs here a little bit. The sector assessment process was legislated in December, so it hasn't gone through that Treasurer-commissioned sector assessment process under the FMIA Act because it didn't exist at the time. But the National Interest Framework was formed. In some senses, it's an articulation of the work that was done in the lead-up to that budget. So did we look at the types of things that are in the National Interest Framework in the legislation? Absolutely, and there's a budget supporting paper that outlines our analysis of the green metals sector that was released by Treasury just after—I think it might have even been on budget night, so in the previous budget.

Senator BARBARA POCOCK: Have you been engaged in discussion about how investments at Whyalla might proceed?

Ms Zaheed: In the ordinary way that Treasury is involved in cabinet processes, yes, Treasury has been very closely linked. That work is led out of DISR, the Department of Industry, Science and Resources, so they are the lead agency. But Treasury, in the ordinary course of how we engage on cabinet processes, have been very closely engaged.

Senator BARBARA POCOCK: Regarding the commitment specifically to build an electric arc furnace at the site, will that be done through Export Finance Australia's national account or through some other financial vehicle?

Ms Zaheed: I think these questions are probably better directed at DISR, who are appearing after us, so you've still got that good run. I can outline the large components of the package, and I think the finance hearings yesterday took you through it, so it's a question about whether you want me to. It will be the same information; we've got the same briefing notes. But, in some senses, what has been announced has been certain packages. There is a package which has yet to be landed. The final shape of that will depend on negotiations with the administrator. So that piece is not yet settled, and the format that takes will really very much depend on the work that the administrators do and the negotiations with South Australia. So that's the piece that I can't comment on. But the \$500 million in the green iron fund is being administered by DISR, so that is a separate piece.

Senator BARBARA POCOCK: And you listened to the evidence yesterday in Finance?

Ms Zaheed: Yes.

Senator BARBARA POCOCK: Do you have anything you want to add to what was said about the various buckets of funding, their potential for a purchase of equity within any rescue involved in the \$1.9 billion and so on? Anything you want to say about that?

Ms Zaheed: No. I think my colleagues at Finance did an excellent job, and I wouldn't have any new information to add.

Senator BARBARA POCOCK: I'll come back to DISR, then, about some of that detail. Thank you.

CHAIR: I understand that Senator Rennick has a couple of questions for macro international foreign investment. Senator Rennick.

Senator RENNICK: Can I clarify the rules around foreign ownership of housing. I'd like to reference an article on the web from the *Daily Mail* that says:

Chinese homebuyers have made a strong return to the Australian housing market, driven in part by the weaker dollar and the Chinese New Year holiday period.

... of ... Agency, which specialises in selling homes to Chinese buyers, said it had already seen a 20 per cent increase in enquiries for viewing properties during the Chinese New Year.

My understanding of it was that foreigners can only buy new property, not existing property. That is question 1. Question 2 is: can the parents of students studying here buy property here?

Mr Tinning: In answer to your first question, there's recently been an announcement of a ban on the purchase of established dwellings. Until recently, there were certain circumstances under which people could buy established dwellings, but that will change effective 1 April with the ban. I'm happy to go through the exceptions that there were, but basically—

Senator RENNICK: What were the exceptions, if you don't mind?

Mr Tinning: Either it involves a primary residence in Australia or the purchase of a property by an employer on behalf of an employee or there is substantial redevelopment that adds to the housing stock.

Senator RENNICK: So, in the case of a foreign student, if they were studying here and they wanted a house to live in, you could have bought a house for the student studying here?

Mr Tinning: They would have to buy it.

Senator RENNICK: They would have to buy it while they were here and then sell when they left?

Mr Tinning: Correct.

Senator RENNICK: That's good to know. I just wanted to clear that up. The other thing I've addressed in the past is in terms of money laundering. I've spoken about how real estate agents don't have to lodge to the tax office when they pay rent offshore. I know the tax office is now asking for people to declare citizenship before they sell, but have you ever thought about the same with stockbrokers? I note that the tax act exempts foreign investors who own less than 10 per cent of a stock from paying capital gains. I note that there is no stamp duty on buying and selling shares, unlike Australians who buy real property, for example. That is a market ripe for money laundering. I note that the head of ASIC, Joe Longo, came out today in the *Australian* and said he is worried about dark pools of money. I'm glad that he has raised that really good issue, but I'll raise that with him later. Are you concerned about the risk of money laundering through stockbrokers as well? I can see that there's a big gap there in terms of money laundering.

Mr Tinning: We're responsible for the foreign investment framework, so that doesn't come into our territory. But I think—

Senator RENNICK: Sorry—I would argue there is a risk there, though. It could be because foreign investors come in and buy shares and then take the money out again. They wash the money through.

Mr Tinning: The purchase of shares wouldn't come through our framework. We're the regulator of ownership, so the type of issue you've raised wouldn't be governed through the foreign investment framework.

Senator RENNICK: This is my last question, Chair. I note Westpac last week have now offshored another 160 jobs to the Philippines. I know we've recently signed a free trade agreement with India. Do we know how much money in remittances is getting sent offshore in terms of wages paid either for outsourcing or people coming onshore? For example, I've been told that there are people coming from the Philippines to build the transmission lines between Wagga and South Australia. Is that something that Treasury tracks in terms of how much in remittances is going offshore and to each country? And, if so, how much withholding tax is being withheld on those payments?

Mr Tinning: We might need to take that one on notice.

Senator RENNICK: So you're not sure if you do that? Okay, no worries. Have I got time for one more?

CHAIR: Yes.

Senator RENNICK: I'll raise this with the tax office, but I think it could touch Treasury as well. We raised an issue last time of the tax treaty with Ireland, which hasn't been updated since 1983, and then there has been some tightening of those provisions in 2019 with the cracking down on multinational tax evasion. I note, however, that the withholding tax on royalties and interest paid to Ireland is still at 10 cents in the dollar. Is that going to go to 15 cents in the dollar once these new agreements are brought in in 2026?

Mr Thompson: That is probably a question for the session later today. It would be covered under the treaty renegotiation program, which my colleagues in the Corporate International Tax Division of Treasury would be able to speak to.

Senator RENNICK: I'll raise that with the ATO later tonight.

Mr Thompson: Well, the treaty negotiation is a function that sits in the Treasury.

Mr Tinning: It'd be Revenue Group.

Senator RENNICK: Okay, thanks.

CHAIR: Senator Smith.

Senator DEAN SMITH: Mr Tinning, how are offtake agreements considered under our foreign investment review mechanisms?

Mr Tinning: In general, offtake agreements are not part of our framework. We do—

Senator DEAN SMITH: They're not part of the mandatory framework, are they?

Mr Tinning: No. But, where an offtake agreement is used as a basis for a binding contract, that can sometimes come into our framework. But, in general, it's outside our framework.

Senator DEAN SMITH: Is the fact that it's outside the framework under active review or watch?

Mr Tinning: We're always looking at our settings and where there might be scope for improvements in our legislation. That's certainly an issue that has been raised with us and something we're thinking about.

Senator DEAN SMITH: Who has raised it with the Treasury? Individual proponents or industry associations or—

Mr Tinning: It's partly through stakeholder feedback and partly through just our experience in administering the act and the fact that offtake agreements sometimes may be used in ways that exert influence over companies but are not currently captured in our act.

Senator DEAN SMITH: They are becoming a more significant part of the bankability of a project. That is true, isn't it?

Mr Tinning: I think it very much depends on the sector, but in certain sectors offtake agreements become very important components.

Senator DEAN SMITH: Which sectors are they?

Mr Tinning: Particularly in the mining sector.

Senator DEAN SMITH: Was the matter of offtake agreements considered as part of the 1 May 2024 reforms, or has the issue emerged since those matters were considered?

Mr Tinning: The reforms in May were policy reforms. Including offtake in the foreign investment framework would require legislative reform.

Senator DEAN SMITH: So, in summary, offtake arrangements are under active review from a policy and legislative perspective?

Mr Tinning: It's one of the issues that are on our radar in considering potential future legislative reform.

Senator DEAN SMITH: I want to go back to the Future Made in Australia policy. In regard to your evidence to Senator Pocock, is it a correct statement that no new policy announcements in the last six months under the Future Made in Australia umbrella have had independent sector assessments undertaken?

Ms Zaheed: The policies that have been announced in the previous six months follow on from the assessments that were done in the 2024-25 budget context. So they have had the assessment done, and, obviously, it takes some time to develop those policies. The timing of announcements of government policies is a matter for government, but the announcements in relation to the green iron fund, the green aluminium fund, the legislation of the production tax incentives for hydrogen and critical minerals processing, and the first allocation of the innovation fund all reflect the work and the analysis that was done by Treasury and others in the APS and formed part of the paper that I referenced previously. So it's a continuation of the earlier assessment or, I guess, the culmination of policy responses to the earlier assessment.

Senator DEAN SMITH: But they have not been concluded or they have been concluded?

Ms Zaheed: The assessments were. Maybe, for example, green metals is the easiest one to go to. We looked at what would be the basis of Australia's sustained comparative advantage in a sector such as green metals, with us having the mineral resources and the potential for cheap renewable energy. It's a sector we identified could be a source of long-term, sustained comparative advantage in a net zero economy. That analysis was done. The policy announcements and the development of the policy that's followed is in some senses how you expect those processes to go forward. The sector assessment process is really about helping providing advice to government on what those fundamentals are, and then it is for line agencies like DISR and others to develop those policies, and then government obviously makes those announcements.

Senator DEAN SMITH: To put my question a different way, which projects or initiatives have independent sector assessments been completed for?

Ms Zaheed: The sector assessment process doesn't look at specific projects. It's not designed to look at specific projects. It's designed to look at a sector in aggregate. So, for example, with hydrogen, the work that was led by Treasury looked at the potential for hydrogen in the Australian economy, what the comparative advantage Australia could have in that, then the Hydrogen Headstart program, which is being developed and implemented by DCCEEW, and then the hydrogen production tax incentive, which is obviously broad based. DCCEEW in the context of Hydrogen Headstart will assess individual projects that come in under that project. They will provide advice to government. They will operate that program. It's similar with the green iron fund and the green aluminium fund. With the green iron fund, up to \$500 million has been set aside for Whyalla. DISR will run a process to provide advice and implement the grants. So the sector assessment process is not intended to look at specific individual projects but the sector in aggregate.

Senator DEAN SMITH: So which sectors in aggregate have had their sector assessments completed?

Ms Zaheed: So as I referenced previously, as part of the previous budget, the budget that happened last May, five sectors were identified and work was done in relation to those. They are green metals, hydrogen, low-carbon future fuels under the net zero segment of the sector assessment process, critical minerals processing and clean energy manufacturing under the economic resilience and security stream. As I said previously, that analysis and that work pre-dates the legislation having gone through parliament. The legislation only went through parliament in December. So have we done a normal sector assessment under the new legislated framework? No, we haven't.

Senator DEAN SMITH: Is that because you had to wait for the legislation to pass before you could do those tasks?

Ms Zaheed: The legislation does a number of things. Largely, it—

Senator DEAN SMITH: Does it prohibit you from working on or completing those sector assessments?

Ms Zaheed: No, the legislation doesn't. Treasury provides analysis on a number of issues. We provide advice to government on a number of issues. The sector assessment process as legislated creates legislative architecture. It creates obligations on the government to then table a report and have it made public. It also sets out some specific things that Treasury must look at in part of those assessments. We have not been asked subsequent to that legislation passing to do another sector assessment, but, if one were tasked to Treasury, we would be well positioned to undertake that.

Senator DEAN SMITH: Have those aggregate sector assessments been completed for each of those five areas that you mentioned?

Ms Zaheed: It's a bit splitting hairs. Let's take sector assessments without a capital S and capital A—that is, under the legislative framework. The analysis was done. The Treasury information paper that we put out sets out a lot of the foundations of that analysis. That was made public.

CHAIR: But the Treasury paper is not the analysis; it's the foundations for them.

Ms Zaheed: It sets out the analysis. I don't actually have a copy on me, but it's on our website. I'm happy to provide a copy to the secretariat, if that's useful. It sets out, for example, for hydrogen, what some of the cost curves could look like. It does set out the basis of our analysis for those five sectors. Just to confirm, the aluminium production credits are not a tax credit, are they?

Ms Zaheed: No.

Senator DEAN SMITH: Can you just explain that more fully?

Ms Zaheed: I will do my best, but the program is being run out of DISR, who will be able to give you the more detailed version.

Senator DEAN SMITH: DISR officials are not as cooperative as Treasury ones, I might add.

Ms Zaheed: Senator, I have a very good relationship with my DISR colleagues! There's a production tax credit versus a production credit. In some senses, they have similar economic fundamentals. It is an amount you get to support production. The tax credit operates through tax legislation and it operates through our tax system. The aluminium production credit will be administered outside of the tax system but will be administered by DISR. DISR will be looking to consult on the design of that proposal and the administration of that, but it will not be done through the tax system similar to the other two that have already been legislated. The detailed program design has commenced by my colleagues at DISR, as I understand it, with the Business Grants Hub. So they will be really well positioned to give you more details about where that specific process is up to. But, if there is a specific kind of question you have about the difference, I'm happy to try and help.

Senator DEAN SMITH: That is fine. The community benefits principles have been a matter of much discussion. Where is the consultation up to around the community benefits principles and are you able to share with the committee what the current timeframe is for those consultations and the finalisation of those community benefit principles?

Ms Zaheed: Yes. Treasury is currently doing the work on the community benefit principles consultations. We have been preparing the materials for that consultation to provide to government. The timing for any consultation will be a matter for government. At this point in time, my team has worked, again, across the APS system. There are a number of similar obligations that exist. One thing we've been very keen to do—and we've heard a lot of stakeholder feedback on this—is ensure that the obligations are implemented in a way that's efficient and achieves the intent of the policy without undue regulatory cost. So we have been doing work across the—

Senator DEAN SMITH: By 'regulatory cost' do you mean duplication?

Ms Zaheed: Duplication. Sometimes you can end up in very similar themes with the same intent using slightly different language. There is a lot of confusion caused by things like that. So we've been doing the work with agencies across the APS who administer different parts of existing obligations to develop a set of proposals which we will engage with government on to then have that consultation that's been committed to. The timing for that will be a matter for government.

Senator DEAN SMITH: When do you expect to have advice to government?

Ms Zaheed: I mean, advice is a continuum, as you all know. We have been engaged—

Senator DEAN SMITH: But what we're talking about here, to be fair, though, is your provision to government of the first piece of advice around the—

Ms Zaheed: We have provided advice to government all the way through—

Senator DEAN SMITH: But this is around the consultation process. It sounds to me like you are working on the consultation paper or the documentation that might actually support the consultation process.

Ms Zaheed: We would hope to have that to government in the near future. We haven't yet been in a position to provide that to the government, but we are working on that actively and we hope to do that in the near future.

Senator DEAN SMITH: I have learnt through estimates that there is 'imminent', 'near', 'soon' and 'as soon as practicable'.

Ms Zaheed: I think we are in somewhere between 'imminent' and 'in the near future'.

Senator DEAN SMITH: Does the government expect to have this information before the calling of the election?

Ms Zaheed: That's a matter for government.

CHAIR: When is the election, Senator Smith?

Senator DEAN SMITH: It'll be 5 April or 12 April. Is there a sense of how long the consultation process will go for?

Ms Zaheed: Those are matters for government. What the government has committed to is a genuine, detailed and robust consultation on this. The standard Treasury consultation process tends to be about four weeks, but consultation can range from a shorter periods to longer periods. The intention would be to consult, and the timeframes for that would be decisions of government.

Senator DEAN SMITH: From the Treasury's perspective, is there an expectation about when these community benefit principles will be completed and operative?

Ms Zaheed: In terms of the operative nature of the community benefit principles, there are a number of programs. There are two programs prescribed in legislation to which the community benefit principles attach. They are the innovation fund and the EFA's domestic national interest account. Currently, decisions in relation to EFA are made by government. The ARENA innovation fund is operated by ARENA. Those principles are already in play. They are legislated. The legislation requires ARENA to have regard for those community benefit principles. ARENA, in the consultation they have done on Solar Sunshot, have already incorporated those community benefit principles into their considerations. To your question around when the principles are operative, they are operative now. They are legislated now.

The principles will also apply to the production tax incentive legislation for both hydrogen and critical minerals. We still need to consult and develop those proposals. Those production tax incentives do not come into effect for another couple of years. It will be operative at the point when that legislation comes into play. But in some senses the principles are clear. They are set out in legislation. Decision-makers can and should be having

regard to that—actually, they must be having regard to that—as they operationalise. The consultation will be to provide further clarity and direction, but they are currently operational.

Senator DEAN SMITH: Thank you very much.

CHAIR: Thank you very much for answering our questions. That concludes the questions we have for you. You go with our thanks.

Proceedings suspended from 13:52 to 13:54

CHAIR: The committee resumes and we welcome representatives from Treasury's Small Business, Housing, Corporate and Law Group. Thank you very much for being here and answering our questions.

Senator BRAGG: How are you going with the housing supply targets?

Ms Anderson: As you know, the target is 1.2 million homes that has been signed on to by national cabinet. I think 2028-29 is the target, so we are six months in. Since the agreement, I think there are a range of things that state and territory governments have undertaken to do around planning and zoning systems, infrastructure, provision and various other things, and obviously the Commonwealth has got a significant suite of investments to support those as well.

Senator BRAGG: What's the number for this year, the target?

Ms Anderson: There is no year-by-year target. It's a 1.2 million target.

Senator BRAGG: But wouldn't you need a quarter of a million houses a year to meet the target?

Ms Anderson: We don't anticipate it being apportioned evenly over those years.

Senator BRAGG: It's not linear.

Ms Anderson: It takes two to three years, most likely, to build houses, so we're starting to see quite a few positive signs in the market.

Senator BRAGG: How many houses did we get this year?

Ms Anderson: Are you talking about government-supported houses or market houses?

Senator BRAGG: How many houses were built in Australia in the last 12 months?

Ms Anderson: I'm going to pass to my team to talk through those numbers. I think we have the most recent quarterly data.

Ms Crosthwaite: For the first quarter of the National Housing Accord target, the September quarter, which is the only data we have available, that number was 43,247 homes, I believe. My colleague may correct me if he wants to come to the table.

Mr Dowie: On a seasonally adjusted basis for the first three months of the National Housing Accord period, 44,884 homes were built.

Senator BRAGG: How many houses were built in Australia last year, did you say?

Ms Crosthwaite: It was 177,000.

Senator BRAGG: We need to get 240,000 houses a year, so we're well short.

Ms Crosthwaite: As Ms Anderson said, the intent is not that the accord targets be apportioned in that way.

Senator BRAGG: Sure, but are we hitting the target or not?

Ms Crosthwaite: We won't know we're hitting the target until the end of the accord period.

Senator BRAGG: Do you think we're on track?

Senator Gallagher: We are doing everything we can to reach that target.

Senator BRAGG: Are we on track?

Senator Gallagher: We have a target, and we are underpinning that target with a range of policies that will allow us to meet that target.

Senator BRAGG: Let's just go to some numbers then, because I don't think we are on track. I think you know that, which is why you're not giving a very clear answer.

Senator Gallagher: I am giving a clear answer.

Senator BRAGG: Are we on track or not?

Senator Gallagher: We're on track for our targets.

Senator BRAGG: We're on track.

Senator Gallagher: Yes.

Senator BRAGG: We're going to get 240,000 houses this year.

Senator Gallagher: You're trying to twist words and put them into my mouth.

Senator BRAGG: No, I'm not.

Senator Gallagher: You've already had evidence that the target is not an annualised target. The reason we're working with the states and territories who have signed up to this is that that is what we would like to reach at the end of the accord period, and we have policies that underpin that target.

Senator BRAGG: In five years.

Senator Gallagher: That is the target.

Senator BRAGG: You won't give consideration as to whether you're on track during the interceding period?

Senator Gallagher: We are building more housing—

Senator BRAGG: But that's not accurate. That's misleading evidence.

Senator Gallagher: that you want to abolish.

Senator BRAGG: But that's not right.

Senator Gallagher: Yes, it is right. Let's go through some numbers.

Senator BRAGG: Let's go through numbers. The average housing construction completions under the last government was 190,000. Under this government it's 170,000. Is it less or more?

Senator Gallagher: How many was your government doing?

Senator BRAGG: 190,000 on average.

Senator Gallagher: No, that is not correct. Your government, when you were in power, was not supporting the development of housing through programs.

Senator BRAGG: You're conflating two different things.

Senator Gallagher: You are saying your government built 190,000.

Senator BRAGG: Let me ask the official to try and get to the bottom of this. When you talk about housing targets, are you talking about the housing targets that the government is building or the overall housing completions in the country?

Ms Anderson: The accord target was overall completions for the country.

Senator BRAGG: Minister, did you hear the official say that? That was very helpful.

Ms Anderson: I might add that the Commonwealth obviously has a role to play in that but is not solely responsible for delivering the target.

Senator BRAGG: Anyway, we're heading in the wrong direction because we are building fewer houses than we had under the last government.

Senator Gallagher: No, that's not true.

Senator BRAGG: 190,000 under the last government; 170,000 under you.

Senator Gallagher: Let's look at the March quarter 2022: 37,000 homes were built. In the September quarter, 2024, 46,000 homes were built.

Senator BRAGG: I can tell you the average is there.

Senator Gallagher: We can all sit here and talk about it, but the facts are there. I know you've got a particular narrative you want to get out.

Senator BRAGG: You're trending in the wrong direction. I'm wondering how you are going to get us going in the right direction on housing. How are you going to fix it?

Senator Gallagher: By not abolishing the Housing Australia Future Fund which is your policy at the moment.

Senator BRAGG: Do you think the government can solve this problem?

Senator Gallagher: Your housing policy at the moment is to abolish the Housing Australia Future Fund.

Senator BRAGG: Do you think government can solve this problem without builders, developers and tradies?

Senator Gallagher: We're working in partnership with everybody across the board.

Senator BRAGG: You're not.

Senator Gallagher: Yes, we are.

Senator BRAGG: I'll move on.

Senator Gallagher: You didn't even have a housing minister for most of the last decade.

Senator BRAGG: We built more houses than you.

Senator Gallagher: No, you didn't.

Senator BRAGG: The numbers don't lie.

Senator Gallagher: I did not see Mr Morrison or Mr Sukkar out building houses or even investing in houses.

Senator BRAGG: The government can't solve this problem. Ms Anderson just made the point that the government can't solve this problem.

CHAIR: Senator Bragg, can we just, for the minutes remaining before lunch, have one of those moments in committee where somebody asks a question and then stops talking while the other person answers the question.

Senator BRAGG: I'm about to do that. I'm trying to be very courteous here and stick to the numbers. Let me ask you, then, about one of the policies you do have, which is designed to promote the private economy to build houses. As we've heard in the evidence today, there are two types of houses that can be built in Australia. There are houses built by builders and developers in the market, then there are the houses built by the government through your Housing Australia Future Fund, which you think is terrific. Other people might have different views.

Senator Gallagher: You're going to abolish it.

Senator BRAGG: That's right. Those are the two types of houses. One of the policies I believe you have is called the Housing Support Program. Is that right?

Ms Anderson: That's one of the government's programs. It is administered out of department of infrastructure.

Senator BRAGG: You've got \$1.5 billion in that, have you?

Ms Anderson: I might ask Mr Dowie to add to those statistics.

Senator BRAGG: These are good questions and answers. We're back on track.

Mr Dowie: Yes, there was \$1.5 billion to housing support.

Senator BRAGG: How much of that has been spent?

Mr Dowie: It will be a matter for the department of infrastructure to answer that question because they administer the spending under that program.

Senator BRAGG: Who decides who gets the money?

Mr Dowie: Once again that's a question for the department of infrastructure, who administer those funds.

Senator BRAGG: You don't know.

Mr Dowie: The department of infrastructure administer those programs, and I believe that, under that particular scheme, Minister King is the decision-maker. But once again that's an issue for the department of infrastructure, who can accurately advise on those administrative features of that program.

Senator BRAGG: But aren't you the housing department of Treasury?

Mr Dowie: We are part of the housing division in Treasury, but that particular program is administered by another department.

Senator BRAGG: But wouldn't it be the case that, if this is designed to help get houses built, you would know how the money is being spent and who is applying?

Senator Gallagher: The accountable authority is the department of infrastructure. Treasury are not here to answer on their behalf.

Senator BRAGG: But they're the housing division.

Senator Gallagher: There are housing functions in Treasury and then there are programs run in infrastructure.

Senator BRAGG: Another bureaucracy. Everything is a bureaucracy in your world.

CHAIR: This is the money bit, then you talk to the builders about the building bit. It's a simple concept.

Senator BRAGG: It is not going too well, is it?

CHAIR: Senator Bragg, the official is entitled to say which questions are within his purview to answer and which belong elsewhere, and that is all that has happened here.

Senator BRAGG: Does anyone know how much of the \$1.5 billion that was proposed to support infrastructure for housing has been spent?

Ms Anderson: Yes, the department of infrastructure officials will know.

Senator BRAGG: They know the answer. Let's talk about your fantastic HAFF then. I asked Minister Wong in the Senate two weeks ago how many houses the HAFF had built, and her answer was that it was on a duck. Apparently, according to the *Sydney Morning Herald* and the *Age* today, the Housing Australia Future Fund has now built 300 houses. After 18 months and \$10 billion the HAFF has now magically built 300 houses in the two weeks since we were last here in the bush capital.

Senator Gallagher: That's heavily editorialised with your little flourishes there.

Senator BRAGG: It's not editorialised; it's just the facts. What's happened? Tell me. I'm desperate to know.

Senator Gallagher: You've got a lot of interest in a fund you want to abolish. That's interesting.

Senator BRAGG: You've briefed the papers today that it has built 300 houses that it hadn't two weeks ago.

Senator Gallagher: I don't think that's a fair assessment. Housing Australia has agreed on the first 13,700 social and affordable homes to be built through the Housing Australia Future Fund after it passed the parliament after being delayed by you for at least 18 months. The government released a list of the successful projects under HAFF round 1: 340 homes are complete. These have been acquired and converted into social and affordable housing, and there are thousands of others underway. Is there anything more specific you would like?

Senator BRAGG: Thank you for that answer. The answer is 340 houses, is it?

Ms Anderson: Housing Australia will be appearing later, so they will have the most up-to-date information and are the holders of the data on where things are up to in terms of contractual close on HAFF projects.

Senator BRAGG: It's built 340 houses as at what date?

Senator Gallagher: I'll see if we can get you that. My advice is that these are completed HAFF homes that have been acquired.

Senator BRAGG: They've been acquired, but were they acquired two weeks ago when Minister Wong gave a different answer?

Senator Gallagher: I don't think she did give a different answer.

Senator BRAGG: I can read the answer to you if you want.

Senator Gallagher: I think she was talking about the number that had been announced as part of round 1. She was talking about a pipeline, from memory, then you were all interjecting and shouting back at her, as is your wont in the chamber.

Senator BRAGG: We don't do that very often, unless it's really egregious business.

CHAIR: You're literally doing it right now to the minister.

Senator Gallagher: I don't believe those answers are inconsistent.

Senator BRAGG: Did you just say acquired and converted?

Senator Gallagher: Yes, that's my understanding.

Senator BRAGG: What does that mean?

Ms Crosthwaite: The way that the HAFF program has been designed, there are certainly opportunities that CHPs will take up if they're able to acquire housing in developments already underway or built. It's a way of them being able to have tenants in social and affordable homes as quickly as possible. It's not an unusual way for social and affordable housing to be provided by community housing providers.

Senator BRAGG: These houses were acquired?

Ms Anderson: Some of them.

Senator BRAGG: How many of them were actually built?

Senator Gallagher: They've all been built.

Senator BRAGG: Of the 340 you said were acquired, were they acquired or built? It's a different thing.

Senator Gallagher: They all had to be built to be acquired.

Senator BRAGG: I know that, but did the Housing Australia Future Fund build them or acquire them?

Senator Gallagher: The Housing Australia Future Fund doesn't build; it supports projects.

Senator BRAGG: We know that.

Senator Gallagher: I'm answering your question. You asked if the Housing Australia Future Fund built them, and I'm answering that they are projects supported through the Housing Australia Future Fund.

Senator BRAGG: How many of the 340 were built and how many were acquired?

Senator Gallagher: We'll see if we can provide you with that answer, but if I can go through, 10,000 homes have been built due to government policy since May 2022, including 10,000 from the Home Guarantee Scheme.

Senator BRAGG: That's a different program. We're not talking about that.

Senator Gallagher: We have a range of programs, many of which you are opposed to.

Senator BRAGG: We're talking about the HAFF. You know we're talking about the HAFF.

Senator Gallagher: I'm trying to give you some numbers. You said you wanted numbers.

Senator BRAGG: Not about the Home Guarantee Scheme.

Senator Gallagher: Four hundred from the Social Housing Accelerator, 190 from the Affordable Housing Bond Aggregator, 180 from the National Housing Infrastructure Facility—24,000 homes have been funded and are in planning or construction phase. This includes 13,000-plus from the Housing Australia Future Fund, 4,000 from the Affordable Housing Bond Aggregator, 2,300 from the National Housing Infrastructure Facility and 1,400 from the Social Housing Accelerator. That gives you a sense of all of the work that is underway.

CHAIR: The committee will now break for lunch, and we will resume with the same officials.

Proceedings suspended from 14:09 to 14:58

CHAIR: The committee resumes. Senator Bragg.

Senator BRAGG: Thanks very much. I want to get to the bottom of round 1 of the HAFF tender. You know about this?

Ms Anderson: Yes.

Senator BRAGG: There was a media release in September from the Prime Minister and the housing minister?

Ms Anderson: That's right.

Senator BRAGG: Did that come through your area of the department?

Ms Anderson: I will just check with my team.

Mr Donovan: Yes.

Ms Anderson: Yes, it did.

Senator BRAGG: Did you know this media release said in the name of the Prime Minister and the housing minister:

Housing Australia has recommended contract negotiations with 185 projects, with construction on almost 40 percent of the 13,742 dwellings forecast to get underway this financial year.

Ms Anderson: Yes, we were aware of that.

Senator BRAGG: Okay. At the last estimates, which I think was in November, you were here, and it was made known that there had been one contract signed at that stage. Subsequent to that, I think in January or maybe early February, there was another release from the minister saying there had now been more contracts signed. I think maybe it was 12?

Ms Anderson: I believe it was 12.

Senator BRAGG: That's good. And that covered about 800 houses? Is that right?

Ms Anderson: Yes.

Senator BRAGG: This is round 1 of the HAFF, so the HAFF hasn't financed any other housing so far. Is that right?

Mr Donovan: That was correct as at 31 January when that announcement was made. There have been more contracts signed since that point.

Senator BRAGG: How many now?

Mr Donovan: We are just over 20 contracts for more than 1,800 homes.

Senator BRAGG: So it's gone from an announcement in September of 13,000 houses, one contract signed as at November, 12 as at January for 800 houses, and now 20 contracts signed for over a thousand.

Mr Donovan: More than 1,800.

Senator BRAGG: Almost 2,000—okay. And how many of those contracts have resulted in building houses so far?

Mr Donovan: Those projects are broadly up to three different points. All of those homes you can divide into three categories.

Senator BRAGG: Yes.

Mr Donovan: One is homes that were already built, were acquired and are now operational. The first HAFF homes are tenanted now. There are people living in new social and affordable homes that the HAFF has made available. A second—

Senator BRAGG: So they have acquired them, because there is no way that, since the contract was signed, they have built houses. The average time to build a house is about 10 or 11 months.

Mr Donovan: Yes.

Senator BRAGG: So they haven't built houses, have they?

Mr Donovan: The new social and affordable homes that are operational are likely to be acquisitions. The exact project-level details are questions best put to Housing Australia, but our understanding is that those are likely to have been acquisitions.

Senator BRAGG: The HAFF has acquired houses that were already in existence. They were built by someone else.

Mr Donovan: The HAFF has supported CHPs and other proponents to bring online new social and affordable housing. That is mostly through building new houses as a result of funding—

Senator BRAGG: How many of those have been built so far?

Mr Donovan: How many houses have been built? So—

Senator Gallagher: If you have the answers—I was just going to say the detailed questions about the HAFF should really go to Housing Australia later. We can be as helpful as we can, but the detail through the witnesses will be for later today.

Senator BRAGG: I think the official has just said that, of the houses that people are living in now—the HAFF houses—they were acquired.

Mr Donovan: To clarify my evidence: what I said was that, under the HAFF, both acquisitions and new constructions are supported. The project-level information would be available from Housing Australia. Of the 1,800 homes contracted so far, there would be a mix of homes currently under construction, to be constructed and already constructed and acquired.

Senator BRAGG: I understand that. But the point is that HAFF is not just building new houses and the HAFF program is not about just building new houses; it's also about acquiring existing houses, isn't it?

Senator Gallagher: Acquiring houses is allowable under the HAFF arrangements. The focus in the longer term is on building new dwellings, but we don't apologise for trying to increase the range of social and affordable housing product across the economy. That's an important part of why the HAFF was established. I know social and affordable housing hasn't been the focus of the Liberal Party—

Senator BRAGG: Thank you.

Senator Gallagher: but we think it is an important component of alleviating pressure in the housing market—

Senator BRAGG: That's fine.

Senator Gallagher: for those that find paying rent at market rates difficult.

Senator BRAGG: Okay. Of the 358 houses that are referred to in the *Sydney Morning Herald* and the *Age* today, how many of those houses were built and how many were acquired?

Mr Donovan: I would recommend putting that question to Housing Australia, who have the latest information on project-specific—

Senator BRAGG: Okay. If contracts have been signed for fewer than 2,000 houses, we'd assume that most of them were acquired.

Senator Gallagher: It's through Housing Australia. That's the area that you should direct that to. We are trying to be as helpful as we can, and when I—

Senator BRAGG: I suspect that the HAFF hasn't built any houses yet so far. Would you be confident in agreeing with me, Minister?

Senator Gallagher: Well, I'm pleased that there are 340-odd new houses—

Senator BRAGG: Houses acquired.

Senator Gallagher: —that are allowing tenants, real people, to live in more affordable housing. That is part of this government's focus. I know you dismiss it, but for those people who would have moved in and become tenants of those properties, I would imagine it's making a real difference.

Senator BRAGG: Yes, but they've been acquired. We'll ask Housing Australia, but it sounds like the HAFF hasn't yet actually built a house; it's been acquiring houses that already existed in the market, that were already built.

Senator Gallagher: That's allowable under the HAFF arrangements—

Senator BRAGG: Fine, but that's not what is says in the paper today.

Senator Gallagher: and, after you delayed it for 18 months in the Senate, to sit here, point the finger and say it's not happening fast enough is a bit rich, frankly. It was you and the Greens teaming up not to allow the passage of that legislation. As soon as it passed, we got cracking, and now we are seeing new product enter the housing market—

Senator BRAGG: How many? How many?

Senator Gallagher: —for social and affordable—well, we have already talked about the ones that are complete with tenants in them, and we have thousands under contract.

Senator BRAGG: Yes. You weren't building anything.

Senator Gallagher: We have thousands. Thousands more than you would have—

Senator BRAGG: You are displacing the market. You are buying houses that already existed.

Senator Gallagher: —and you're going to abolish it.

CHAIR: Order.

Senator Gallagher: I mean, I don't know why you ask any questions because it's something you don't support, you've sought to delay and you are going to abolish if you win the election.

Senator BRAGG: These are matters of great public interest. You've spent \$10 billion to buy 300 houses that already existed.

Senator Gallagher: No, that is not true. You're misrepresenting the fund.

Senator BRAGG: \$10 billion for 300 houses that already existed. I'm happy to move on.

CHAIR: Order.

Senator Gallagher: A fund of \$10 billion that has a capital outlay, an annual capital injection, into the housing market each year.

Senator BRAGG: This has been a disaster.

Senator Gallagher: It has not.

Senator BRAGG: This is a boondoggle. It is. You know it is.

Senator Gallagher: Yes, well, go—why don't you—why don't we arrange—

Senator BRAGG: That's why the minister is so desperately putting all this stuff in the media today into the *Herald* and *Age*.

Senator Gallagher: Here we go. Why don't we arrange for you to go and meet one of the tenants in the new house and you can say that to them. How about that?

Senator BRAGG: I'm on building sites each and every week.

Senator Gallagher: Do you think you would be as brave then? Do you think you would call them a boondoggle to their face, the tenants in those houses?

Senator BRAGG: This fund hasn't built any houses. You're embarrassed.

Senator Gallagher: So I don't imagine you will.

Senator BRAGG: I'm embarrassed for you.

Senator Gallagher: You talk tough in Canberra in a committee room.

Senator BRAGG: I'm happy to—

Senator Gallagher: Would you go and meet any of those tenants? Would you? I doubt that very much.

Senator BRAGG: How many building sites have you been on in the last few weeks? None.

Senator Gallagher: You tell them you are about to abolish the housing that has been provided to them. You tell them you think they are a boondoggle.

Senator BRAGG: Most people don't live in a house owned by the government. I know it's shocking to believe in Canberra. I know you live in Canberra. It's a bit of a distorted world.

Senator Gallagher: I look forward to seeing you do that.

CHAIR: Okay. Order.

Senator BRAGG: I will do it. I will do it with you.

Senator Gallagher: See how tough talk in this committee room translates to a tenant that's enjoying social and affordable housing.

Senator BRAGG: I would be happy to go with you.

CHAIR: Senator Bragg, how are you going for time?

Senator BRAGG: I'm inviting the minister to accompany me to this meeting.

Senator Gallagher: I would be happy. I would film it. I would film you saying that it's a boondoggle to them—

Senator BRAGG: We will go together.

Senator Gallagher: —and that they don't deserve it.

Senator BRAGG: We will go together. I look forward to that.

CHAIR: Okay.

Senator BRAGG: Now, I want to ask you also about what the Treasury's role has been in the HAFF tender. Have you had any role in this tender process?

Ms Anderson: I will start and pass to the team. The Treasury is responsible for advising the minister around the policy settings of the HAFF, including the investment mandate and all of those sorts of processes. But the HAFF itself is administered by Housing Australia completely.

Senator BRAGG: So you have nothing to do with that?

Ms Anderson: I didn't say we have nothing to do with it. I have explained that we are involved at the policy development end and in terms of supporting the minister to provide instruction to Housing Australia on how the program should be run.

Senator BRAGG: Okay. Let's talk about the houses in the pipeline. When I asked Minister Wong about this in the Senate two weeks ago, she made the point that there were lots of houses in the pipeline. I think I made the point that you can't live in a pipeline. For those houses that are in the pipeline, what sort of approval process do they go through when they're commissioned? Are these judgments made just by Housing Australia's board, or do they go through a cabinet process?

Ms Anderson: Again, I will pass to the team, but I think we're conflating quite a few different things. Some of the numbers that you have heard relate to a range of different programs. Are you talking solely about the HAFF?

Senator BRAGG: Just the HAFF, the 13,000. Does Housing Australia's board make the judgment?

Ms Anderson: They make the decisions. They are the accountable authority for Housing Australia, but obviously they do that in line with the investment mandate that's been provided by government about the program, and the cabinet is involved at relevant points in deciding relevant elements of that investment mandate before it's passed on to Housing Australia. But the actual decision-making is undertaken by the Housing Australia board.

Senator BRAGG: What about availability payments? Is that something that you can talk about?

Ms Anderson: That's part of the HAFF, so that's one of the funding options that people have available through the HAFF.

Senator BRAGG: So the questions about the tender process, the judgements that they make and the availability payments all go to Housing Australia?

Ms Anderson: If it's part of the HAFF decision-making. I should also point out that the HAFF is a fund in and of itself. Other disbursements are made from the HAFF that don't go for the purposes of this program that Housing Australia runs. So, if you're talking about the delivery of the Housing Australia Future Fund projects, then all of the options for funding under that program are determined in line with the investment mandate by the board.

Senator BRAGG: It sounds like we will have to explore that with them. What's the start date of the Help to Buy scheme?

Mr Donovan: We're expecting the scheme to start later this year. It will in part depend on the final decisions and the registration of program directions, and then Housing Australia will move to implementation and funding will be available from 1 July 2025 to enable that implementation.

Senator BRAGG: So it starts on 1 July 2025?

Mr Donovan: It will start in the 2025-26 financial year, yes.

Senator BRAGG: Okay. What are the annualised costs of the scheme over that period?

Mr Donovan: The costs of the scheme are probably best understood in two different ways. One is the equity investments that the government is making. The total quantum of that is \$5½ billion. Then there are the departmental costs and other administered costs, public debt interest costs, as a result of being able to make those equity investments. That funding was first included in the October 2022 budget, which we have, so we can provide that. In those budget statements, it said that it was \$324.6 million over four years to establish the scheme.

Senator BRAGG: That was \$324 million?

Mr Donovan: That was \$324.6 million.

Senator BRAGG: Over four?

Mr Donovan: Over four years.

Senator BRAGG: Which lenders have signed up to the scheme?

Mr Donovan: Lenders sign up to the scheme once Housing Australia is further along the implementation of the scheme and following the registration of program directions.

Senator BRAGG: Where does the equity investment of \$5.5 billion sit in the current budget estimates?

Mr Donovan: The \$5½ billion in equity is included in the budget but not as a kind of individualised itemised line item. I can point you to where it is in the budget financial statements as at MYEFO last year, if that's useful?

Senator BRAGG: Yes. In which year?

Mr Donovan: If we're looking at MYEFO 2024-25, on page 146, part 7: Australian government budget financial statements, it's under the category of 'financial assets' and included in the line item of 'advances paid'. It's not separately itemised there, because that would occur—and it would come out as a separate line item—once the program directions for the scheme have been registered.

Senator BRAGG: But until then it sits there as an aggregated figure?

Mr Donovan: That's right.

Senator BRAGG: Why?

Mr Donovan: Because it is still subject to the final decisions that will impact the final estimated equity investment before it comes out as a line item. All of that is quite standard practice with these types of investments because some of the important program parameters are contained in the program directions, which were first consulted on last year, which will be finalised and registered in the coming months.

Senator BRAGG: What is the assumed return on equity?

Mr Donovan: The return on equity is over, as you would imagine, quite a number of decades, so there is not an assumed return within the forward estimates period. The total return is over a series of decades. I don't have the specific figures on that with me here today, so we would need to probably take that on notice.

Senator BRAGG: I think the Housing Australia website says that Help to Buy will commence once program directions are in force.

Mr Donovan: Yes.

Senator BRAGG: So have the program directions been finalised?

Mr Donovan: No.

Senator BRAGG: Why not? What does that mean?

Mr Donovan: This is the subordinate legislation that was consulted on last year, so an exposure draft of those program directions has been made public. They are subject to final government decisions before they will be registered, and that's tied up with the budget treatment that we spoke about just before.

Senator BRAGG: Have you looked at the price caps for the capital cities?

Mr Donovan: I have.

Senator BRAGG: Are you aware that Help to Buy works for 14 per cent of the houses in Sydney?

Mr Donovan: I wasn't aware of that particular number. Is that houses or dwellings that you're citing?

Senator BRAGG: Houses.

Mr Donovan: Right.

Senator BRAGG: Adelaide six per cent and Perth seven per cent—it's not a very broad based scheme, is it? My question is: did you provide support to Minister O'Neil's media release social media bizzo? Do you help with that?

Mr Donovan: I don't, no.

Senator BRAGG: Does Treasury give any advice to the minister's office about that?

Ms Anderson: About her social media posts, Senator?

Senator BRAGG: Yes.

Ms Anderson: No, we don't.

Senator BRAGG: That's all done inside the political office?

Ms Anderson: Yes.

Senator BRAGG: Okay, because the minister has been doing social media posts about Help to Buy being able to help people with houses.

Senator Gallagher: Yes. That is the aim of the program.

Senator BRAGG: I understand that. It's 14 per cent of houses in Sydney, six per cent of houses in Adelaide and seven per cent of houses in Perth.

Senator Gallagher: If you had a dwellings figure, it would be different.

Senator BRAGG: I'm being quite precise for a change and I'm saying that the minister is using the phrase 'house'. What I'm saying to you is: I would have thought that 14 per cent of houses in Sydney, six per cent of houses in Adelaide and seven per cent of houses in Perth are not many houses.

Mr Donovan: I'm aware of a number of different analyses about the way that the property price caps interact with serviceability, and I think we have answered a few questions on notice before from you about this exact thing.

Senator BRAGG: The questions I'm sure were very probing.

Mr Donovan: Yes. So, in SQ24000344, we took a question on notice at that point. We noted that the exact proportion of dwellings or houses that would be available would depend on quite a lot of factors, which would be assumptions in the kind of analysis that would go into the 14 per cent and six per cent figure—that is, the size of the deposit made by the individual, their serviceability at a point in time, and interest rates at a point in time, which obviously moved recently—all of those factors. And then there are the fluctuations in property prices in all of these places that mean that those are probably points-in-time estimates that will change over time.

Senator BRAGG: It sounds like Ms Anderson has answered my question. The minister's office makes up their own social media. They don't check it with the department necessarily.

Senator Gallagher: I don't think that's unusual or shocking to know that public servants don't co-produce social media posts.

Senator BRAGG: Okay.

Senator Gallagher: But the average first home buyer buys a \$600,000 home and the property price caps—

Senator BRAGG: In which city? In which city?

Senator Gallagher: for Help to Buy are well above that figure.

Senator BRAGG: Not in Sydney.

Senator Gallagher: That is the advice I have. This is a program, again, that you oppose and have delayed.

Senator BRAGG: That's right.

Senator Gallagher: The scheme, we believe, will help 40,000 Australian households to purchase a new or existing home—40,000! That's pretty significant—that's 10,000 a year. We look forward to telling you how successful it is.

Senator BRAGG: I don't like to editorialise, because you know I like to be efficient in my questioning, Minister, but you're the government. We are scrutinising your expenditure of public funds and how you are administering the department, so just because we don't agree with the policy doesn't mean we don't scrutinise it. I think that would be a dangerous test in a democracy like Australia. I just wanted to ask you about—

Senator Gallagher: And, as you know, there are different price caps, depending on where you are, recognising the difference in the market. So, for example, New South Wales capital city—

Senator BRAGG: Sydney.

Senator Gallagher: a \$900,000 price cap. And when you've got that as the average first home buyer buying a \$600,000 home, I think that reflects the Sydney market and probably a first home buyer who is interested in Help to Buy, a shared-equity scheme, which, again, will be a particular cohort of people, and then the price caps reflect other markets. In the ACT, it's \$750,000; in the Tasmanian capital, it's \$600,000.

Senator BRAGG: But it's not a solution for houses. That's my point.

Senator Gallagher: If you're a person and that's your only way into housing—I mean, not everyone is like Mr Dutton, with 35 houses, a shopping centre, and childcare centres in their property portfolio.

Senator BRAGG: It's the percentages.

Senator Gallagher: For a person who's trying to get into the housing market, this might be the only avenue in for them.

Senator BRAGG: Are you going to make the same comments about your colleagues who own many, many houses?

Senator Gallagher: It will be incredibly helpful to them. Well, you're dismissing the fact that there would be some need.

Senator BRAGG: No, I'm scrutinising your policy. You're a minister in the government and I'm scrutinising your policy.

Senator Gallagher: Yes, and I'm answering your question.

Senator BRAGG: And you're making political comments.

Senator Gallagher: Says Andrew Bragg.

CHAIR: Alright. We've been going for 22 minutes in this block.

Senator BRAGG: I'm almost finished. Can I just ask to Build to Rent?

CHAIR: Senator Smith looks keen to ask a couple of questions. Senator Bragg.

Senator BRAGG: Just briefly, because the chair is very generous, I want to ask you about build to rent. I think you passed legislation now through the parliament. Who is this tax concession targeted at?

Ms Anderson: We can answer some of your questions, but the area of the department responsible is Revenue Group, who is appearing later tonight. But I'm sure Mr Donovan can help you with the top line questions.

Senator BRAGG: My question is: what type of investor are you targeting with your Labor Party build-to-rent plan?

Mr Donovan: The build-to-rent tax incentives target predominantly foreign investors who are investing using a managed investment trust in Australia.

Senator BRAGG: They have to be foreign, yes?

Mr Donovan: To receive the concession on the withholding tax rate but not to receive the benefit of accelerated depreciation, so taking the allowable depreciation rate from 2½ to 4 percent, and there may be other investors who invest alongside them in Australia who will benefit from the additional inflows of capital.

Senator BRAGG: The new tax concession is targeted at foreign investors, though, isn't it?

Mr Donovan: There are two tax concessions that work alongside each other.

Senator BRAGG: The withholding rate.

Mr Donovan: One is targeted at foreign investors and the other is targeted at all investors.

Senator BRAGG: Could any foreign investor, like a sovereign wealth fund or a foreign government, access that concession?

Mr Donovan: The engagement from our colleagues in Revenue Group, who have led this measure, has been predominantly with pension funds overseas—for example, Canadian pension funds—who are likely to be a

source of quite patient capital, the type of capital that invest long term in these types of residential real estate assets. Those seem to be the most likely investor types to use this particular incentive.

Senator BRAGG: So it could be any foreign government, effectively?

Ms Crosthwaite: The usual rules around foreign investment, including assessment by the Foreign Investment Revenue Board, would still apply.

Senator BRAGG: Okay. Thank you.

CHAIR: Senator Smith.

Senator DEAN SMITH: At a high level, if an official in the Treasury makes a complaint, how is that complaint registered? It might be a formal complaint or an informal complaint. Is there a complaints mechanism or complaints process that Treasury officials can utilise?

Ms Anderson: I would differentiate between two main avenues. The first is a public interest disclosure, which is handled very cautiously and carefully by approved people within the department. That can be about a range of different issues and would be handled in accordance with the relevant act. Then there are HR-type complaints, which usually go to code of conduct breaches and those sorts of things. They're the main two avenues for a complaint. But the main way for a person to submit those would be—if it's a public interest disclosure—to particular people in the department. I am one of those. There are other people in my team who are also authorised people. If it was around a code of conduct issue, usually that is handled through the chief people officer or her staff in the people and organisational strategy branch, and, depending on the seriousness and severity of the issue, that would be handled accordingly with the relevant people involved.

Senator DEAN SMITH: So, if an official had a concern with the application of the APS Code of Conduct, that would go to the chief people officer first?

Ms Anderson: It depends who it's about. There are different requirements for senior executive service officers. I should also mention a third avenue, which is the NACC, the National Anti-Corruption Commission, for serious and systemic complaints. They can go directly there. I believe there'll be ombudsman and other—it entirely depends on the circumstance and the nature of the complaint. But for a complaint relating to the code of conduct for a non-SES employee—usually that would be anyone in our chief people officer's branch or her staff and, obviously, anyone in her reporting line upwards as well—I think we have a requirement to inform the APSC if we're dealing with a complaint relating to a senior executive service officer, but we still handle the complaint unless there are any conflicts involved in doing so.

Senator DEAN SMITH: What is the data that is collated and how is it reported? I'm assuming that there are probably various categories of matters whereby, if someone raises a concern, it will go into category A, B, C, D. What are those categories, if there are categories, and how is that information collated annually or biannually, and how is that information reported?

Ms Anderson: I'll pass to Ms Riley, our chief people officer. I would also add, though, there are privacy issues involved here. It's certainly not something we report on in the department. Obviously, statistics are a different thing to the individual circumstances, but I'm sure Ms Riley can add to my answer with how we triage, report and monitor.

Ms Riley: We don't categorise particular complaints. All complaints are taken seriously, and we do look at dealing with those complaints at the lowest possible level. In relation to reporting them, we do have a case management reporting system that we can pull data from, but they're not categorised in relation to triaging a particular complaint.

Senator DEAN SMITH: I can understand that they're not categorised in regard to triaging at the beginning of the process. But at the end of the process you might be interested to understand where there might be systemic issues or one-off matters, so do you characterise them at the end of the process or after six months or 12 months? It would be in your interest to have an understanding of what sort of cultural issues may or may not be appearing across the department.

Ms Riley: I'd say that's correct, and what we try and do is look at some things from a learning perspective: what worked well, what didn't work well, what we could do differently. We look at that in depth for an understanding of where there are some hotspots, and we do use data in relation to our census data to understand potentially if there are hotspots in the organisation around behaviours that are not in alignment with our APS Code of Conduct.

Senator DEAN SMITH: What proportion of Treasury officials might be experiencing an election context for the first time?

Ms Anderson: I don't think we have accurate data. I can give an 'anecdata' answer if you like.

Senator DEAN SMITH: 'Anecdata'. Is that a Treasury word?

Ms Anderson: Well, it is when I'm not confident in the number, Senator. We won't have a system that will give you an exact answer to that, but usually our graduate cohort is our biggest intake every year. We would've had three of those, I believe, since the last election. The majority of those graduates would not have been in the Public Service before; a few would have been. So that's 150-odd people. Then, obviously, we do have lateral recruits from outside the department who would have come on over that time as well. I think it's a relatively small proportion but it would run into the hundreds, I would expect.

Senator DEAN SMITH: Do the chief people officer and her team, in the general course of preparations for the election and the caretaker period more specifically, email Treasury officials about their various obligations leading into and during an election environment?

Ms Anderson: It isn't actually our chief people officer area. We have a different area. Our governance area is responsible for being the mailbox, for example, for caretaker questions when we're in caretaker. That area has also prepared some internal advice, which was distributed by Mr Seebach, who is at the table here but who was acting in my position for a short period in January. That was distributed to staff. Generally, we will send out messages in advance of caretaker reminding people of their obligations, pointing to the PM&C guidance on the caretaker conventions and requesting that people who have questions about the caretaker period to come in through our Governance Branch in order to ask those questions. Then, for complex questions, we seek the support of the Department of the Prime Minister and Cabinet.

Senator DEAN SMITH: Great. So it's the Governance Branch.

Ms Anderson: That's right.

Senator DEAN SMITH: How many emails have been distributed to Treasury officials thus far alerting them to the fact that we are entering a pre-election context, there are very clear caretaker conventions to be observed et cetera. How many emails have been sent thus far and to whom?

Ms Anderson: I will need to take that on notice. I'm aware of one, but there may have been quite a few. We do do cascading messages. I will introduce our chief operating officer, Fiona McSpeerin, who is three weeks into her role, so this is a great welcome for her. I think she may have also sent out some correspond as well.

Ms McSpeerin: That's correct. Since starting three weeks ago, I have actually sent out some points: some reminders about the APS values and the APS Code of Conduct, our requirements as Australian public servants to remain impartial, some reminders on our social media policy and handling around that. That email went to our SES cohort within Treasury, and it was to provide just some helpful, practical points that our senior leadership team can use in talking to their teams.

Senator DEAN SMITH: Is it the first of a number of emails to remind?

Ms McSpeerin: I'm aware of two emails having gone out. Since I commenced, I've sent one email to our SES cohort, but my understanding is that perhaps some months ago there may have been an email that my colleague Mr Seebach—

Senator DEAN SMITH: Can you make those emails—sorry.

Mr Seebach: In mid-January, I was acting for Ms Anderson. I sent out an email to SES staff as an early alert to advise them to think carefully about any upcoming caretaker arrangements and to cascade that down to their staff in the organisation. I also sent an email to portfolio agency heads and to the COOs in those agencies.

Senator DEAN SMITH: Sorry, the COOs?

Mr Seebach: The chief operating officers or equivalents in those agencies—

Senator DEAN SMITH: Is 'COOEE' the plural of COO?

Mr Seebach: I'll take your word for it, Senator.

Senator DEAN SMITH: You can take it on notice.

Mr Seebach: I'll take it on notice—advising the same but also offering the assistance of the department should they want to talk through any of those guidelines.

Senator DEAN SMITH: Excuse my ignorance, but how many individuals comprise the SES level?

Ms Anderson: There are obviously different ways to count, but I want to say it is around 114?

Ms McSpeerin: Yes. In terms of active SES, the number of people being paid as senior executive service employees at this point is 101. I think 113 is the—

Ms Anderson: The headcount.

Ms McSpeerin: headcount number, but some of those SES officers are on leave arrangements and that sort of thing. So, yes, 101 is the working figure.

Senator DEAN SMITH: Can you please make those two pieces of communication available to the committee?

Ms Anderson: I'll take that on notice, Senator. We just need to double-check them.

Senator DEAN SMITH: Are there any other communication pieces being prepared?

Ms Anderson: Usually, at the beginning of the caretaker period, we would speak with our staff as well and remind them of their obligations. I wouldn't say there's a forward program locked in. Obviously, there's a timing uncertainty to that, but we would expect to be talking fairly constantly to staff at meetings and things of a corporate nature that we have over the next few weeks and months, unless and until an election is called. Then, during an election, obviously, the caretaker conventions commence, and those processes of elevating questions into the Governance Branch will begin.

Senator DEAN SMITH: The mailbox that you referred to is specifically in regard to APS Code of Conduct matters as they relate to election preparations and the conduct of the election?

Ms Anderson: No.

Senator DEAN SMITH: It's a general—

Ms Anderson: The mailbox we were referring to is for caretaker questions. It's more like, if there is a question from a staff member about whether they should or shouldn't be doing a certain thing in during caretaker, they can email this inbox and receive advice.

Senator DEAN SMITH: If they get asked—

Ms Anderson: The other one the CPO mentioned was related to code of conduct complaints.

Senator DEAN SMITH: Is it anonymous?

Ms Anderson: The code of conduct?

Senator DEAN SMITH: The mailbox.

Ms Anderson: The caretaker mailbox is not anonymous. It's a business inbox. It depends what you mean by anonymous, because I think that, if people are using their Treasury address and sending it to another Treasury address, people will be able to access that, but not everybody is able to access that.

Senator DEAN SMITH: Is there an expectation in the governance section that, if Mr Dean Smith, Treasury official, sends an email to the mailbox—yes, it says 'Mr Dean Smith, Treasury official' and here's his email, but would the fact that Mr Dean Smith has made an inquiry remain confidential to one or two people? The query itself, rather than who has asked the query, would be dealt with. Do you see the distinction in what I'm saying?

Ms Anderson: Yes, I see what you're saying. I think we're conflating the purpose of the caretaker inbox, which is not something which we would necessarily keep confidential, because it's about people's work. If someone had a complaint about someone doing the wrong thing in caretaker or before caretaker or whenever, that would actually be a complaint that should be handled through the people branch, and for that the usual attendant protections for people would apply. So I think there are two different processes we're talking about here.

Senator DEAN SMITH: Have complaints been made about Treasury officials and their conduct or activities in the pre-election period? Of course, we can't have any complaints because we're not yet in the caretaker, but have any questions, complaints—

Senator Gallagher: Well, that would only reflect on the government that you are a member of, as the previous caretaker would've been—

Senator DEAN SMITH: No. The official's reference was also actually to the pre-caretaker convention and to questions people ask.

Ms Anderson: There is no pre-caretaker convention. We do things in advance of caretaker in order to prepare staff for their obligations.

Senator DEAN SMITH: Right. So if someone had a concern today about activities that they were asked to do in their official Treasury capacity, that would go where?

Ms Anderson: If they had a complaint, that would go, most likely, to a code of conduct issue. So that would go to the People and Organisational Strategy Branch. But, to be honest, Senator, people can take a complaint in a number of different ways. We would not not accept a complaint, or if someone came to me in my office and made

a private complaint, that would be dealt with. We would assess it and work out the best way to deal with it in the various ways I described earlier.

Senator DEAN SMITH: Are you aware of any Treasury officials raising concerns about activities that they have been asked to undertake that they might consider to be of an overtly political nature or having some concern or doubt about the suitability of the work they're being asked to do in the context of the APS Code of Conduct?

Ms Anderson: I'm not aware of any such complaint, Senator.

Ms Riley: I'm not aware of any either, Senator.

Senator DEAN SMITH: Great. Thank you.

CHAIR: Senator Kovacic.

Senator KOVACIC: Deputy Secretary, I want to have a look at the counts of Australian businesses collected by the ABS, if I can. Specifically, I'd would like to turn to table 5, business by employment size, range quarterly data. I believe this is the set that was released on 11 February 2025.

Ms Anderson: Yes, Senator. I don't have that particular document in front of me, but, between me and Mr Seebach, I'm sure we can assist you with your inquiries.

Senator KOVACIC: Okay. As at 30 September 2024, how many small businesses were there in Australia?

Ms Anderson: I'll ask Mr Seebach to speak in a minute, but I did just want to indicate that small business definitions are quite complicated, so—

Senator KOVACIC: I'm just after the ABS data—what they used in their dataset.

Ms Anderson: Alright. I will ask Mr Seebach.

Senator KOVACIC: According to them, in that dataset that I specified, how many small businesses were there as at 30 September 2024?

Ms Anderson: I'll ask Mr Seebach to assist.

Mr Seebach: I don't know if I have that table in front of me. What period are you talking to, Senator?

Senator KOVACIC: It's the quarterly data released on 11 February. It's table 5, business by employment size range. It's quarterly data.

Mr Seebach: From the ABS.

Senator KOVACIC: I'm after how many as at 30 September 2024. Then my next question will be how many as at 31 December 2024. How many small businesses were there in Australia? The first set is as at 30 September 2024.

Mr Seebach: I don't have that document in front of me—unless you are able to table it. I am aware of the ABS release count of Australian business entries and exits which, presumably, is an aspect of that table. I can say that, on the figures that I do have in front of me—

Senator KOVACIC: Sorry to interrupt. Just to clarify, is there anybody here who does have that document who's able to table it?

Ms Anderson: Sorry, no, I don't have it with me.

Senator Gallagher: What are you after? The ABS data?

Senator KOVACIC: Yes. It's table 5, business by employment size range, quarterly data for 30 September 2024.

Senator Gallagher: ABS weren't called, as I understand it, to the committee. Treasury don't represent ABS.

Senator KOVACIC: I'm aware of that. But I assumed that Treasury may have that data in relation to small businesses and how many there were.

CHAIR: The ABS are on later if that's of assistance.

Senator KOVACIC: So, just to clarify, Treasury don't have that information at hand?

Ms Anderson: Not at the table, no. Sorry, Senator.

Senator KOVACIC: Thank you. I'll go to my next set of questions. You have no data on small business counts whatsoever?

Mr Seebach: I do have some data on small business counts. This is an extract of some of the material that the ABS produced in February, as you referred to. I've got counts by financial year from 2021 through to 2024.

Senator KOVACIC: I was after the quarterly data for 2024, so I'll come back to that. I'll then go to some counts on the annualised employment range that came through on 27 August 2024. It is ABS data table 13A, counts of Australian small businesses. Do you have that?

Mr Seebach: I have an extract of that in terms of number of small businesses, but not—

Senator KOVACIC: Let's see how we go. Is it correct to say that there were 297,164 small business births in the 2024 financial year?

Mr Seebach: In that context, we have to be careful how we define that because there are different elements. Each of the births and exits has two elements to it. My understanding is that, when you combine both births and exits in the context of those figures, there is a sizeable net increase.

Senator KOVACIC: We wouldn't be combining births and exits. I'm just interested in the births.

Mr Seebach: In 2023-24, there were a total, from our understanding of the figures, of 434,520 small businesses, including 297,164 business births.

Senator KOVACIC: That was the answer to my question. There were 297,164 small business births in the 2024 financial year. Is that correct?

Mr Seebach: That's correct.

Senator KOVACIC: Thank you. Is it also correct to say that average data on a weekly basis—so divided by 52—gives 5,695 or close to 5,700 small business births every week in the 2024 financial year?

Mr Seebach: I'll take your advice on that. I don't have a calculator before me, but that presumably is correct.

Senator KOVACIC: Can you confirm for me what the total number of small business exits were in the 2024 financial year?

Mr Seebach: There were a total of 360,710 small business exits, including 286,955 business cancellations.

Senator KOVACIC: Is it Treasury's assessment then that there were more small business exits than there were births in the 2024 financial year?

Mr Seebach: This goes to my point around the two types of entries and exits. They shouldn't be looked at in a mutually exclusive way.

Senator KOVACIC: I'm referencing births.

Mr Seebach: If you take births only—

Senator KOVACIC: My question is: is it the Treasury's assessment that there were more small business exits than there were births in the 2024 financial year?

Mr Seebach: Our view is that there were more business entries than there were business exits.

Senator KOVACIC: My question is not about entries; my questions is about births. So the information—

Mr Seebach: But my point is you can't look at them in a mutually exclusive way. If you want to understand from a statistical perspective whether there were more births than exits, you need to look at both figures, and the statistics say that there were at least 70,000 more small businesses at the end of 2023-24 than there were at the start of it.

Senator KOVACIC: So, basically, if I look at births, there were more exits than births. But you're telling me I shouldn't just look at births; I should look at entries as a total figure. However, Minister Collins referenced births as a figure. So you're saying that she shouldn't have been referencing births at all?

Mr Seebach: I don't know what statement you're referring to for Minister Collins, but if that's the case that's the case. There are two types of entries and two types of exits, and you need to look at birth if you want to understand the net impact across the financial year.

Senator KOVACIC: I have referenced births. She referenced births alone in her release on 3 February in relation to the release of Australia's first National Small Business Strategy. I've asked you a set of questions that would show that, if we use births and exits, there are more exits than births during that period, but you are telling me that I shouldn't use that dataset, because it's incorrect. So the very same set that the minister used—

Mr Seebach: It's not complete, Senator.

Senator KOVACIC: Sorry?

Mr Seebach: You're misquoting what I've said. I said it is not complete to look at those datasets in isolation. They need to be looked at together, the two types of entries and exits, and the net impact of both is positive, with around 70,000 new businesses.

Senator KOVACIC: So that I understand properly: the births are brand new business, like brand new babies, and entries could be, 'I was a sole trader and now I'm a company.' Is that correct?

Mr Seebach: That would be reclassification. It's another—

Senator KOVACIC: So it's not an entry?

Mr Seebach: It can be. I might just refer to my colleague down the end of the table.

Ms Bourke: Sorry, would you mind repeating the question?

Senator KOVACIC: If I were a sole trader and then I became a company, as an example, would that be classified as an entry under this dataset?

Ms Bourke: It depends on the size of what that sole trader turns into. Essentially, as Mr Seebach was saying, there are two different classifications for entries and two different classifications for exits. The best way to think about that, as you said, is there are births or new registrations and then there are also cancelled registrations. There is also resumption and hiatus of business activity. They're the two categories that make up those datasets.

Senator KOVACIC: So, on that basis, are the births the best way to understand brand new businesses that have started in Australia?

Ms Bourke: That would be brand new businesses, yes.

Senator KOVACIC: So, if we're talking about brand new businesses in versus all businesses out, that number is okay to look at to get an understanding of what the net effect is in Australia?

Ms Bourke: Births is only part of the entries of small businesses. That's why you need to look at the two categories of entries and the two categories of exits to get the total number of changes in small business.

Senator KOVACIC: Okay. Are Treasury staff employed to work for ASBFEO?

Ms Anderson: The ombudsman himself is a statutory appointee and independent of Treasury.

Senator KOVACIC: I'm aware.

Ms Anderson: But the staff who work for Mr Billson are Treasury employees.

Senator KOVACIC: Does the Treasury share the concern of the ombudsman that small business is in decline?

Ms Anderson: No, we would not characterise our comments in the same way. He obviously is an independent person and can characterise that how he wishes, and that's fine. I think we would look at a range of factors related to the small business conditions and assess that as a whole. It's not something Treasury would usually do, saying it's in decline or in a flourishing period. I think there are some challenging circumstances—we would definitely agree with that—facing small businesses, and there have been for some time, especially post COVID. But that's a matter for Mr Billson.

Senator KOVACIC: Does the Treasury consider the ombudsman to be correct when he said that sole traders are less likely now than at any point since records began 18 years ago to make the leap to employing their first employee?

Ms Anderson: I'd have to check with my colleagues if they have any comment on that. I'm not sure we have assessed that statement, so I think we'd have to take that on notice.

Senator KOVACIC: So the staff that you have there would not have assessed the statement from the ombudsman?

Ms Anderson: They may have done so to support Mr Billson, but there's a little bit of a separation in that we don't tend to direct his staff. They work to him and to the senior executive in his organisation.

Senator KOVACIC: But they would work under the same guidelines that they would work under for the Treasury, right?

Ms Anderson: That's right.

Senator KOVACIC: They wouldn't have any different way of counting than they would in Treasury itself?

Ms Anderson: Not necessarily. It's just a different hierarchy and a different reporting line that they work to.

Senator KOVACIC: So one would expect that, if the numbers were done in Treasury itself versus ASBFEO, they would be exactly the same?

Ms Anderson: Not necessarily. We may have undertaken them in a different way. They don't need to consult us on every methodological initiative they undertake, but I would assume, as Treasury employees, they're undertaking that adequately and effectively.

Senator KOVACIC: But they'd be working to the same standards?

Ms Anderson: That's right.

Mr Seebach: I might clarify a little bit. There are those chinese walls, in a sense, between the Treasury staff and those working for the statutory person. From a human resources perspective, it's all one and the same thing. But they are tasked differently.

Senator KOVACIC: I understand. It was more around the processes of—

Mr Seebach: So they do not publish to the same data quality standards as Treasury proper.

Senator Gallagher: I can go to the ABS counts of Australian businesses. It says small businesses at end of June 2023 were 2.52 million and small businesses at end of June 2024 were 2.59 million.

Senator KOVACIC: Thank you, Minister. My follow-up question in relation to ASBFEO is: the ombudsman said that only three percent of self-employed businesses became an employing business in 2023-24, which is a record low rate. Does Treasury have any view or any data on that, particularly around the current operating environment for small businesses over the last two to three years?

Ms Anderson: I'll ask one of the team if they are happy to comment on that. In the meantime, I might just clarify something I said before. The staff in Treasury who work in the ASBFEO are not representing a Treasury view. I'm not suggesting they're doing anything lesser or different, but they are not representing Treasury; they are supporting the ASBFEO himself, which is perfectly fine. But we can often have a different view or a different set of analysis that we undertake as well, and that's kind of normalised in our system. Does anyone want to take that question?

Mr Seebach: I'll try and add a few comments to fewer employing small businesses. Taking on board that ABS data—I'm assuming that's what the ombudsman is referring to as well.

Senator KOVACIC: Yes.

Mr Seebach: I do acknowledge that, in that latest release of ABS data, there are around 32,000 fewer employing small businesses, but that needs to be looked at in its historical context as well. Over the 2020-21 and 2021-22 financial years, which you would appreciate largely cover the pandemic period, there was a much larger than usual increase in the number of small employing businesses, up 14 percent compared to two per cent on average per annum, and much of this was driven by businesses that reclassified from being non-employing to employing.

Senator KOVACIC: Just so I understand, you're saying that the 2021-22, the post-pandemic period—

Mr Seebach: Let's just say roughly from 2020 to the end of the 2022 financial year.

Senator KOVACIC: I think I misheard you. I thought you said that that represented good business conditions.

Mr Seebach: The period coincides with the provision of JobKeeper during the COVID pandemic, and you can read what you would like into that.

Senator KOVACIC: What I'm reading into that is that we currently have fewer employing businesses than we did in the pandemic.

Mr Seebach: It's normalised since the pandemic.

Senator KOVACIC: Right.

Ms Anderson: We're just saying the pandemic was an exceptional period. You have to be careful about the data because many people suspended collection of debts. There were a range of factors that applied, including JobKeeper, that aimed to ensure small businesses were supported through the pandemic itself. So, from a data and statistical point of view, using that as a normal period is not something we would normally do in a range of different contexts in Treasury, not just the small business context.

Senator KOVACIC: I would suggest a lot of businesses closed down during that period. They didn't open up.

Mr Seebach: No, but they claimed that they had employees.

Ms Anderson: So yes—where they had employees. Yes.

Senator KOVACIC: They claimed they had employees. Okay.

CHAIR: Senator, just for your benefit and the benefit of everyone, we're running an hour behind calling Fiscal Group, which is next. You still have questions. I am just wondering about how much time you think you need.

Senator KOVACIC: I think about another 10 minutes. Is that okay?

CHAIR: Okay. Thanks.

Senator KOVACIC: I will try and ask as quickly as I can. Deputy Secretary, I would like to turn to something which we discussed at the last estimates hearing in this committee on 6 November, and a bit has happened since then, so I think it's worth revisiting. Are you able to tell me how many business insolvencies there were in the December quarter of last year? That's December quarter 2024.

Ms Anderson: Yes, I will ask my team to support me on this one, but I just wanted to clarify—are you happy to receive information about business-related personal insolvencies as well as corporate insolvencies? Obviously small businesses fit under both of those categories. And that's a more accurate reflection of the full gamut of the types of small businesses. So we have AFCA data relating to business-related personal insolvencies and ASIC data.

Senator KOVACIC: I would be interested in the ASIC data.

Ms Anderson: The ASIC data? That's related to corporate insolvencies. Mr Seebach or Ms Bourke, did you want to take that?

Mr Seebach: I can start off, if you like. If we focus on corporate insolvencies, the latest ASIC data indicates that the level of insolvency is above the immediate pandemic level and reached record highs in broad numbers.

Senator KOVACIC: I'm just after the number, thank you. I don't need the other information, given we're behind.

Mr Seebach: Okay. Well, in the calendar year to the end of 2024—

Senator KOVACIC: I was after the December quarter. My question was: how many business insolvencies were there in the December quarter of last year?

Mr Seebach: Sorry. I don't know if I have that quarterly—

Ms Anderson: We tend to carry financial year data or calendar year data because quarterly data is not necessarily reflective of the whole year. So we do have year data to the end of 2024-25. We don't have quarterly data, and that's not something—we are very happy to take it on notice, if you would like, but usually we aggregate that out. That's a more accurate indication across a year.

Senator KOVACIC: Alright. Do you have an awareness, then, if the December quarter represented a record quarter for business insolvencies? Does anyone at Treasury have any awareness of that, or do we need to take that on notice too?

Ms Anderson: We do have awareness of it, but I think, as we talked about last time, in a level sense, something can be at a record high but as a proportion of businesses it cannot. I don't think we would have the latter calculated by quarter. Correct me if I am wrong, but I suspect—

Mr Seebach: For the financial year and calendar year.

Ms Anderson: we would have a financial year.

Senator KOVACIC: How many were there in the calendar year, then, for 2024?

Mr Seebach: For 2024, 13,451 corporate insolvencies. And we are aware that provisionally there were 726 corporate insolvencies in January.

Senator KOVACIC: And then, given we can't rely on quarterly data for records, was that a record for a calendar year?

Mr Seebach: I believe so, in terms of raw numbers.

Senator KOVACIC: Now we're into raw numbers. So, yes, it was a record for the calendar year.

Mr Seebach: But all these things—

Senator Gallagher: That's because the number of businesses overall is growing.

Mr Seebach: It's contextual.

Senator Gallagher: I think the percentage is actually more useful. Insolvencies as a proportion of companies is probably—

Mr Seebach: I can add to that. The level of corporate insolvencies—and I think we said this last time—as a proportion of total companies was 0.39 per cent in the calendar year 2024. This is lower than the long-term historical average of 0.41 per cent and, indeed, 0.47 per cent if we exclude the COVID period, where there were around 50 per cent less corporate insolvencies given what occurred during those two years.

Senator Gallagher: I think that gives you the best assessment because its year-on-year over a period of time. It doesn't give you the outcome that you're after, I accept that, but that is the actual fact.

Senator KOVACIC: I'm actually after the data from Treasury, who are the people who work really, really hard to put these numbers together. I'm sure they brief you and the minister, and hopefully—I think they probably do brief the Prime Minister, but he probably doesn't read it. But that's another matter altogether.

Senator Gallagher: I think that's unnecessary. I would imagine the Prime Minister reads the most papers out of everybody in this building.

Senator KOVACIC: Well, there was some interesting information about small business on *Q+A* on Monday night.

Senator Gallagher: I don't know where that little jab came from. I accept it's not the narrative you're after, and I'm not denying that there are some small businesses that are doing it really tough, which is why we've been trying to get support to them—like our energy bill rebates, which you opposed—to make sure that we are giving them a hand. But the data, when you look at it year-on-year, doesn't give you the answer you're after. As a proportion of companies, insolvencies under the Albanese government have averaged 0.26 per cent, which is the lowest on record for any government.

Senator KOVACIC: Thank you. I was after information from the experts rather than a political answer, but I'll keep—

Senator Gallagher: I'm sorry, Senator Kovacic; I am appearing here as the minister at the table. I am able to add to answers or provide answers. That is essentially what estimates is about.

Senator KOVACIC: The data for business insolvencies for January this year: was that a record for the month of January?

Mr Seebach: I wouldn't be able to tell you that. We'll take that on notice.

Senator KOVACIC: Does Treasury share the view of CreditorWatch that insolvencies are at a record high and that that will continue for the foreseeable future?

Senator Gallagher: Sorry; what was your question?

Senator KOVACIC: Does Treasury share the view of CreditorWatch that insolvencies are at a record high and will be so for the foreseeable future?

Ms Anderson: Was that a particular statement that they'd made? I'm not sure what you're referring to.

Senator KOVACIC: Yes, correct. On 9 February 2025, their CEO, Patrick Coghlan, said that, given the depletion of buffers and higher sensitivity of small business revenues to the economic cycle, small businesses would be particularly vulnerable to a further deterioration in economic conditions. And his words were: 'Insolvencies are at a record high and will continue for the foreseeable future.'

Ms Anderson: I don't know if we'd agree with that. That's his language, and I don't think we'd do that on the spot. Obviously, there are a range of different data and statistical releases that we watch, and they include some of the things we were talking about earlier, with insolvencies and the like. I don't think we would posit a view on what we see as the likely forward trajectory for small businesses, but there are obviously a range of macroeconomic indicators and other things that Treasury watches very closely, and some of those actually are improving. We would probably have something to say about that in the macroeconomic space, which is not in my area.

Senator KOVACIC: Before you continue, I want to correct something. I actually misquoted. That wasn't Mr Coghlan; that was the RBA—my mistake. The RBA said:

... given the depletion of buffers and higher sensitivity of small business revenues to the economic cycle, small businesses would be particularly vulnerable to a further deterioration in economic conditions.

Ms Anderson: I'd like to see that in the broader context, but I wouldn't sit here arguing with the RBA's view on that. They're entitled to their view, but we probably would prefer to develop our own view.

Senator KOVACIC: You don't necessarily—

Senator Gallagher: I think it's fair to say the banks—

Senator KOVACIC: I hadn't finished my question.

Senator Gallagher: No, I can—

Senator KOVACIC: Chair, could I—

Senator Gallagher: You cannot direct who answers the question.

Senator KOVACIC: But I didn't finish asking the question.

CHAIR: I think the minister was on a previous question.

Senator Gallagher: You put a proposition from the RBA and said: do you agree with that?

Senator KOVACIC: I actually haven't finished asking my question, Chair.

Senator Gallagher: I think the point the RBA was making was that if the economy deteriorates it will have an impact on small business. I don't think anyone would disagree with that. That is why it's been so pleasing that we haven't had any quarters of negative growth. We've seen employment maintained and unemployment low, we're seeing interest rates come down, and we're seeing wages going up. That's actually a very good thing for the economy and for small business. But the government does not agree with the proposition that insolvencies are at a record high. As a proportion of businesses, the facts do not support that claim.

Senator KOVACIC: Chair, may I finish my question?

CHAIR: Senator Kovacic, this will be your last question.

Senator KOVACIC: My question was—do I get to finish my last question and another one? Or do I just get to finish my last question that I didn't finish?

CHAIR: You can combine your questions.

Senator KOVACIC: They're two different questions.

CHAIR: We're at that 10-minute mark.

Senator KOVACIC: My question was: does Treasury neither agree nor disagree with the RBA's position?

Ms Anderson: Sorry, I find it very difficult to do either of those things without seeing the full context of that quote, the way in which it was delivered and the context in which it was delivered.

Senator KOVACIC: My last question is a very quick one—

Senator Gallagher: Could I add, for full context, Ms Bullock from the Reserve Bank has said, specifically about insolvencies:

... if you take it as a proportion of the number of businesses, which is growing over time, it is not at historical highs. In fact, if you look at the trend of insolvencies over time, we're not even back to where we were pre-pandemic, trend-wise.

That is a full quote from Ms Bullock, from Senate estimates last year.

CHAIR: Senator Kovacic, have you concluded?

Senator KOVACIC: No. I had a last question.

CHAIR: Yes, you can have a last question.

Senator KOVACIC: It's been over three months, specifically 112 days, since the last estimates. We've seen multiple records broken with respect to the number of business insolvencies, the lowest ever conversion of sole traders to employing small businesses and a decline in the number of employing small businesses in the Australian economy than there were 34 months ago, despite record migration. I want to understand; does Treasury have concerns about the impact on small businesses were inflation to rise above its target band again by the end of the year?

Ms Anderson: As the minister has said, small businesses and, obviously, individuals are vulnerable to economic conditions, in some ways, much more than large businesses. While I wouldn't say we have concerns necessarily, I would agree with the proposition that small businesses are vulnerable to changes in the economy, and downturns in the economy will affect small businesses, in some ways, disproportionately.

CHAIR: Thank you, Senator Kovacic. Senator Bragg.

Senator BRAGG: I want to ask you about advertising campaigns.

Ms Anderson: Yes.

Senator BRAGG: Is that you? You get all the good jobs.

Ms Anderson: I get all the good jobs.

Senator BRAGG: How much of the \$40 million budget of the stage 3 tax cuts has been spent?

Ms Anderson: I will start, and I think we've got a couple of people to assist. I have here that we have a total spend of \$22,406,459.84 against the administered item. I think it's worth noting that some funding from the stage 3 tax cuts campaign was reallocated to a campaign that we call Supporting Australians. There was some transferred money of \$12.9 million into that campaign.

Senator BRAGG: Can you break the spend into creative spend, advertising spend and the like? Is there a breakdown?

Ms Anderson: I will ask Ms Moore to give you that breakdown.

Ms Moore: For tax cuts, for Hall & Partners, which was the evaluation research company, it was \$269,928.

Senator BRAGG: For creative?

Ms Moore: For evaluation research.

Senator BRAGG: Research, not creative?

Ms Moore: Not creative. For WhereTo, which was the developmental research agency, it was \$386,995. For Clemenger, which was the creative agency, it was \$1,956,811.

Senator BRAGG: One million bucks for creative!

Ms Moore: For Think HQ, which did the public relations, it was \$344,031. For CultureVerse, which is a multicultural communications specialist, it was \$498,471. For 33 Creative, which is a First Nations communications specialist, it was \$297,487. For Universal McCann, which was the advertising media spend, it was \$18,652,733.

Senator BRAGG: And that's across the board—for physical advertising, mass media and social media?

Ms Moore: For Universal McCann?

Senator BRAGG: Yes.

Ms Moore: Yes. That's the total media buy: TV, radio, print, social and digital.

Senator BRAGG: Is it physical as well, like bus stops and billboards?

Ms Moore: Out of home? Yes, there was some out of home.

Senator BRAGG: There is. Okay. How much has been spent on Supporting Australians, or did you say that has been subsumed into—

Ms Moore: No, those figures were all the tax campaign.

Ms Anderson: Do you want the breakdown for Supporting Australians? Is that what you're asking?

Senator BRAGG: How much is the budget for that one?

Ms Anderson: The total spend is \$9,197,784.75.

Senator BRAGG: The other one is Future Made in Australia. Does that have one as well?

Ms Anderson: That's right, yes.

Senator BRAGG: How much is the budget for Future Made in Australia?

Ms Anderson: The administered budget is \$33.5 million.

Senator BRAGG: What's the breakdown for that?

Ms Anderson: I'll ask Ms Moore to provide the breakdown for Future Made.

Ms Moore: The current spend at the moment is \$14,704,362. The breakdown—for developmental research, which was Ipsos, it was \$781,585.

Senator BRAGG: For research?

Ms Moore: For developmental research.

Senator BRAGG: What sort of research is it? It's very expensive research.

Ms Moore: Developmental research includes our initial formative research that we undertake with audiences to understand awareness, information gaps and information needs. They also undertake concept development testing. So, when we go into the development of a campaign, we work with a creative agency to develop our concepts, and they are tested with that audience.

Senator BRAGG: Does that include focus groups and that sort of stuff?

Ms Moore: Sorry?

Senator BRAGG: Focus groups, in-person testing and concepts?

Ms Moore: Yes.

Senator BRAGG: Okay Keep going.

Ms Moore: The evaluation research, which was Hall & Partners, was \$116,612. Creative development, which is Droga5, was \$3,170,611. Public relations, which is Horizon, is \$551,372.

Senator BRAGG: What do they do for you?

Ms Moore: Public relations. They are contracted to help disseminate further information materials that don't form part of the advertising materials.

Senator BRAGG: This is earned media, is it?

Ms Moore: Yes. It's what they have done in terms of Future Made in Australia. They have developed fact sheets. They have developed animations to help further explain the initiative. They also developed our Auslan and easy-read-English fact sheets.

Senator BRAGG: Okay.

Ms Moore: CALD community application specialist Embrace Society is \$79,199. The First Nations consultant is Cox Inall Ridgway—\$150,000. And Universal McCann for the advertising is \$9,854,982.

Senator BRAGG: Was it \$40 million, \$19 million and then \$27 million? How much were the three campaigns? One was \$40 million.

Ms Moore: For Tax Cuts, across the two financial years, \$24.4 million was provided. Supporting Australians has \$12.9 million, and Future Made in Australia has \$33.5 million.

Senator BRAGG: How much is left over of those three?

Ms Anderson: Tax Cuts has concluded. But, as I said before, some of the funding from that is now supporting the Supporting Australians campaign. The FMIA campaign is underway, so it's an in-flight spend that we have for you, so I'm not sure there's leftover at this point.

Senator BRAGG: So, for Supporting Australians and Future Made in Australia, there's still money—

Senator Gallagher: Those campaigns are continuing.

Senator BRAGG: They're continuing? Okay.

Senator Gallagher: The Future Made in Australia one is on air right now.

Senator BRAGG: When does the media-buy period end for these two campaigns?

Ms Moore: Future Made in Australia will go until 30 June. Supporting Australians will go until the end of March.

Ms Anderson: Subject to any caretaker period, Senator.

Senator Gallagher: Other than campaigns that there is agreement on for urgent health—usually vaccinations and things like that, which might continue—they stop in the event of an election being called and writs being issued. I should say that this is all very transparent. It's released in the government advertising report 2023-24. It was released online at the end of last year.

Senator BRAGG: They pause during the caretaker period?

Senator Gallagher: Yes, except for any agreed ones, and they are usually health related. Health do a lot, like childhood immunisation, influenza and those types of programs where there is agreement reached between the health ministers. There's an agreement reached to allow the ones that should continue to continue.

Senator BRAGG: What happens to the extra people Treasury hire during the caretaker period?

Ms Anderson: I'm sorry?

Senator BRAGG: What happens to the extra people that you've hired?

Ms Anderson: On the campaign?

Senator BRAGG: Yes.

Ms Anderson: They would continue to support any business-as-usual work in preparation for a returned government. But should this be a ceasing program or should the incoming government not wish to continue with the program, we would take steps to wind that team down. What would they do? There's plenty of things to do and I imagine that most of those people, if they're not taken up with this work, would either take leave or support other activities in Treasury.

Senator BRAGG: I want to make sure: how many of the temporary positions that were hired were filled?

Ms Anderson: There was a mix of temporary and permanent positions, because we moved some permanent people over to fill roles, but in a general sense, I think the team was funded until the end of this financial year.

Senator BRAGG: So what do they do in the campaign? Not in your campaign; what do they do during the caretaker period?

Ms Anderson: They would obviously not actively work on the campaigns that are suspended during the caretaker period—

Senator BRAGG: So what do they do?

Ms Anderson: As I said, there's other things they can do.

Senator Gallagher: There would be other duties.

Senator BRAGG: Like what?

Ms Anderson: A range of different things, and there's also a good opportunity for some leave.

Ms Moore: Given we're not in the advertising market, we would also take the opportunity to do our own internal record-keeping and auditing. We would make sure everything's up to date and ensure that we can prepare any evaluation, should we need to, and undertake some—

Senator BRAGG: Would they go on paid leave or not?

Senator Gallagher: If they took leave, they would have paid leave, presumably—if they had paid leave available. I don't know; would you like it itemised for each person?

Senator BRAGG: I'm just wondering how many people we're talking about here. If these campaigns are not going to proceed during caretaker mode because they're not appropriate for that period, what do these people do? They've been hired by the Treasury. I don't think it's an unreasonable question.

Senator Gallagher: They will have other duties.

Senator BRAGG: That could mean anything.

Senator Gallagher: There is a significant amount of administrative work in that area that would continue, appropriately.

Senator BRAGG: Like what? What other administrative work?

Senator Gallagher: Associated with the campaign or other duties. I don't imagine it's all 100 per cent on one campaign.

Senator BRAGG: How many people are we talking about here?

Ms McSpeerin: There are around 15 people at this point in time—

Senator BRAGG: Fifteen people? That's quite a lot of people.

Ms McSpeerin: Yes, APS employees. We also have the communications branch within my division, the corporate division, and some of the team from the public information branch is already helping out with the communications branch work. It's a similar skill set. One of the arrangements would be that part of the team would naturally move across and help more with the communications branch team, and that's already starting to happen at this point in time, given—

Senator BRAGG: Fifteen people is a lot of people.

Ms Anderson: This is no different to any other area, though. There are a range of things that cease during a caretaker, like the legislation program and other various things. Public servants are quite used to, during caretaker, busying themselves with the work that needs to be done.

Senator BRAGG: They're temporary positions, right?

Ms McSpeerin: Some of them are; not all of them.

Ms Anderson: They are temporarily funded, the individuals in them are a mix of temporary and permanent staff.

Senator BRAGG: What do you mean, they're 'temporarily funded'?

Ms Anderson: The funding ends for these programs at the end of the financial year.

Senator BRAGG: So they're not absorbed into other parts of Treasury?

Ms Anderson: They are there for that period.

Senator Gallagher: It's a time fixed investment.

Senator BRAGG: So then what you've got to manage is what you do with these people during that caretaker period. But you're saying you don't think this is particularly remarkable.

Ms Anderson: I don't think so. There are a range of things that people work on.

Senator BRAGG: Thank you.

CHAIR: This concludes the questions the committee has for the Small Business, Housing, Corporate and Law Group. You go with our thanks. The committee now welcomes representatives from Treasury Fiscal Group. We'll go straight to questions. Deputy Chair.

Senator BRAGG: How much do the announcements made by the government since MYEFO tally to over the forward estimates?

Senator Gallagher: Any in particular that you're interested in?

Senator BRAGG: The total. What's the total of announcements since MYEFO?

Senator Gallagher: I think we did a lot of this in Finance yesterday, which is probably where we would normally deal with it. We went through the decisions taken since MYEFO. Do you want to repeat all that?

Senator BRAGG: I wasn't here, so can we?

Senator Gallagher: Yes. It's just probably that the relevant committee was yesterday. That's all.

Senator BRAGG: This is all my fault, is it? Why do you blame me for everything bad?

Senator Gallagher: I'm not blaming you. I'm just saying we've done it quite extensively. We'll of course update all the decisions from MYEFO in the budget.

Senator BRAGG: What about the Victorian rail thing? Was that in MYEFO?

Senator Gallagher: That's in the budget.

Senator BRAGG: It was already in there from the last budget update?

Senator Gallagher: Yes.

Senator BRAGG: It just wasn't announced?

Senator Gallagher: There are a whole range of decisions that are decisions taken that are aren't announced.

Senator BRAGG: That's fine. The whole point of this is to get answers to questions.

Senator Gallagher: Yesterday we did a lot of the decisions taken but not yet announced that had been announced out of that bucket between MYEFO and now. So we could get that transcript for you. In fact, Finance gave a table to Senator Hume listing them all that had been specially prepared. So we could probably try and find that if that's helpful.

Senator BRAGG: I think the *AFR* is saying that the tally is \$124 billion since MYEFO. Do you agree with that?

Senator Gallagher: I haven't seen that report. When was that? I'll try to bring it up now.

Senator BRAGG: I think it was within the last 24 hours.

Mr White: It's certainly not \$123 billion since MYEFO.

Senator BRAGG: Spending since MYEFO.

Senator Gallagher: I think the big announcement since MYEFO has been the promise to increase bulk-billing to 90 per cent for all attendances by 2030. That would be the single biggest announcement we've made. It's definitely not anywhere near the figure that you say the *AFR* has cited.

Senator BRAGG: Do you have the spending as a share of the economy percentage?

Senator Gallagher: That's published in the budget.

Senator BRAGG: For 2025-26?

Senator Gallagher: That would be in the MYEFO.

Mr White: It's published in MYEFO.

Senator BRAGG: What is it?

Senator Gallagher: It's 27.2 per cent. That's when it peaks, and then it comes down in 2026-27 and 2027-28.

Senator BRAGG: Is this the highest spending we've seen outside of an economic crisis?

Senator Gallagher: I seem to recall that spending—I'll get the correct figure up, but I think it was certainly higher over the 2019 to probably 2020-21 period. But I'd have to go back and have a look.

Senator BRAGG: Ken Henry has said recently that the government has breached the Charter of Budget Honesty rules put in place by Peter Costello in 1998. Do you agree when he says, 'There's no plan to control government spending.'

Senator Gallagher: No, I don't agree with him, respectfully, and I have a lot of time for him. But, if you look through the budgets that we have put together, you will see that we have seen a \$200 billion turnaround across the forward estimates from the numbers we inherited. We've found savings in the order of \$92 billion. We've banked 78 per cent of revenue so that we can pay down debt, which is much higher than the former government banked or even the Howard government. We've taken on reform in NDIS and aged care as a way of managing some of the pressures into the medium term. So, no, I do not agree with his analysis. And I would say that anyone who's proposing to spend \$600 billion on nuclear reactors doesn't really have a leg to stand on when it comes to government spending.

Senator BRAGG: What do you say to Dr Henry when he says, 'You might wonder what the government's long-term fiscal objective is'? What is your fiscal objective over the long term?

Senator Gallagher: It's outlined in the budget papers in the fiscal strategy, and it's there. It was released as part of MYEFO. It's very clear. It's on page 52. You'll have seen that, against that fiscal strategy, we have been meeting the requirements of it. Those requirements include:

- Limiting growth in spending until gross debt as a share of GDP is on a downwards trajectory, while growth prospects are sound and unemployment is low.
- Improving the efficiency, quality and sustainability of spending.
- Focusing new spending on investments and reforms that build the capability of our people, expand the productive capacity of our economy, and support action on climate change.
- Delivering a tax system that funds government services in an efficient, fair and sustainable way.

There is also:

- Allowing tax receipts and income support to respond in line with changes in the economy and directing the majority of improvements in tax receipts to budget repair—

which we have done.

Senator BRAGG: Given the budget's in deficit, do those deficits get bigger as a result of judgements taken since MYEFO?

Senator Gallagher: There has been pressure in a couple of years, and that has been largely due to parameter variations. Those are the automatic movements. In Veterans' Affairs, for example, because we've cleaned up the backlog, there's been a significant increase in the number of veterans getting compensation payments. They're not decisions of government per se; they actually just occur. That's certainly where the pressure has been. But part of our work in resourcing the Public Service properly was not only to deal with those backlogs but also, in NDIS and aged care, to deal with the reform work that needed to be done to ease off the pressure in the medium term.

Senator BRAGG: The main question is then: at 27.2 per cent of GDP, is there any other comparable period, save for an economic crisis or a pandemic, when you see spending as a percentage of GDP to be so high? That's probably a question for the official. I understand you're entitled to answer it. Is there any equivalent year?

Mr White: In recent years, spending to GDP has been quite volatile, because of both COVID and coming out of COVID. As we've gotten rid of COVID numbers, as we've said, it goes to 27.2 and then it comes down. There are other years where it's been above 27, but that's several decades ago.

Senator Gallagher: Yes, that was the number I was looking for, but I can't—

Senator BRAGG: So it was several decades ago.

Mr White: It was in the 1980s, Senator.

Senator BRAGG: So it's been quite a while. It's been quite a few decades.

Senator Gallagher: And you've got to find room for \$600 billion dollars worth of nuclear reactors.

Senator BRAGG: As you know, the job of the Senate estimates is to scrutinise the government, and that's what we're trying to do. I think that's all we have for Fiscal.

Senator Gallagher: Very nice.

CHAIR: Thank you very much for appearing and answering our questions. You go with our thanks We're now with Treasury Markets Group. If there are no opening remarks, we'll proceed straight to questions.

Senator BRAGG: It's now 26 February 2025 and I reckon it's about two or three estimates hearings ago when I was asking you about the government's plan to regulate crypto. I said at the time that I had no confidence that the government would ever deliver a bill on crypto—this is despite the Treasurer promising to do so after FTX collapsed. Now we're at the back end of this parliament and about to have an election. That was a good prediction. You've got to be right sometimes. Even a broken clock is right occasionally. My point and question is: what on

earth has happened here? The Treasurer of the country promised that the Labor Party would regulate crypto to protect consumers and give the industry confidence, and you've had three years in which nothing has happened. What on earth has happened?

Mr Philp: Work is ongoing in this space—

Senator BRAGG: I know that, but what's happened?

Mr Philp: I'll ask Mr Kelly to take you through the detail of the work.

Senator BRAGG: I just want to know what went wrong. Did it get lost in Jonesy's office? Did the dog eat the bill? What happened?

Mr Philp: I don't think we'd say anything has gone wrong, but Mr Kelly can take you through where we're up to.

Senator BRAGG: Sure. Why don't you run me through it.

Mr Kelly: Where we're at is always the same answer as last time, which is—

Senator BRAGG: Huge progress!

Mr Kelly: that we're progressing the drafting of an exposure draft that will put effect to the government's planned reforms.

Senator BRAGG: The draft bill was done a long time ago, wasn't it?

Mr Kelly: No. We are in the process of drafting it.

Senator BRAGG: Are you sure?

Mr Kelly: Yes.

Senator BRAGG: You haven't given a draft to the office?

Mr Kelly: No.

Senator BRAGG: You're telling me it's taken three years to draft the crypto bill.

Mr Kelly: I'm not saying that.

Senator BRAGG: What are you saying?

Mr Kelly: It's taken three years for us to go through various consultation processes, work out the instructions for OPC and then begin to engage with OPC. There are other priorities for government that affect how early we've gotten it to—

Senator BRAGG: Yeah, other priorities! Thank you for being honest

Mr Kelly: the drafter, but we're working on it now.

Senator BRAGG: Thank you for your honesty, because it's clearly been deprioritised, hasn't it?

Senator Gallagher: I don't think that's a fair analysis. I think the analysis is that it's been a very busy legislative agenda area in that portfolio. They're working through a whole range of areas, including scams and all the rest of it. A huge amount of legislation comes through the Senate in this portfolio, and there's been a lot of consultation done on crypto, including with industry and taking in all the necessary feedback.

Senator BRAGG: Treasurer Chalmers said that the government would legislate a bill in this term. Is that a promise you're sticking to?

Senator Gallagher: I haven't been advised otherwise.

Senator BRAGG: When will you pass the bill? We haven't got many weeks left of parliament.

Senator Gallagher: No, indeed. Sometimes, when the Senate wants to get on with things, it can deal with things pretty quickly.

Senator BRAGG: But you haven't even introduced a bill yet.

Senator Gallagher: And, as we've said, we're working on it.

Senator BRAGG: All I'd say is that these are deeply unserious answers to what is a very serious question that a lot of Australians would be expecting you to keep to your word on. You said you would protect consumers and incentivise investment in Australia through digital assets. We're now at the end of this term. I'm sure the minister is sincere in maintaining the government's commitment, but we all know there's no way a bill will pass in this term. I guess I'm wondering: what could be done to avoid this situation in future? How could the Treasury work with the Treasury minister to ensure your work isn't lost? I know there are a lot of good people in Treasury who

have worked very hard on this, and they'd be very disappointed at the outcome. So how can this be avoided in future?

Mr Philp: We do work closely with our Treasury ministers. Matters like this do progress. A lot of that work is done behind closed doors as drafting is made available. As the minister mentioned, it is prioritised as part of the legislative drafting resources available to us and to the ministers to ensure that the things of importance to the government of the day go forward. In that context, we do work closely, and we ensure that these things are progressing. It's not to say that this hasn't gone forward or been progressed; there is work being done. It's just that there hasn't been draft legislation put forward.

Senator BRAGG: When did you seek legislative drafting status for this bill?

Mr Kelly: It has been in the legislative priorities process that Treasury has run. It's been on the list of things that are higher up the list, rather than lower down. There have just been other matters ahead of it.

Senator BRAGG: Does it have T status?

Mr Kelly: T status?

Senator BRAGG: Yes.

Senator Gallagher: I think we'd have to check. That's probably dealt with—

Mr Kelly: We'd have to take it on notice. We're getting into the issues of when the election is held and future sittings of parliament. In some ways, I don't think there's any status attached to bills this spring, for example.

Senator BRAGG: In the absence of any legislation passing parliament, the corporate regulator, which, I think, fancies itself as a sort of miniparliament, is now doing its best deep-state work by issuing various quasi-regulatory guidance.

Senator Gallagher: Who are you referring to here, did you say?

Senator BRAGG: The deep state, known as the—well, the deep state is very significant, as you know, in its breadth and depth.

Senator Gallagher: I'm asking specifically who you are referring to here.

Senator BRAGG: Your good friends at ASIC. They've now issued a piece of paper, in the absence of—

Senator Gallagher: I'm not sure that's an appropriate characterisation of ASIC at all.

Senator BRAGG: I'm not seeking to offend you, Minister.

Senator Gallagher: I just feel the need to defend the corporate regulator from your derisory comments.

Senator BRAGG: It's been one of the great themes of this parliament.

Senator Gallagher: What?

Senator BRAGG: Defending the excellent work of ASIC.

Senator Gallagher: I'm proud to stand next to important public institutions that safeguard the public interest—

Senator BRAGG: That's very laudable.

Senator Gallagher: while others seek to tear them down.

Senator BRAGG: The job here is to expose wrongdoing and identify where there could be improvements. The question is: what do you think is now the result, in the market's mind, of the parliament failing to legislate anything at all in this term of parliament, and, instead, the corporate regulator issuing a piece of paper with what they think about crypto regulation—an info sheet? What do you think that—

Mr Kelly: As I think we discussed at the last estimates hearing, the government's reforms are targeted at those digital assets that don't fall within the existing regulatory net. They're not in the financial product or financial services sort of space. What's in that net has always been a bit of an open question—a lot of questions asked over time. The government's reforms always presupposed that it would be on ASIC to make clear what's within the financial services space already which is already subject to their regulation. That's a necessary part of the reforms, going forward, and we always expected that ASIC would have to provide further guidance. In some ways, it's probably beneficial that they did that before we finalised the drafting of the bill.

Senator BRAGG: Let me ask you a dumb question, then. Do you accept that, if the parliament fails to legislate a scheme, then the corporate cop or the regulator that is closest to that market is going to be asked by market participants for legal advice almost or advice on how they can run their businesses, because there's no regulatory framework in this country, and therefore you end up having legislation through a grudge or almost

enforcement approach—all through a regulator making it up, even though it's not their role to make laws or policy?

Mr Kelly: I think, as a general rule, there's probably merit in the proposition you're putting forward.

Senator BRAGG: Thank you.

Mr Kelly: In this particular case, though, it was the case that ASIC was always going to have to go in there and be clearer about what that boundary is, because the bill, once introduced, was going to have to rely on that. The fact that they've done that now—

Senator BRAGG: But there is no bill.

Mr Kelly: I said 'when the bill gets introduced'. It will have to—

Senator BRAGG: The magical bill we have never seen.

Mr Kelly: But the government's stated reforms are based on the fact that there are a set of things within the financial service regulatory space, and it's up to ASIC to make clear what those things are. ASIC was always going to have to do this. From my point of view, it's advantageous that we're able to see that before the actual bill is completed, to make sure we get the outcomes we want.

Senator BRAGG: This is killing investment. What about de-banking? How many Treasury staff are working on de-banking?

Ms Kelly: We have a branch that covers a range of issues, including de-banking. I'd have to take on notice how many specifically are dedicated to de-banking, because our staff tend to cover a whole range of issues on banking.

Senator BRAGG: Have you met with any banks or any effective stakeholders in relation to de-banking concerns?

Ms Kelly: We meet with banks and stakeholders routinely. They do talk about a range of concerns in relation to the banking. None have specifically raised with me personally around debanking, but I would have to check whether any had raised it with my team.

Senator BRAGG: In 2022, there was the Council of Financial Regulators report into debanking. Has any progress been made on that?

Ms Kelly: Yes.

Mr Philp: My recollection—as Ms Kelly finds the right page in her notes—is the majority of the recommendations made by the Council of Financial Regulators have been implemented. These included things like more explicit guidance by the banks for customers who might be debanked, the collection of data, and sharing that with the government and the like.

Ms Kelly: There were a number of recommendations in that report. The government agreed to recommendations around the voluntary data collection on debanking to be undertaken by the four major banks. It also supported the recommendations that all the banks implement five transparency and fairness measures in relation to debanking. The government advised the major four banks of its expectations that they publish guidance on their risk tolerance and requirements to the digital currency exchange, fintech, and remittance sectors. It also gave consideration to the capability uplift and the digital currency exchange, fintech, and the remittance sectors in the report. The government noted this recommendation, and it supported the objectives of the recommendation and recognised the potential that a capability uplift may have.

Senator BRAGG: What has actually happened substantively on debanking in this parliament?

Ms Kelly: We've been working with the banks in relation to the CFR's recommendations to ensure their implementation.

Senator BRAGG: Why are they saying to you that they're debanking people? Why are they so keen to debank crypto or digitalise their businesses, do you think?

Mr Philp: Our evidence isn't that we've had those conversations with the banks.

Senator BRAGG: You haven't?

Mr Philp: I think Ms Kelly's evidence was that this hasn't arisen in our conversations with the banks.

Ms Kelly: No, but I'd highlight—

Senator BRAGG: Because I think the industry expectation is there has to be something done on debanking in Australia.

Ms Kelly: The CFR report highlighted that the main reasons for debanking in Australia were anti-money laundering and counter-terrorism financing risks, sanctions compliance, corruption, modern slavery, reputational risks, fraud and scams. They are the main reasons for debanking currently in Australia.

Senator BRAGG: Has the government adopted a policy to address the mass debanking of these businesses?

Ms Kelly: For instance, there were amendments made through parliament last year in relation to anti-money laundering and counter-terrorism financing to extend those high-risk services provided by tranche 2 entities. That law was led by the AGD, but that addresses some of the reasons for debanking in Australia.

Senator BRAGG: Are you working with banks on implementing the CFR review, or did I mishear you?

Ms Kelly: We've been working with banks in relation to the government's expectations around their implementation of the five transparency and fairness measures. The government was clear to the four major banks on its expectations around their published guidance on their risk tolerances.

Senator BRAGG: Is the expectation that they're supposed to tell businesses why they don't want to bank them, or what does it mean?

Ms Kelly: They're meant to set out their risk tolerance and their requirements so that entities understand how to fit within them.

Senator BRAGG: Do you have any data or any information about how it's going?

Ms Kelly: Not since the CFR's review was released in October 2022.

Senator BRAGG: Last year the Prime Minister announced that there was going to be a ban on debit card surcharging.

Mr Philp: Yes.

Senator BRAGG: How's that all going?

Mr Philp: My recollection is that the Prime Minister's announcement was of a disposition to ban debit card surcharging, subject to the review by the Reserve Bank through its Payments System Board, and that review is ongoing.

Senator BRAGG: The RBA is still doing work on this?

Senator Gallagher: Yes.

Mr Philp: Yes, they are.

Senator BRAGG: I assume you have considered that there are positives and negatives about blanket bans on surcharges.

Mr Philp: We have, yes.

Senator Gallagher: That's why the bank is doing the review.

Senator BRAGG: But the Prime Minister has announced this, so it seems like a—

Senator Gallagher: I think most people would like to see the issue of surcharging on debit cards dealt with. It's your money, whether it's \$2 in your pocket or \$2 on your card.

Senator BRAGG: Maybe, yes, but it's already been announced. At best, it would commence in 2026. Is that right?

Mr Philp: That's the intention at the moment.

Senator BRAGG: It was announced in 2024, and it might commence in 2026.

Senator Gallagher: When the announcement was made, it was very clear that it was pending the finalisation of the review being led by the RBA. I'm sure you can ask them some questions tomorrow about where that's up to.

Senator BRAGG: If it was so urgent, were there other dates considered?

Senator Gallagher: That's really a matter for the bank, because it needs to be informed by this review.

Senator BRAGG: Do you think that, if surcharging goes, businesses would then increase their prices to subsume that cost?

Senator Gallagher: That's what the review is examining.

Senator BRAGG: But you've already announced you're abolishing it.

Senator Gallagher: What the review—

Senator BRAGG: Are you going to consider some of these—

Senator Gallagher: Yes. We have a disposition, and I think most people in the country would agree with that. I think it annoys the hell out of people when they use their debit card and get big surcharges on it, when it's actually cash.

Senator BRAGG: So you're definitely banning it.

Senator Gallagher: That is the decision we've taken, and it's going to be informed by the RBA review.

Senator BRAGG: But it might not be across the board.

Senator Gallagher: We've made clear our area of focus, and the RBA is doing the work. Again, I'm not briefed on where that work is, but part of their work is to understand the impact of changing any surcharging arrangements and how you put consumers first and look after the interests of small business. Everyone accepts that there are costs, but getting an understanding of those costs and who pays is critical here.

CHAIR: Thank you. I'll go to you, Senator Barbara Pocock.

Senator BARBARA POCOCK: Thanks, everyone. It's a bit of a marathon. My questions go to the Treasury reviews of the PwC and consultant inquiries. That scandal, as I'm sure you all remember, and the subsequent work done by the Finance and Public Administration References Committee uncovered serious weaknesses in our regulatory framework for tax practitioners and the consultant sector more broadly. The government has released a response document announcing a range of reviews. Many have concluded and led to some legislative reform; others are still current or have resulted in no change at this point. I want to go to the outstanding reviews and issues and get an update. I'm going to page 6 of the *Review of tax promoter penalty laws*, which lists all of the reviews. There are six—five, actually—in progress. Can you tell us where they're at, beginning with the TPB sanctions regime.

Mr Philp: I'll ask Mr Dickson, who's leading our work on that.

Senator BARBARA POCOCK: Thanks, Mr Dickson.

Mr Dickson: I'm happy to oblige. A number of these reviews are going on across government. Some of these relate to responsibilities that are in the Market Conduct Division that I look after. Some of those, naturally, are then progressed outside of our area, so I'll give you a summary of what's happening across government as best I can.

Senator BARBARA POCOCK: Great.

Mr Dickson: I've got a list in front of me that I can talk to. There was a review of the use of confidentiality and conflict of interest arrangements across government agencies. My understanding is that that review has been finalised but with policy development continuing to progress. Examining the regulation of consulting, accounting and audit firms is something that rests in my remit, and that was the subject of the inquiry that we previously had conversations through. In terms of that, it feels strange telling you about your own PJC, because you already know all of this—apologies. That report handed down its recommendations in November. We as Treasury have been looking at those recommendations. It's quite a comprehensive report. Now we're working our way through assisting the government with the next phase of that, which will be a consultation paper on specific options to address those issues. We're working through that.

Senator BARBARA POCOCK: When would you expect that to be done?

Mr Dickson: We are in the process of working with the government as to what options would be put out for public consultation. The timing, I'm afraid, is a matter for the government.

In relation to the review of the sanctions available to the Tax Practitioners Board to discipline tax practitioners who have engaged in misconduct, Treasury released a consultation paper to the public on 10 December 2023, and consultation closed in 2024. On that one, policy work is ongoing. It's not something that's happening within my division, but I'm advised that policy work is continuing to progress.

Senator BARBARA POCOCK: Slowly—not too fast, it seems. That's quite a while.

Mr Dickson: As you mentioned, there's actually a long list of things that the department's been progressing. I haven't been given the liberty of running through all of the things that we have achieved—it's a much longer list than the things that are outstanding—but I will continue through the things that we're continuing to progress. For the review of the TPB's registration requirements for tax practitioners, Treasury released a consultation paper to the public on 17 July 2024. Consultation on that closed in August 2024, and, again, policy development is continuing on that work.

The review of the promoter penalty laws involved a consultation paper that was released on 4 October 2024. That consultation closed on 1 November 2024, and so, as you would expect, policy development is continuing to

progress on that. The review of fraud in and threats to the tax system has been partially implemented through the 2024-25 budget measure, which is called Strengthening Tax Compliance: Australian Taxation Office Counter Fraud Strategy. Again, a consultation paper examining the gaps and challenges with the current framework is expected to be released in 2025—this year—for that.

I've only got four more left on the list. For the review of the use of legal professional privilege, a policy discussion paper was released for public consultation just before Christmas, on 23 December 2024, and that will inform a further options paper in 2025. Naturally, that will be continuing. The date for the close of submissions on that first consultation paper is 28 February 2025—the end of this week. For the review of the ATO compulsory information-gathering powers, Treasury released a consultation paper on 3 May that closed on 31 May last year, and we've been considering the stakeholder feedback in those submissions. Again, policy development is continuing to progress. For the review of the tax secrecy provision exemptions, a policy discussion paper on that was released, again, just before Christmas, on 20 December 2024. Similarly, that closes at the end of this week, so we'll have feedback to consider from that consultation. Finally, the Department of Finance is leading finance in consultation with the AGD and other relevant departments, looking at solutions around the sharing of information where contracts are terminated for a material breach. Finance has advised us that, again, that work is continuing to progress. So there are a whole range of things that are continuing to progress, and, at the same time, there are a number of things that have been delivered—quite a substantial number. It's an intensive work program, as you can see.

Senator BARBARA POCOCK: I do recognise that it's a very big work program, but I also know there are people out there hoping that we'll just exhaust ourselves, governments will change and none of this will actually be consolidated into the kind of really significant renovation we need. Minister, what's your view about that body of work and its chances of being completed in a timely way, even if there is an election and you are returned? Do you feel strongly committed to making progress?

Senator Gallagher: Absolutely. I think the work the Senate committee has done—Deb and yourself—has been a major focus of this term of the parliament, and we have to press on with the reform work that's needed as a result of the investigations and what you've all uncovered.

Senator BARBARA POCOCK: Thank you. I want to go to the TPB sanctions regime just a little further. That consultation process has been complete for a year, I think, but we're still waiting for action on that, as I understand. What's the hold-up there?

Mr Dickson: I think that would be something that's progressed by another group within Treasury; my expectation would be that that would likely be progressed in Revenue Group, in consultation with our law division colleagues. I'd be happy to take questions on notice.

Senator BARBARA POCOCK: Would you?

Mr Dickson: In fact, Revenue Group is on after, so you can direct that question after us.

Senator BARBARA POCOCK: Okay, thank you.

Mr Dickson: So, for the record, I won't take that on notice.

Senator BARBARA POCOCK: I want to go to the whistleblower protections. Under section 1317AK of the Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019, it says, 'The minister must cause a review to be undertaken of the operation of this part'—that's a review of whistleblower protections in the private and the tax sectors. Subsection 2 says 'the review must be conducted as soon as practicable after the end of five years' from the time that section commenced, so around about now. My question is, really, to you, Minister. What's the current status of consultations on reform and that review?

Mr Dickson: I'm actually able to answer that question. Whistleblowing is a part of the responsibilities of the market conduct division, and I can advise that we've actually commenced that review in the sense that we've established a team that is working, now, within Treasury. They've been undertaking research, looking at the range of issues that have been raised in relation to the operation of whistleblowing laws and specifically focusing on those that are in the Treasury portfolio because that's the remit of the statutory review that we're required to do. That team has been condensing those issues into a paper that we would expect would be released for public consultation at some point in the future. We're in that process of synthesising those issues and putting them into a publicly digestible format so that we can solicit some feedback for the review.

Senator BARBARA POCOCK: How do you see that review intersecting with other whistleblower reform processes?

Mr Dickson: We engage very closely with other parts of government, AGD in particular, who've had an interest in looking at whistleblower laws that relate to the public sector. We were, of course, involved by AGD in their process, and, likewise, we would involve them in ours. So we're very cognisant of that. We're also cognisant of suggestions that have been put forward that some form of a more comprehensive whistleblowing regime should be considered, so we're trying to factor those considerations into our examination of what we're required to do. Of course, our remit is much narrower under the statutory review, but, at the same time, I think it's important that we are cognisant of all of those other developments and other suggestions that perhaps could result in a stronger whistleblowing regime. We're open to ideas at this stage.

Senator BARBARA POCKOCK: Great. It's incredibly important. In all the significant events, the banking royal commission—every significant review in recent years has relied so much on whistleblowers, so thanks for all your work. It's really important that we get that follow-through.

CHAIR: Senator Askew.

Senator ASKEW: Thank you for your time. My question is on a similar theme, I think, from what I've sat and heard about delays in legislation being prepared. My question relates to recommendation 6 out of the rare cancers inquiry last year that 'as a matter of priority, the Australian government legislate a complete ban on genetic discrimination in life insurance'. Following on from that, the government announced, in September 2024, that it would introduce a total legislative ban on the use of genetic test results in life insurance underwriting in this parliamentary term. That was the announcement. However, I understand that, last week, Treasury released a further consultation document on the design of the legislation. So I want to understand the reason there's been a failure to actually deliver the legislation as committed to by the government.

Mr Philp: I'll ask Mr Preston to talk in just a moment. One of the issues that we are grappling with there is the complexity of the ban and the potential inadvertent consequences that might arise from that, but I'll ask Mr Preston to take us through those.

Mr Preston: The policy decision that the government took that was announced was a full ban. The difference between the consultation process that we're doing now and the previous process that we undertook is that we're looking now at the practicalities around how we go through and enact that ban. That's looking at: issues around medical accuracy; operational issues about how to ensure it can be implemented effectively by the insurance industry; clarity, particularly for consumers, medical practitioners and the genomic industry, who have to engage with the bill; and then also a number of legislative design issues which get to how we think about how tests can be volunteered, the definition of 'genetic test', how we grapple with existing contracts and so on. I can unpack some of those complexities a bit more if that's useful.

Senator ASKEW: Those questions, obviously, are things that need to be considered, but the fact is it was announced as a total ban. It's not that we're going to play around the edges; it actually is a straightforward total ban. I can't understand why you need to have quite that depth of consultation in regard to just getting the legislation prepared. You could have at least done it as a draft legislation or exposure draft, perhaps, rather than just doing more consultation.

Mr Preston: The issues that I tried to outline there are the exact sorts of issues we would try to explore through an exposure draft process. The legislative prioritisation process, a bit similar to some other evidence already given this afternoon, relates to essentially how quickly we can translate policy design issues into draft law and then law that can be introduced. That prioritisation process was such that we couldn't progress to the exposure draft stage, and so we're trying to canvas those key issues through a process that we, as a policy area, can control.

Senator ASKEW: What's the timeline for the consultation?

Mr Preston: It will close two weeks from today.

Senator ASKEW: And then what will happen? We're likely to be going to caretaker mode in the next few weeks. Will the development of the legislation still continue? Because there was a bipartisan support for both the legislation and the ban.

Mr Preston: We've engaged with our governance area on this sort of work given that caretaker is approaching. There's no reason why we cannot continue to progress it, so we'll review the feedback that we get and continue to work towards developing exposure draft legislation.

Senator ASKEW: What would the timeframe normally be for the development of that exposure draft?

Mr Preston: I'm not sure that there's a normal timeframe when it comes to exposure draft legislation, at least in my experience. That will ultimately get to the prioritisation process that governments control.

Senator ASKEW: Okay. Minister, on that basis, and assuming you were to be re-elected, would your government commit to it making a key priority? Because it was one of the commitments from September was that it would actually be legislated in this term.

Senator Gallagher: Yes, and I think I've answered questions in the chamber about this a couple of times. It's a priority, but getting it right is also a priority.

Senator ASKEW: Okay. Hopefully we look forward to whoever is in government after this election passing this in the fairly short term. Thank you.

Senator O'NEILL: Can I ask a question? I want to jump in on this topic.

CHAIR: I'll just give Senator O'Neill a follow-up, and then we'll go to a break as scheduled.

Senator O'NEILL: I'm really heartened to hear that. I know that there are so many stakeholders, and we do know that creating great legislation is a challenge that we have to do for the betterment of the country. My question is about the genetic research and its evolution. I'm aware a handful of international jurisdictions have been able to implement bans in some form. This definitional question seems to have come up. My question goes to that. Is there a definition from overseas that Treasury is exploring that could be easily used in the Australian context to achieve the government's and the opposition's policy objectives here in terms of health access and not having to go and get financial advice before you get a genetic test?

Mr Preston: There are definitions that are in use overseas, and they range in complexity and approach based on the context in which they're developed. The consultation paper notes that fact but also notes that the New Zealand definition, which is the most recent, is perhaps a reasonable starting place for adoption of a definition here and seeks feedback on that. I will add, though, the definition is not the only thing that we're working through. The policy intent of the measure was to try to reduce a barrier for people seeking genetic tests for fear that an adverse test might affect their insurance. It was really focused on that issue around an adverse test. In the work that we've done, actually defining an adverse test is medically very challenging. It would also be very challenging to implement from an insurance perspective. So what the consultation paper instead points to is, given that complexity, having a broad ban preventing insurers from asking for genetic tests but still enabling consumers to provide a genetic test that might be favourable to them. So we've had to think about how we would then create safeguards around when and how a test could be volunteered to make sure it's not inadvertently volunteered. We note that the approach we're proposing does put the onus of trying to think about whether the test will be favourable or not on a consumer. The onus of determining that is in their hands given that insurers can't ask or prompt for a genetic test. I'm delving into that issue just to try to unpack some of it. It's not just a definitional issue. To achieve the policy intent, these are the sorts of things we're trying to work through as we get to a draft law.

CHAIR: We'll come back to the Markets Group after the break.

Proceedings suspended from 17:16 to 17:28

CHAIR: The committee resumes with Treasury Markets Group. Senator Smith.

Senator DEAN SMITH: The Markets Group looks after insurance matters?

Mr Philp: We do.

Senator DEAN SMITH: Can you detail for the committee what work Treasury has done on the issue of insurance affordability and availability?

Mr Philp: We can. I'll ask Mr Preston, who's been heading up the recent taskforce work, to take us through that work.

Senator DEAN SMITH: And the Insurance Affordability and Natural Hazards Risk Reduction Taskforce is a piece of work that you're responsible for or have input into?

Mr Preston: Yes, within Treasury. The Insurance Affordability and Natural Hazards Risk Reduction Taskforce was set up within the Department of the Prime Minister and Cabinet, and that was to look at the range of factors that drive insurance affordability and to look at a whole-of-government approach for how risk reduction in particular can lead to reducing insurance premiums. I think the key piece to recognise is that—as we've given in the evidence to this committee in previous estimates—rising natural hazard risks, partly related to climate change and other important factors, are the key drivers of rising insurance premiums. We're looking at mechanisms that can mitigate that risk. Those are issues in the Assistant Treasurer's press release relating to the establishment of that taskforce—hazard risk reduction and community risk reduction measures. Then it gets to factors around how the built environment develops where buildings are unable to occur. A lot of those drivers are in policy areas that sit outside the Treasury portfolio; that's why the overall taskforce sits inside the Department of

the Prime Minister and Cabinet. It tries to look across the levers at government disposal to try to provide advice to government on this issue.

Senator DEAN SMITH: My question was: what work has Treasury done?

Mr Preston: We've been providing advice to government on a range of issues relating to insurance affordability. We are participants on the Hazards Insurance Partnership, which has been gathering data from insurers and informing NEMA's risk-reduction work. That's probably a very high-level summary.

Senator DEAN SMITH: We're at estimates, so I quite like to get into the details with the limited time that's available. You've given advice on various issues: what are the issues that Treasury has provided advice on?

Mr Preston: One of the issues that was noted in the formation of the taskforce was near-term solutions regarding insurance affordability, and we routinely provide advice on those sorts of issues anyway. The sorts of policies that have been raised are things like the operation of the cyclone pool. We provided advice around the 48-hour rule, which relates to how long our coverage in that pool relates to post-cyclone flooding. We've looked at policy issues around the use of that pool for other perils—things like flood. We're aware of the role of taxes that get raised, for example, by the Insurance Council of Australia. We've looked at issues like the ability for consumers to understand and compare products within the market to try to make sure that they can find the insurance most suitable to them. That's a range of the issues we've provided advice to government on.

Senator DEAN SMITH: How is that advice provided? Is it a written document that a Treasury official takes to the taskforce discussion? Is it a written document that is circulated among other taskforce participants?

Mr Preston: The Department of the Prime Minister and Cabinet set up an interdepartmental committee—an IDC—and that met regularly. We shared information within that committee. We also provided advice to other government departments engaging in that taskforce work, and we provide advice directly to our ministers as well.

Senator DEAN SMITH: Since the creation of the taskforce, on notice, can you just provide me with the dates of the meetings of the IDC that Treasury officials participated in.

Mr Preston: I can take it on notice.

Senator DEAN SMITH: And which Treasury officials participated in those IDC meetings.

Mr Preston: Yes.

Senator DEAN SMITH: Can you also, on notice, provide me with an exhaustive list of all of the matters that the Treasury provided advice to the taskforce on?

Mr Preston: I can take those questions on notice.

Senator DEAN SMITH: It will include some of the ones you just mentioned. From Treasury's perspective, what are the outputs of the taskforce thus far?

Mr Preston: The outputs of the taskforce are internal policy advice to government on policy options for addressing insurance affordability and natural-hazard risk reduction.

Senator DEAN SMITH: But, Minister, I've not seen any outcomes. Have I missed something from the taskforce?

Senator Gallagher: I think the evidence you've just been given has taken you through all of the work that has been done.

Senator DEAN SMITH: I call them 'inputs', though. I'm now interested to know what the outcome is.

Senator Gallagher: There's a lot of work that needs to be done. You can't just wander around the country saying you're going to fix something without doing the work that's required.

Senator DEAN SMITH: When was the taskforce created?

Mr Preston: Following the budget in 2024, in May. I don't have a precise date.

Senator DEAN SMITH: Are there any policy outcomes or policy initiatives from the taskforce that the government can point to?

Senator Gallagher: The government will continue to consider some of the work coming out of the taskforce. We recognise that insurance, particularly in some areas of the country where there are natural disasters, is a real pressure for households to maintain. I think the promises that were made under the cyclone reinsurance pool, about premiums coming down by XX per cent, have not been realised—and that was a promise under your government. We are doing the careful work to consider what can be done, including—and I would say this is an area where, unfortunately, not a lot was done under the former government—in mitigation and managing some of

the risks to households in those areas where their insurance premiums have risen off the back of natural disasters. All that work continues.

Senator DEAN SMITH: Will the government provide a response to the parliamentary inquiry chaired by Dr Mulino into floods?

Senator Gallagher: I don't have any advice on that. I imagine we routinely respond to committee reports; we think they're important. I don't have an update for you on that, sorry.

Senator DEAN SMITH: Has Treasury provided any advice to ministers on a response to that parliamentary inquiry?

Mr Preston: We have been working on the response to that inquiry, including with cross-departmental colleagues—reflecting the broad nature of the recommendations of that inquiry. We have not provided final advice to government on the shape of that response, but we have been engaging the minister's office on the directions of, I'd say, preliminary advice.

Senator DEAN SMITH: Has it been a topic of discussion at the IDC?

Mr Preston: Yes.

Senator DEAN SMITH: In your earlier evidence you mentioned that some of the matters on which advice had been provided related to the cyclone reinsurance pool. Has Treasury modelled expanding the reinsurance pool beyond cyclone reinsurance?

Mr Preston: Yes.

Senator DEAN SMITH: When was that modelled?

Mr Preston: That modelling was conducted last year.

Senator DEAN SMITH: At the beginning of last year, middle of last year—

Mr Preston: We arranged for modelling at the beginning of last year. There were two rounds of modelling at the beginning of last year. I'll have to take the dates on notice.

Senator DEAN SMITH: Were there external consultants involved in that modelling exercise?

Mr Preston: Yes, there were. We contracted Finity Consulting.

Senator DEAN SMITH: The model was undertaken to expand the cyclone reinsurance pool to what other types of insurance?

Mr Preston: We modelled expanding the cyclone insurance pool to cover particularly flood. We've provided this advice to government, so the release of more substantive detail on the nature of that modelling would be a matter for government.

Senator DEAN SMITH: Will that modelling inform the final advice to government on its response to Dr Mulino's inquiry?

Mr Preston: Yes. One of the many recommendations was in relation to that, so, yes, it has informed advice on that.

Senator DEAN SMITH: At a high level, what did the modelling reveal?

Mr Preston: Your question partially relates to advice to government. To try to be helpful: I think the Actuaries Institute conducted some very useful work on a very similar matter that looked at the issues around expanding the cyclone pool to cover flood. I think one of the key observations in that report is that flood, as a peril, is very different in nature from cyclone. With cyclones you have some very high levels, to be sure, but there are also a large number of properties that face moderate and small amounts of cyclone risk, whereas flood is very much concentrated on a very small number of properties. That means you don't have the ability to cross-subsidise within the flood population by bringing that peril into the pool. The cyclone pool essentially takes the margins that private reinsurers would otherwise charge for the coverage of cyclone risk in the low- and medium-risk areas and provides a discount to high-risk areas, and there's not a sufficient margin to deliver meaningful savings if you look at bringing flood in and there being no external source of subsidy into a pool.

Senator DEAN SMITH: Was the modelling undertaken at a general level or by examining specific geographic areas—New South Wales, for example?

Mr Preston: The modelling was extensive and well considered. In terms of more substantive details, we've provided that advice to government and I feel it's the role of government to release the substance of that modelling rather than go into detail at estimates.

Senator DEAN SMITH: The modelling has now been provided to government.

Mr Preston: Yes.

Senator DEAN SMITH: With advice about possible policy pathways and initiatives.

Mr Preston: Yes.

Senator DEAN SMITH: Has the Treasury done any analysis on competition in the insurance market in Australia?

Mr Preston: We have monitored competition within the market, but I would not say—

Senator DEAN SMITH: Monitored? That's a second-nature answer to my question.

Mr Preston: Sorry, can you repeat your question.

Senator DEAN SMITH: Has the Treasury undertaken any analysis of competition in the insurance market generally and any analysis of competition in the automotive market and the building insurance market?

Mr Preston: I wouldn't say we've undertaken detailed competition analysis of those submarkets, no.

Senator DEAN SMITH: But you have done analysis of the macro insurance market?

Mr Preston: When we're thinking about insurance affordability issues, going back to my previous evidence, one of the key drivers is often rising risk. The home market is a good example; APRA data shows that in four of the last five years the premiums that have been collected have been insufficient to cover expenses—so it has been, on an underwriting basis, making a loss. While competition is an important issue, those structural drivers are such that the insurance industry in that line is making a loss. There is a limit to which greater competition can reduce affordability pressures.

Senator DEAN SMITH: Definitely, yes. Proportionally, what proportion of responsibility for rising insurance costs can be attributed to reinsurance costs, in Treasury's view?

Mr Preston: I wouldn't have a figure. I wouldn't be able to offer a proportion. Developments in the reinsurance market were an important feature of changes in pricing, particularly in 2021, 2022 and 2023. Reinsurance rates have tapered in terms of how much they are driving affordability issues, particularly in relation to natural hazards. That said, as well as price, reinsurers have also changed how they engage with insurers in the market. They have increased their attachment points—that is the technical term—which means insurers now have to wear more of the first piece of risk of any given disaster and generally have limited the number of different disasters they will cover in a given year. That means if you have a year where there's relatively benign weather, because insurers are bearing more of that risk they will have a higher profit than previously. Conversely, if it's particularly more frequent adverse weather in a given year they will be more adversely acted because they're wearing more of the risk than they were previously.

Senator DEAN SMITH: Of course, population density matters as well in terms of insurance coverage and the extent to which an insurer might be liable for payouts.

Mr Preston: There are a range of factors that drive costs in the insurance market, and reinsurance is an important one, but it is but one.

Senator DEAN SMITH: In the secretary's opening statement this morning, he says:

We have also passed the peak in insurance inflation. Growth in insurance premiums moderated for house, home contents and motor vehicle insurance as a result of easing reinsurance, replacement and repair costs.

That's a view that's been informed by your analysis?

Mr Preston: That's informed by our analysis and stakeholder engagements—analysis of various market research.

Senator DEAN SMITH: That's all on the insurance.

CHAIR: There are a couple of questions from me—and I think Senator Rennick was next—in relation to your answers there to Senator Smith about the role of competition in the pricing of insurance. I think you talked about how fundamentally the pricing of insurance is about risk—how risk is spread and how risk is priced. Would a divestment strategy which potentially increased the number of players in the market lead to lower risk and, therefore, better insurance prices?

Mr Philp: I think we need to be a little careful, after this morning's conversation, about giving advice on some policies. As Mr Preston outlined, some of the key drivers of pricing when it comes to insurance go to the level of risk—the size of the pool that that risk is shared across but also the replacement value of the products that you're trying to cover as well. As home prices go up and motor vehicle prices go up, that'll be reflected in your insurance premiums as well.

CHAIR: I'll go back to Dr Kennedy's statement this morning, which Senator Smith read out or referred to:

We have also passed the peak in insurance inflation. Growth in insurance premiums moderated for house, home contents and motor vehicle insurance as a result of easing reinsurance, replacement and repair costs.

Are you able to tell us more about those trends? We've passed the peak in inflation in this area, and growth in premiums has moderated. That doesn't mean they've come down. It means that the growth has moderated. What are you able to tell us about that trend?

Mr Preston: The latest quarterly increase of 1.1 per cent was the lowest since 2022, but it is still an increase. I think, as the secretary described, it's a moderation of growth. If I go to some of the points I was making before about where the market's at in terms of measures of premiums earned versus payouts, the measure, called the combined operating ratio, is sitting at 93 per cent with the latest data we have. That means that in the year to September 2024 the amount of expenses and claims paid out were 93 per cent of premiums. That's sitting at around the level that we were seeing in the home market prior to those four years of losses that I was describing. That suggests to me that the increase in premiums that we've seen is bringing the market back to more of a point of balance. That's how I'd think in crude terms about the recent trends.

CHAIR: Yes—the market is returning to a point of balance broadly. Senator Rennick?

Senator RENNICK: Hi, guys. How are you going? I'd like to raise the issue that the chair of ASIC raised this morning: he's going to start looking at dark pools. How would you work with ASIC on dark pools on the ASX? Is that something that—

Mr Philp: Sorry, Senator?

Senator RENNICK: Dark pools.

Mr Philp: Dark pools?

Senator RENNICK: Yes.

Mr Philp: Private markets?

Senator RENNICK: Yes, private markets for trading and things like that.

Mr Philp: That would be us, yes.

Senator RENNICK: How would you interact with the ASX and ASIC on that?

Mr Philp: ASIC is one of our portfolio agencies that I'm responsible for. We often have conversations with ASIC about these types of things, including the chair's view on private markets and some of the issues that have been raised as part of that discussion paper, where I understand he's looking to elicit conversation from the market to understand what some of the concerns that are out there are and what it means for transparency, liquidity and some of those other issues.

Senator RENNICK: Yes, sure. I was just curious to know how you interacted with ASIC on that. That's all.

The other thing is that Senator Bragg raised issues before about bitcoin and the proposed regulation for bitcoin. I myself am not a bitcoiner, but I just find it a little bit hypocritical, because one of the things about bitcoin was that it was supposed to be free from that. It's always the free traders that push this stuff, and they're going out there, but now they suddenly want rules to protect them. Why should the government put in rules to protect people who use bitcoin, given that it's pretty much—

Mr Philp: I'll ask Mr Kelly.

Mr Kelly: I note that the regulatory reforms we're looking at aren't about regulating Bitcoin, but, as you say, they go to platforms through which people hold or trade bitcoins—so custodial arrangements and digital wallets. The earlier work we did a year or two ago, looking at what regulations may be needed, pointed to those platforms as the key area where very large losses had happened and had affected Australian investors in bitcoin and other coins. That got to issues around fraud and security controls and the way they operated, so that's why we're looking to regulate that slice of the market that sits above the coins themselves.

Senator RENNICK: I agree that it's a real cowboy market out there, but I just think you're going to be chasing your tail, because they're always coming up with new ways to break things. Ethereum just got broken into a couple of days ago. They cracked that code. That was widely regarded as the next best coin after bitcoin. I just think that, when we've got a productivity crisis in this country, the last thing we need to be doing is having young men sitting around in basements trading digital assets when they could be out there. We need more of what I'd call civil and mechanical engineers rather than financial engineers, if you know what I mean. Anyway, I just think it's a creation of the market.

Just one other thing: obviously, we've discussed insurance here today. Yet again, we've seen over the last 30 years, since the state government insurance offices were privatised, that there's been a shrinking of competition in the sector—similar to banking, really. I'll put this to you, Minister: what's your view on bringing back a government insurance office to provide a little bit more competition and integrity in the insurance market? I'll just make this note as well: about 40 to 50 per cent of insurance costs are actually reinsurance costs where money goes offshore.

Senator Gallagher: Yes.

Senator RENNICK: If the federal government were to underwrite itself and reinsure itself—

Senator Gallagher: Yes. We've sort of done that with the Cyclone Reinsurance Pool

Mr Philp: The Cyclone Reinsurance Pool, yes.

Senator Gallagher: It is a little bit like that, but it hasn't yet—there's been some reduction but not the significant reductions that were spoken about under the former government. The government would be reluctant to enter the insurance market more broadly, I would think, but we are waiting for all the advice to come from the insurance taskforce. We're aware it's a big price pressure on houses, particularly in your state, where there are a lot of natural disasters and people have been getting those increases in their premiums.

Senator RENNICK: Yes.

Senator Gallagher: But we want to look at what are practical and reasonable ways to ensure that people can remain insured. Part of the government's role, really—I think you will hear this if you talk to the insurers and councils—is to support some of the mitigation efforts: the flood levees and the roofs and doors, including garage doors, being able to be locked down and things like that. I think the Queensland state government has a program that we've supported. That's actually where you can see significant reductions—of 15 per cent in some cases—where you've actually been able to have that remediation work done.

Senator RENNICK: Right. Cheers. Thank you.

CHAIR: I'll move to five-minute blocks at this stage, because I've had indications that people don't have a lot of questions. I'll go to Senator O'Neill and see how we go.

Senator O'NEILL: The recently passed Scams Prevention Framework Bill takes a whole-of-ecosystem approach to combatting scams with the ability to designate future sectors. I have a couple of questions. I might bundle up three of them together and give you a chance to respond. Why is a cross-sectoral approach so important? How will the SPF drive meaningful change across the digital ecosystem? Will the framework lift consumer protections and how does it do that?

Mr Philp: I'll pass to the team that's been working on this. One of the important points to make out, though, with this is scams are a ubiquitous problem that are not confined to one particular part of the sector. A typical, say, investment scam may be on Facebook, so you have a social media element of it. It might be perpetrated against a bank and it might affect somebody's investments. There are multiple participants within the system, which makes it important to ensure they're all in the same place as part of the framework. But I'll ask the team that have been working on it to answer your three questions.

Ms Davis: To just sort of build on what Mr Philp said, typically, a consumer who's a target of a scam will encounter an experience across multiple sectors of the economy, so the government has been building a framework that takes account of that pattern of scam behaviour and looks to improve their protections and obligations on industries across those various sectors so that there are better protections at every point through which a scammer might look to target an individual. Now, we'll have to ask you to repeat the next parts of your questions, sorry.

Senator O'NEILL: The ecosystem is the fact they touch multiple points and they find whatever way they can get there. Any vehicle will do for them, so we have to get across that. How will the SPF drive meaningful change across the digital ecosystem? Will the framework lift consumer protections and how does it do that?

Ms Davis: The Scams Prevention Framework looks to increase the obligations across all of those sectors. In the digital sector, it specifically looks to set some mandatory obligations upon the sectors that are designated under the Scams Prevention Framework. That will require the industries that are designated to meet some specific obligations that will be set out in codes. They'll align with the principles that are set out in the legislation, requiring entities to take reasonable steps to prevent, detect, disrupt and respond to victims of scams, and will also provide some obligations around the reporting or the sharing of information about scam patterns and trends. That can be shared across the ecosystem so that patterns of scam behaviour that are observed in one part of the economy are able to be relayed back to other sectors that are also targeted so that their intelligence opportunities

increase right across the economy. What that means is that, in terms of consumer protections, each of those sectors will have obligations to think about and to respond to scam patterns, and that consumers will benefit from that expanded information sharing across the economy so that the intelligence that's generated in one part is able to help other parts of the economy to respond and protect consumers.

The other element that's established under the Scams Prevention Framework is a clearer pathway for consumers to seek redress where regulated entities have not met their obligations under the framework. Consumers will be able to approach regulated entities to move through internal dispute resolution, and the system will be complemented by the establishment of a single external dispute party that government has indicated that it intends to be the Australian Financial Complaints Authority to escalate or handle a matter through external dispute. Consumers will also have an opportunity, should they choose, to take action through the court process where they've been harmed from scams.

Senator O'NEILL: So there's a flexibility that seems to be built into this plus some certainties that you've described of options for people to better seek redress when they need to. Why is it important to have a degree of flexibility to allow the government to evolve, I suppose, alongside scammers?

Ms Davis: As you have indicated, the scammers do evolve, so the framework has been built to respond to that changing pattern of behaviour. What it allows is for the government to consider changing patterns and experience over time and to be able to designate additional sectors or update codes to respond to changing patterns of behaviour. The framework has that built-in design of being able to adapt and adjust to those changing patterns that are observed over time.

Senator McDONALD: I want to turn back to the matter of insurance. I am sorry, I don't remember which official made the comment but someone made the comment that the cost of insurance—what was the word that was used?

CHAIR: Moderating.

Senator McDONALD: Thank you. I was in Ingham after the floods a couple of times in the last few weeks. In the Ingham main street, only two businesses were able to obtain flood insurance. So when you say the cost of insurance is 'moderating', have you modelled the number of businesses and homes that have been de-insured?

Mr Preston: Yes, we have also been asked to conduct some modelling on availability of under-insurance. One of the issues with insurance statistics, unfortunately, is that we don't really have a good enough coverage of property-by-property level of insurance to be able to compare and get a census of coverage of insurance. There is some work to try to advance that through the hazardous insurance partnership. Some of the work we engaged was to look into that issue. I'm not sure I can share some of the work that was uncovered. As I said, it's been part of advice to government. One thing, just to draw the link between moderating and what you have observed in Ingham, that statistic I shared is an overall average level, and there are clearly areas of the Australian insurance market that are facing extreme affordability challenges and then are going without insurance. I'm not trying to suggest that the fact that the aggregate level, the growth, has been moderating. It hasn't changed some of those underlying fundamentals.

Senator McDONALD: May I ask that as you are doing that body of work to assess the under-insurance or non-insurance, that you pick a couple of those communities specifically in northern Australia that have had events recently. I think that would be illuminating, particularly given that main street. Some of those properties had never flooded before and the last time for a couple of them I was in the 1980s, so it's not like other places which flood more frequently.

Senator DEAN SMITH: Mr Preston, in your earlier evidence, if I heard correctly, one of the pieces of advice you had provided the task force was some information about better improving consumer access or consumer choice around insurance products. Did I hear you correctly?

Mr Preston: That is one of the issues we have provided advice on, yes.

Senator DEAN SMITH: So how do you reconcile that with Minister Jones's comment, I think in 2023, that the consumer data right would not be extended to insurance matters?

Mr Preston: I don't have policy responsibility for the consumer data right.

Senator DEAN SMITH: Did you give advice to the task force about enhancing or improving consumer choices, or make any reference to the CDR?

Mr Preston: No, I did not.

Senator DEAN SMITH: I might just turn to the CDR. Mr Kelly, can you give us an update on what work has taken place since the passage of the CDR legislation?

Mr Kelly: Certainly. When we were last at estimates, we talked about the fact that we had just provided rules to the minister regarding simplifying consents, removing barriers to banks receiving data through CDR and reducing obligations under energy data holders. They were made soon after estimates by the minister.

A few weeks after that, in late November, the Assistant Treasurer released draft rules to expand CDR to non-bank lenders. That went out for consultation. It also included a set of measures to reduce compliance costs at banks and for non-bank lenders when they entered a CDR so that we could influence getting the cost-benefit side of the system right. Those consultations closed by the end of that year.

At the end of 2024, we also took a range of pretty intense, targeted consultations that went to simplifying how business consumers could use CDR. So there are some frictions relating to nominated representatives and who the person is who speaks for business and CDR consent and authorisation flow. The other thing that has happened in CDR—which is not so much government but is a decision with government—is that we have now appointed a new chair for the Data Standards Body. Dr Ian Oppermann is about to take on that role from the beginning of March.

I haven't mentioned in that list what we have done with the non-bank lending rules following the consultations. They're just going through the very final legal checks within Treasury and we are hoping to have them with the minister by the end of the week.

Senator DEAN SMITH: I thought that Treasury and the ministerial advisers had been telling stakeholders that they would be finalised in February.

Mr Kelly: I wasn't in those discussions. I can't speak to what was said. I think, when we started the work, we were aiming for February. We are a bit behind in getting the rules to the minister, but we should get them to the minister this week.

Senator DEAN SMITH: So you admit to being delayed in getting the final advice on the rules to the minister.

Mr Kelly: Not so much the advice but the actual rules that can be made. As we've been going through this process, we have been providing advice to the minister to get his guidance on particular issues to inform the drafting of those rules. The minister has been giving us the guidance on that as we need it. Now we're at the point where it's just about making sure we've got everything exactly right, and then we set it up.

Senator DEAN SMITH: Are they going to the minister by Friday or on Friday?

Mr Kelly: That's definitely my hope and my expectation.

Senator DEAN SMITH: And will the hope and expectation be that the minister will be diligent over the course of the weekend and will sign and return them to Treasury before Sunday morning, in the event the Prime Minister chooses to call an election on Sunday?

CHAIR: That's an unanswerable question.

Senator Gallagher: He's not in a position to give an opinion on that.

Senator DEAN SMITH: To be fair, this has been a very drawn-out process. Stakeholders have been constantly frustrated by constant delay in these CDR matters, so much so that the Senate had to put the CDR bill back on the legislative *Notice Paper* and then force a vote in the Senate to get us to the point where the final rules may—with hope and anticipation—go to the minister on Friday. Then nothing will happen because an election may or may not happen.

Senator Gallagher: That's a big hypothetical there. Officers can't answer: what happens if this happens?

Senator DEAN SMITH: No, Mr Kelly has endured. I feel sorry for the markets division. Minister, what commitment will you give stakeholders that the rules will be signed off by Minister Jones prior to the calling of an election? Will you give stakeholders a commitment that they will be signed off by the minister and returned to Treasury—

Senator Gallagher: I'm not the minister responsible.

Senator DEAN SMITH: But you are the minister representing the minister.

Senator Gallagher: I think the evidence is that it will go to him on Friday, and you would expect that to be dealt with quickly.

Mr Kelly: I need to add to the minister's answer. It is on Treasury to get the rules to the minister—

Senator Gallagher: Yes.

Mr Kelly: so, in some ways, it's on us first.

Senator DEAN SMITH: It might help to set that timetable for Thursday, tomorrow, in order to make sure that the minister signs it.

Mr Kelly: If we can do it by tomorrow, we will.

Senator DEAN SMITH: I think the Minister for Finance is sending a message to the Assistant Treasurer and Minister for Financial Services that her expectation as a cabinet minister and a senior minister in the portfolio is that these will be signed off by Minister Jones quickly.

Senator Gallagher: As he does when he deals with all of his briefs—he has not been given the brief yet, so why don't we let that happen?—I'm sure, he will deal with it as quickly as he is able to.

Senator DEAN SMITH: Is that your expectation, that, as a senior member of the government, he will deal with it quickly?

Senator Gallagher: I don't tell ministers how to do their jobs. I've answered the question.

CHAIR: We are due to break now. I just need to get an indication from the opposition whether they would have any further questions for the Markets Group after dinner. We are due to break now.

Senator DEAN SMITH: I am just looking for an answer that gives CDR stakeholders great clarity.

Senator Gallagher: We've given you as much as you're going to get tonight. If you hold people after dinner, you're going to get the same answer.

Senator DEAN SMITH: What was that answer?

Senator Gallagher: When it is provided to the minister, I would expect, as he does with all of the matters that cross his desk, that he will deal with that as soon as he is able to. I can't direct people, and it's hard when you haven't even seen what has gone to him.

Senator DEAN SMITH: I'll make it easy. Just say the word 'quickly', and I'll be satisfied.

CHAIR: The committee will now break—

Senator DEAN SMITH: Just say the word [inaudible], and I'll be satisfied.

Senator O'NEILL: Chair, can I put one on notice?

CHAIR: If you wish to put a question on notice, you can do so in writing. The committee will break for dinner and return at 6.55 pm because we have a shorter break. I need some advice from the coalition as to whether I am able to now release the Markets Group. Or are they returning after the break?

Senator DEAN SMITH: We'll be able to give you that advice when we return from dinner, yes.

Senator Gallagher: Then you're making them sit here for the whole of the dinner break. That's not usually how we deal with this committee. If you have no more questions, then, surely, officers can be released.

Senator DEAN SMITH: Minister, I was looking for a clear commitment that Minister Jones will deal—

Senator Gallagher: I've given you a commitment. I've given you a commitment as much as I can. I'm not the minister that signs it off. The information hasn't gone to the minister. He may have questions—I don't know. He should deal with it, and I know he will deal with it as quickly as he can.

CHAIR: We will now break for dinner. We're a little bit later—we will return with the ACCC?

Senator DEAN SMITH: I'm not in a position to [inaudible].

CHAIR: We will return with the Treasury Markets Group at 7 pm.

Proceedings suspended from 18:12 to 19:01

CHAIR: The committee resumes, and we welcome the Assistant Minister for Trade and Assistant Minister for a Future Made in Australia, Senator the Hon. Tim Ayres, representing the Treasurer. Welcome, Minister. We resume with Treasury Markets Group, and I'm going to Senator Bragg.

Senator BRAGG: Earlier we had an exchange about the debanking issue. There was a CFR report, to which you referred. The CFR report was commissioned by the former government, and this government responded to it, didn't they?

Ms Kelly: Yes, that would be right.

Senator BRAGG: Do you have a date? 2023 maybe?

Mr Philp: June 2023.

Ms Kelly: That was when the report was released.

Senator BRAGG: Was it the Treasurer or financial services minister?

Ms Kelly: The Treasurer received the report from the CFR.

Senator BRAGG: It was very good to have the CFR do this piece of work actually, and I'm sure they did a good job. It says here the government agrees to the recommendation around data collection. That was recommendation 1. It says:

Treasury will work with APRA and the four major banks to design and scope the voluntary data collection to ensure the data collected is useful and the process is iterative.

Your answer before was that there was no data. My question is: is there really no data?

Ms Kelly: The government agreed to the recommendation. In terms of the actual data, APRA would be the recipient of that data. We could take on notice whether APRA have actually received that data as yet.

Senator BRAGG: Either way, APRA would be collecting the data at the front end?

Ms Kelly: Yes.

Senator BRAGG: You're not aware of any data, in a day-to-day sense, that you've seen?

Ms Kelly: Not personally. APRA collect a lot of data from the banking sector.

Senator BRAGG: The government response from the Treasurer was that Treasury will work with APRA. It doesn't sound like much has happened.

Ms Kelly: Sorry, that's not my evidence. My evidence is just that APRA would be the recipient of data, and so I couldn't talk to what they have received as yet.

Senator BRAGG: Let's go to recommendation 2. Do you have this information handy?

Mr Philp: I've got some briefing points, an outline—

Senator BRAGG: I just want to make sure I'm not talking to myself here. Recommendation 2 is transparency and fairness measures. We discussed this before, and I think your evidence was that the expectation is that the bank will try to explain why they're not going to provide banking services. Is that a fair characterisation?

Ms Kelly: The government advised the major four banks to provide guidance on their risk tolerance and requirements so that members of the relevant industries understood that and understood what they would be looking for in terms of the provision of banking services.

Senator BRAGG: Has this happened?

Ms Kelly: The government did make that public statement to the banks.

Senator BRAGG: What's your sense of how it's gone?

Ms Kelly: I could take that question on notice in terms of how we analyse the quality of the guidance provided by the major banks.

Senator BRAGG: Do you think debanking is still an issue?

Ms Kelly: I think debanking is an important issue for different parts of society. Again, I note that the main reasons for debanking highlighted by the CFR report were anti-money laundering and counter-terrorism financing risks, sanctions, corruption, modern slavery, reputation risks, frauds and scams. They're all very serious issues.

Senator BRAGG: I think we'll need your information on notice because it's not clear to me. Is there a measure that the government is deploying to determine whether its communications to banks have been successful?

Ms Kelly: We can take those questions on notice.

Senator BRAGG: My sense is that it is still an issue. My sense is that it is still a real issue, so we look forward to that. Has Minister Jones gone to the finance ministers' meeting?

Mr Philp: In South Africa?

Senator BRAGG: Yes.

Mr Philp: Yes, he has.

Senator BRAGG: When is he back?

Mr Philp: I don't have that to hand. That's managed through our international area.

Senator BRAGG: Can I clear up one more thing on this pesky data issue. Did you say before that there was no data on the debanking issue, and no new data has been collected since 2022?

Ms Kelly: I said I personally wasn't aware of any data, given that APRA would be the recipient of that data. That doesn't mean there hasn't been data collected.

Senator BRAGG: Thanks for clearing that up. I think that's it.

CHAIR: Senator O'Neill.

Senator O'NEILL: Earlier today I was asking about the practices of Treasury and dealing with market-sensitive information, and I was directed to ask the Markets Group. My questions from earlier this morning were about Mr Grech, who was a principal adviser in the Corporations and Financial Services Division, revealing through his emails his role in sending information about the Australian Business Investment Partnership to his colleagues. So I think you understand the scale of the behaviour that I'm talking about. Could you now talk me through what your processes are for dealing with market-sensitive information and what the protocols are around informing key people? Clearly, there's the ERC and the ministers, but then there would be other parliamentarians from the government side and also opposition and perhaps crossbench parliamentarians that might be briefed about certain things. What do you do to protect market-sensitive information that you're dealing with all the time in terms of the Treasury?

Mr Philp: A lot of the evidence that was given by my colleague Ms Anderson earlier today is on point with the way we manage this kind of material. For material internal to the Treasury, we have confidentiality obligations upon our own staff. The code of conduct requires we maintain that confidence, whether that is because it's commercially sensitive, cabinet in confidence or of that nature. If we are to consult externally on commercially confidential things, it's less likely that we're going to consult on or use somebody else's commercially confidential information and give it to an external third party. It's more in the category that we're consulting on something that is market-sensitive, in the sense that it might give an advantage if somebody does something with it, and, to that extent, we will have confidentiality regimes around that material when it's given to those parties. Where they're breached, we'll raise that with those parties. For example, Mr Dickson gave evidence about the PwC matters earlier; that's the kind of circumstance that we'd be worried about.

I haven't personally briefed opposition or crossbench or other parliamentarians with market-sensitive information, but I'd expect the same limitations would apply, both for ensuring that the information is properly looked after and considered, but also, if it goes to a particular organisation that has continuous disclosure obligations, then that is had regard to. So that might be an exchange of information outside of market hours, so that the parties can be aligned properly for when the market reopens the following day. I might just turn to my colleagues to see if there is anything they would say further on that without consultations. No?

Senator O'NEILL: They're pretty solid processes. Clearly they rely on the ethical muscle of the individuals who sign a confidentiality agreement, and we saw where that failed with Mr Peter-John Collins with regard to PwC and its interaction. Given how much market-sensitive information was being fed by Mr Grech to many members of the Liberal Party, as documented in the privileges committee report and the three volumes of documents published by the committee, could you indicate if your processes are robust enough to prevent that kind of behaviour currently?

Mr Philp: I'll caveat this. I was not in Treasury when Mr Grech—when those matters took place; I was some other departments away. What you are talking about there is an APS officer who has actively disclosed information that's of a confidence, outside of the course of their duties. That, I'd expect, would raise serious concerns for us, as a breach of the code of conduct, and would warrant an investigation as to what they were doing there. So I believe that the processes within Treasury are robust enough—and in other departments where I've had to deal with sensitive information—to prevent that or to punish it if it takes place.

Senator O'NEILL: So the IT systems, when called upon, within Treasury, are able to identify these emails that I've read into the record today by Mr Grech. You have oversight of all of those sorts of communications?

Mr Philp: Our corporate area would be the best to answer that question.

Senator O'NEILL: In this circumstance, in response to your articulation that you would 'unlikely' brief the opposition—

Mr Philp: Oh, no. I haven't briefed the opposition, is my evidence. If asked to, I would, and our officers do. Officers at the table have done, in recent days, on particular policy items.

Senator O'NEILL: So, if it was market-sensitive information—and we have a transcript of Mr Turnbull talking to a radio station, declaring that he was briefed three hours before the announcement of the Australian Business Investment Partnership—would that be common practice in your view, Mr Philp?

Mr Philp: For Treasury officers to brief the opposition?

Senator O'NEILL: Yes.

Mr Philp: When asked, we do, and we'd be asked by our relevant Treasury ministerial officers to brief the opposition on particular points.

Senator O'NEILL: As to the protection around market sensitivity—because these would be time sensitive matters that could impact share prices, for example—how would you mitigate the risk there?

Mr Philp: We're in the world of hypotheticals here, but one mitigation that you might use in that circumstance is to ensure that that briefing on information that might be sensitive to the market takes place outside of the market hours so that it can't be acted upon quickly. In previous roles that I've had, where we are briefing on matters that are sensitive, as to information that relates to a company, that briefing might occur outside of market hours so that everybody has the same information when the market opens the next day, rather than there being an imbalance of that information in the marketplace. So that enables things to happen.

Senator O'NEILL: Excellent, and that, as I indicated before, relies on your personal integrity and the system's integrity. Malign individuals could abuse that information and potentially send it to anyone, at considerable risk to themselves, which is how Mr Grech described his permanence in Treasury. He had 'at considerable risk to myself' in a parenthetical statement. What are the risks if you are caught sharing information broadly with the opposition of the current government while you are working in Treasury? What are the consequences?

Mr Philp: If it's an authorised disclosure, of course, there are no consequences. If it is authorised—

Senator O'NEILL: Authorised is all good.

Mr Philp: and we've been asked to have that conversation, then so be it. If it's an unauthorised disclosure, much like Ms Anderson referred to earlier today, the sanctions under the code of conduct range from everything from an investigation and a finding with no sanction right through to dismissal. That would be a matter for the investigative officers and then the sanctions delegate under the code of conduct.

Senator O'NEILL: Have there been recent breaches of the APS code by people using insider information?

Mr Philp: That'd be a question for my corporate area. Our corporate area runs those types of investigations and those types of HR concerns. They'd be best placed to answer that question.

Senator O'NEILL: Are the standards that you've been referring to across the entire APS?

Mr Philp: Yes.

Senator O'NEILL: So they would apply as well to the ABS, the Australian Bureau of Statistics?

Mr Philp: Yes.

Senator O'NEILL: Thank you.

CHAIR: That concludes the questions that we have for Markets Group. You go with our thanks.

Australian Competition and Consumer Commission

[19:18]

CHAIR: We welcome Ms Cass-Gottlieb, the chair of the ACCC—welcome back to Senate estimates—and we welcome representatives from the ACCC. Thank you for providing the committee with your opening statement, which I will, as per procedure, table. Do you want to give an abridged version of that, or are you happy for us to just table it?

Ms Cass-Gottlieb: I'm happy for you to table it, and we will be interested and ready to answer questions.

CHAIR: Thank you very much. Deputy Chair.

Senator BRAGG: On 11 December 2024, the ACCC issued a draft determination proposing to grant authorisation with conditions to allow the ABA, major banks, major retailers and supermarkets, Australia Post and other industry participants to be part of the future of cash-in-transit services. What is the next step in relation to this determination?

Ms Cass-Gottlieb: We have been receiving submissions. We are hearing from the participants, which includes the banks—the funding parties, so the banks, the retailers and Armaguard. We are then considering those submissions by raising questions, including in relation to an appropriate pricing model. We are also seeking to ensure that we get information and material from regional and rural groups and small businesses. We are very conscious and we have made clear to the parties that we do want to see the continuation of access to cash broadly, not solely in larger metropolitan areas.

Senator BRAGG: Were there any issues with the approval of the merger of Armaguard and Prosegur?

Ms Cass-Gottlieb: Firstly, we looked very carefully because it was, in terms of large national participants, a merger to monopoly. We imposed a three-year undertaking, which still has over one year and a number of months to go, which required the continuation of the services that were provided at that time on the terms provided at that time with a capacity for a capped price increase. They are the core terms. There are other terms, including that, if assets deployed in the business were to be shut down, such as depots and other assets, they would be put on a register so that smaller regional providers, if they wished to expand, would also be able to offer to acquire those assets.

Senator BRAGG: These are the conditions you imposed on the merger, though, aren't they?

Ms Cass-Gottlieb: That is correct. That applies to the merged entity, which is owned 30 per cent by Prosegur and 70 per cent by Armaguard.

Senator BRAGG: Has there been a subsequent investigation into Armaguard's conduct and interaction with the ACCC, including the statements you gave to the commission?

Ms Cass-Gottlieb: There is an independent audit of their compliance with the undertaking. We receive regular reports in relation to that. If concerns are raised with us as to compliance, we investigate them. In terms of the question about how rapidly the state of the business is represented as deteriorating, we are aware of the evidence of significant declines in cash use. We do know there are certainly factors applying that are relevant. We always approach statements that are made to us with some degree of appropriate regulatory scepticism and do wish to see verification of them.

Senator BRAGG: Is there further compliance? Are they facing additional obligations that have been imposed in addition to the original conditions placed on the new entity?

Ms Cass-Gottlieb: There are not additional conditions at this time. They continue to be subject to the conditions under the first undertakings. One of the powers we have in relation to authorisations—if we consider it necessary in the public interest, so authorisation applications—is to impose conditions. That is one other capacity we have once we have continued the submission process we have before us.

Senator BRAGG: Submissions from stakeholders?

Ms Cass-Gottlieb: Correct.

Senator BRAGG: Is there a timetable for that process or is it open-ended?

Ms Cass-Gottlieb: There is a timetable for the process. In terms of the industry initiatives and business continuity measures, we are expecting to issue a draft determination this month.

Senator BRAGG: A draft determination?

Ms Cass-Gottlieb: Yes.

Senator BRAGG: Which could form additional enforcement or compliance measures for Armaguard?

Ms Cass-Gottlieb: Yes. In relation to the funding parties, the final determination will be in March. There are a series of other business continuity measures, one of which doesn't include Armaguard. Our interim CEO has noted to me that, for this one with the funding parties, the final is in March 2025, and, yes, it could include additional conditions. One of the aspects we required with the interim authorisation was that there needed to be sufficient consultation across the breadth of the relevant stakeholders, including covering rural and regional areas.

Senator BRAGG: Are you able to give any general sense of it? Is there a particular concern that a lot of the stakeholders have about Armaguard? Would there be an overall theme of concern that you could share with the committee?

Ms Cass-Gottlieb: The overall areas that we are concerned about relate to continued sustainable provision and achieving efficiency without unpredictable changes.

Senator BRAGG: Has the ACCC sent officials to inspect any of the Armaguard premises?

Ms Cass-Gottlieb: Let me check that. I can see Mr Leuner is on the screen. He is the head of our mergers and exemptions, the relevant division.

Mr Leuner: During that Prosegur-Armaguard merger consideration, we did hire an expert accountant who went through a lot of the documents to check the financial status of those companies. Whether they actually went to the premises, I'm not sure. I could take that on notice. Quite often on merger reviews the staff of the ACCC will visit the sites. That's to check things like equipment and the capital assets of the entity. I can confirm it on notice, but my recollection is that, yes, there was a site visit on that matter to look at and inspect cash depots, and that helps with the assessment of the competition issues.

Senator BRAGG: Finally, then, is the ACCC looking at Armaguard in the context of any other investigations?

Ms Cass-Gottlieb: In addition, we have authorisations related to business continuity measures which are to be prepared solely by the ABA, its member banks and the consumer-owned banking association, with business continuity measures in case Armaguard were to fail. We also have that underway, as well as another relating to consolidating industry initiatives and business continuity measures. We have investigated the question of whether there were concerns about compliance with the conditions of the undertakings. We engaged closely with Armaguard in that respect. We do not currently have others underway.

Senator BRAGG: Thank you very much.

CHAIR: Senator McKim.

Senator McKIM: Good evening, Ms Cass-Gottlieb and your colleagues from the ACCC. Thanks for joining us. You've previously provided an answer to a question on notice around the contributions and withdrawals of east coast gas exporters to and from the domestic gas market. Thanks for providing that important information; I've got some follow-up questions. Firstly, you provided a table in the response to that question on notice headed 'Queensland LNG producers' net contributions to the east coast gas market'. Could you please talk the committee through how you define export gas and domestic gas for the purpose of creating those figures. I'm wondering if the way you arrive at some of those figures is just basically by adding up all the volume in export contracts and then subtracting the contracted amount from projected production levels. Is that the way you arrive at those figures?

Ms Cass-Gottlieb: The answer that we provided looked to the extent of the information and data that the LNG producers had provided to the ACCC. It looked to their contracted sales under LNG contracts from an export point of view. It also looked at the extent of purchases and the purchases that they had—

Senator McKIM: Did you have visibility provided to you by the companies?

Ms Cass-Gottlieb: We did. We used mandatory information collection powers.

Senator McKIM: So that gave you certainty around the contracted amounts—is that accurate?

Ms Cass-Gottlieb: Yes, it is. They provide them on a forecast basis and then subsequently on an actual basis.

Senator McKIM: So to arrive at the line at the bottom of the table, the net contribution figures, which I note are all negative in the table that you've provided, you take the contracted amounts—do you subtract those contracted amounts from the projected production of the east coast gas? Or is it more complicated than that?

Ms Cass-Gottlieb: It's more complicated than that. One of the key elements we're seeking to prove in that table is that they also extract gas from third-party suppliers who would otherwise be domestic suppliers of gas. They extract a level of their own gas reserves, but they also contract, which is a reference in the table to the third-party gas, to acquire gas from other domestic producers of gas. We treat that as a negative contribution, because they not only extract and supply in LNG their own production but also other third-party sources of gas, which is then liquefied in their plants and exported.

Senator McKIM: The figures that you provided—please correct me if I'm wrong—I don't believe that they include sales that are made via the spot market. Is that accurate?

Ms Cass-Gottlieb: It is accurate. For the next question that you will ask, I am going to pass to the head of our infrastructure division, Nicole Ross, because she will be to answer that question.

Senator McKIM: Ms Ross, I'm after whether you have any visibility over how much gas is made available via the mechanism of the spot market, either historically or projected?

Ms Ross: Can I just clarify: does your question relate to the domestic spot markets or short-term trading markets on the east coast of Australia?

Senator McKIM: Yes, that's right.

Ms Ross: Thank you. That's very helpful. We do have some visibility of those contributions into the domestic short-term markets. That is information that is collected by the Australian Energy Market Regulator and reported in a mix of information by the Energy Regulator and also the Energy Market Operator. We work closely with both agencies to understand information, but my understanding is that most of the information that is published by those agencies is de-identified.

Senator McKIM: Would the numbers in the table that I was just discussing with Ms Cass-Gottlieb change if you factored in gas sold on the domestic spot market?

Ms Ross: They may do. Our calculations are based on our visibility of domestic longer term supply agreements that the LNG producers enter into.

Senator McKIM: Would you be able to provide, either in real time or on notice, an updated version of that table that factored in gas sold on the spot market?

Ms Ross: I'm happy to take it on notice. We'll look to see what information we can provide. As we've discussed, it is not information the ACCC itself collects.

Senator McKIM: Is there an export spot market as well as a domestic spot market for gas?

Ms Cass-Gottlieb: There is.

Senator McKIM: Do you have visibility over that, particularly in terms of quantities?

Ms Ross: We do have visibility over the volumes of gas that the Australian LNG producers are exporting to overseas or international spot markets. We ask them to provide the volumes that they supply.

Senator McKIM: That's separate to the contracted amounts that are exported.

Ms Ross: Correct.

Ms Cass-Gottlieb: It's additional to them.

Senator McKIM: Could I also ask you to take on notice whether you can provide an updated, disaggregated version of that table that factors in gas sold on both export and domestic spot markets? In other words, a version of that table that factors in gas sold on the domestic spot market, a version that factors in gas sold on the export spot market and then, perhaps, a version that captures both of those things together—the export spot market and the domestic spot market.

Ms Ross: We will to the extent we can. I would note that overseas export spot cargoes are often decided with a relatively short notice period, so they may not be counted in those forecasts out to 2035.

Senator McKIM: This may be an unfair question and, if it is, please just tell me. Over time, as domestic gas is exported in greater volume, would you normally expect, all other things being equal, that domestic spot market sales would decrease?

Ms Cass-Gottlieb: On a supply-and-demand basis, we would, because, where there is less gas available on such a basis, then, yes, we would expect so. The periods when we saw a high proportion of sales in spot markets, for example, were periods when there was excess production of gas that was unable to be processed in the LNG plants and also when there was ramped gas before there was a capacity with the trains to take that. In essence, they were periods where there was more gas available than was part of the export cargoes.

Senator McKIM: Santos's Gladstone LNG terminal has contracted to sell more gas than they can actually produce. If that's the case, would Australian consumers pay higher prices and effectively absorb the risk of some of those decisions, because there's less gas in the domestic market?

Ms Cass-Gottlieb: The ACCC, throughout our recent reports, have certainly been concerned to see that a sufficient amount of gas from the LNG projects is available for supply on the east coast of Australia both to meet demand and to deliver a reasonable price of supply. There is quite a variability in gas-powered generation plants whose needs are to be met.

Senator McKIM: In the case where there is less gas available in the domestic market, would that result in an increase in prices for domestic consumers of that gas?

Ms Cass-Gottlieb: In usual market conditions, yes. One of the aspects that is being discussed in the sector currently is whether, with a diminishing supply of gas in the southern reserves, there may be a need for there to be import terminals to bring international gas into the east coast of Australia.

Senator McKIM: So we've contracted so much gas for export that the industry is now looking at importing gas to make up the shortfall, is that right?

Ms Cass-Gottlieb: It is one more flexible option. There is expected to be increased supply over time, including from the Middle East, with an expansion of fields and production there. It is one possibility.

Senator McKIM: That is extraordinary. Late in the last decade—I think it was around 2017—competition authorities in Japan pushed for the removal of destination clauses so that an oversupplied Japan could onsell surplus gas to Europe or South-East Asia. Gas contracts were duly renegotiated. Do you think that, if the Australian government made its displeasure at some of the contracts clear, there would be any scope for contracts that cover the export of Australian gas to be renegotiated so that we can actually reduce our looming gas shortfall and therefore put downward pressure on prices for consumers?

Ms Cass-Gottlieb: We are aware there are foundation contracts with major purchasers in both Japan and Korea, who are important trading partners. We have not ever contemplated a capacity to influence or change the terms of such contracts. What we do see as an important opportunity for a policy consideration is that, during the 2030s, a number of the foundation contracts will reach their term.

We would see the consideration of different approaches applying to the proportion that would be available for east coast consumption as a more plausible commercial situation. This would still be a small proportion of the resources and reserves. That opportunity, at the point when the current forecasts are showing concern for sufficiency of gas from late in this decade, is where we are putting focus in our reports at this time.

CHAIR: Senator McKim, I'd like to share the call. Do you have a final question, or can I share the call?

Senator McKIM: Unusually for me, you have intervened right when I am done. I would like to thank Ms Cass-Gottlieb and her colleagues for their engagement on that issue.

CHAIR: Thank you, Senator McKim. I'm sure other colleagues will follow your lead on that approach. Senator McDonald.

Senator McDONALD: Thank you very much, Chair, and I take your guidance on that. Good evening, Ms Cass-Gottlieb. It's nice to see you.

Ms Cass-Gottlieb: It's good to see you too.

Senator McDONALD: Following on from the questions that you've just had, are the Victorian Labor government's policies on not encouraging or even allowing additional gas exploration onshore in that state another factor that the ACCC is considering in the gas shortage in the southern states?

Ms Cass-Gottlieb: We have been recommending, for a number of reports, that any mandatory moratorium in a number of states be lifted so that there could be proposal-by-proposal consideration to enable new supply in the southern states which are facing quite significant supply shortfalls.

Senator McDONALD: Based on the ACCC's current projections, what new additional gas supply will come online in the next two years?

Ms Cass-Gottlieb: There are some additional levels of supply. I will see if Ms Ross can find them, and if we can't we will come back to you. We do forecast additional sources of supply that have also been proposed to government as part of the process for conditional exemptions from the mandatory gas code. However, at this time, we're not forecasting that they meet demand from 2028 onwards.

Senator McDONALD: Previously, you were asked some questions on the domestic spot market. Do you have visibility of not just what is sold on the domestic market but what is offered? Do you have data on that?

Ms Cass-Gottlieb: We do have data on what is offered in terms of supply in contracts before it's agreed. I don't believe we have data on what is put into the short-term market by a producer though.

Ms Ross: That would be data collected by the Australian Energy Regulator and published by the Australian Energy Market Operator as well. It may be de-identified.

Senator McDONALD: Has the federal government advised—

Ms Cass-Gottlieb: I'm just checking here. In the first half of 2024, when we were looking at compliance with the Heads of Agreement by the LNG producers and found that they did comply, we found that they offered 49.2 petajoules to the domestic market, of which 22.1 were supplied.

Senator McDONALD: That's an important point. What has the federal government advised you is the action that they have taken to encourage states to lift mandatory restrictions?

Ms Cass-Gottlieb: I'm not aware we have been advised in that nature.

Senator McDONALD: Do you factor in approval delays, and, if so, how have approval delays impacted on your previous projections?

Ms Cass-Gottlieb: The projections that we give are based upon the producer's own projections to us of when they are going to be able to bring gas into production—so, to market. It is using their estimates on approvals. We have made recommendations pointing out the problem caused by lengthy approval times.

Senator McDONALD: Have the federal government satisfied you that they have the policies and approvals in place to ensure that there are no gas shortages by 2028?

Ms Cass-Gottlieb: We are aware of both the policy relating to the overall management of gas as well as the recommendation that it should, in effect, be an overall gas system program in the manner in which there is for

electricity. We have strongly supported that there should be a new overall system, both forecast and programmed, to bring more gas to market.

Senator McDONALD: Just to change gears, when you use your mandatory information access powers, what commitments do you give to the security of that information? What are your obligations?

Ms Cass-Gottlieb: We receive information from producers and from the parties subject to confidentiality obligations. We then go through processes of consultation before information is produced and published. We do have an overriding capacity under the relevant power that after considering—and we consult closely, and we take much time to do so—if a party producing information has submitted information that it is competitively sensitive, we still have a power, if we are satisfied it's in the public interest to publish it, to publish it. But we do a very careful process. We frequently listen to submissions and make amendments to what we propose to publish. But if we consider it is important for the public to know and to inform policy deliberations we do still have the power to publish.

Senator McDONALD: With reference to paragraph 3 on page 89 of the Treasury portfolio budget statement, it states:

The ACCC and AER share staff, resources and facilities.

Can you tell me what data gas producers are required to share with the ACCC that is different to the data that they are required to share with the AER?

Ms Cass-Gottlieb: At this time, the AER is separately gathering data that is relevant to its wholesale functions, and it gathers it directly. I will just check with Ms Ross if there are other aspects we should add there.

Ms Ross: No, that is correct.

Senator McDONALD: I want to ask you: what efforts are being made to standardise the data that the various government agencies are required to collect from gas producers? What is the progress, the timelines, and who is leading this?

Ms Cass-Gottlieb: We have been working with AER, AEMO and DCCEE, the Department of Climate Change, Energy, the Environment and Water. We have been working with each of them to look at the various sets of data to seek to ensure that the parties aren't subject to information burdens all at the same time but also to streamline the data. We have made real strides. We still need to do more in relation to this.

Senator McDONALD: The feedback that I'm getting is about the onerous nature of the data collection—what's required and the different timeframes that require additional staff in businesses to comply just with data reporting, not with production or something else that's productive to the business. Given staff are shared between the ACCC and the AER, what is the current level of ASLs dedicated to compliance, collation, analysis and publication of the data required from gas producers?

Ms Cass-Gottlieb: We will need to take that on notice.

Senator McDONALD: Okay. Could I also ask for a comparison for each of the last three financial years of that information, and is there a breakdown of what percentage of these staffing resources are between AER and the ACCC?

Ms Cass-Gottlieb: We can do that and we will do that.

Senator McDONALD: Thank you. I'm aware of instances involving the ACCC and AER sending commercially sensitive data to the wrong company, including instances of data being accidentally shared with the company's competitors. Is the ACCC aware of instances, too?

Ms Cass-Gottlieb: We are aware of a small number of inadvertent instances, yes. As soon as we became aware, we required all data that had been inadvertently and incorrectly shared to be deleted.

Senator McDONALD: Does the ACCC routinely advise the Treasurer or any other ministers of such breaches?

Ms Ross: We do collect that information, and I believe there is aggregated corporate reporting on those instances.

Senator McDONALD: To the Treasurer or other ministers?

Ms Ross: I would have to check—

Senator McDONALD: If you wouldn't mind.

Ms Ross: but we do collect that data.

Senator McDONALD: Thank you.

Ms Cass-Gottlieb: One other thing that is important is that, on the few occasions this has occurred, we then conducted a review to learn the lesson for the way in which we need to improve systems.

Senator McDONALD: Well done. Given the ACCC and AER share staff and resources, is it correct that the ACCC would be aware of each time a breach occurred under either authority?

Ms Proudfoot: We do, as Ms Cass-Gottlieb said, after any of these information disclosures have a process whereby the staff write up a report about what's happened. That comes to our data and information security committee so that it can be considered and, as Ms Cass-Gottlieb, lessons can be learned. So as a general rule, yes, that would be the case.

Senator McDONALD: So you would be aware of something that's happened behind the Chinese wall in the AER section?

Ms Proudfoot: As I said, yes; generally, that would be the case. I'm aware, for example, of recent instances where we've learned about those because we do look to learn from one another as well.

Senator McDONALD: Thank you. Does the ACCC or AER formally record each time it breached commercially sensitive data, through whom it was breached and the details of the breach?

Ms Cass-Gottlieb: Yes.

Senator McDONALD: Without seeking the names of the companies that had their commercial data breached, can you provide information on each occasion that data was inappropriately shared with a competitor—I'm assuming you'll take this on notice—

Ms Proudfoot: Yes.

Senator McDONALD: the type of data that was shared, how you advised the company whose data was breached, how you ensured that the data was not misused and, finally, how and when you rectified the internal processes to ensure safeguards are in place to ensure no further breaches.

Ms Cass-Gottlieb: Yes. What period are you asking for?

Senator McDONALD: Well, this reporting process was only instituted relatively recently—so, from the beginning of that reporting process, which I think would be about two years now.

Ms Cass-Gottlieb: I think that's right—under the new powers, yes.

Senator McDONALD: Thank you. Has the ACCC or AER received formal complaints from gas companies relating to commercially sensitive information being shared with competitors, and to whom at the ACCC are these complaints elevated?

Ms Cass-Gottlieb: I'm actually not aware of formal complaints of that nature. I believe we have become aware either where we have identified it or a recipient—that is, a recipient who knew they should not have received it—has identified it and told us, and we have then acted.

Senator McDONALD: Yes. That's very honourable of them.

Ms Cass-Gottlieb: Yes.

CHAIR: Senator McDonald, we do have some time—

Senator McDONALD: Last question?

CHAIR: Senator McDonald.

Senator McDONALD: So I'll ask you to take that on notice just to check that there have not been formal complaints and just to put a bow on that. Given the ACCC's charter is to ensure competition, is it correct that the inappropriate sharing of commercially sensitive data actually works contrary to competition, and, if so, to what degree does the ACCC estimate competition has been compromised by its inappropriate sharing of commercially sensitive information?

Ms Cass-Gottlieb: I think that this is de minimis, though we will pull the data and give you the answers. But, given the very significant quantities of data we have obtained—and I have a reasonable knowledge of the number of these incidents because they are reported to me and I note them, and I am concerned about them—I believe there is a very small number. However, when we get the data together and share it with you, you will form your own view.

Senator McDONALD: To turn back to the government's policies and recommendations to avoid the shortage in 2028, is it reasonable for me to assume, then, that the ACCC would not forecast a gas shortage from 2028 if the ACCC were satisfied that the government had the policies in place to avoid that?

Ms Cass-Gottlieb: There are a range of factors that are important in this period. One is that the LNG producers supply uncontracted gas—that is, gas that is not subject to the long-term contract supply—domestically, and also transport it to southern states. That will assist. It will not be enough but it will assist. Retaining gas in storage from previous periods will also assist. In addition, bringing on—though it will take some time—additional supplies is an important contribution.

Senator Ayres: I should say, in relation to that, that one of the key things that will determine whether gas supply is sufficient to meet demand is considering the demand side of the equation. If Mr Dutton were to become the Prime Minister—

Senator BRAGG: This is not what the question is about. We asked our questions to the agency.

CHAIR: Deputy Chair!

Senator BRAGG: It's just ridiculous.

Senator Ayres: I think I get to answer questions without being shouted over by some—

CHAIR: Seriously, the minister is only—

Senator McDONALD: He wasn't asked a question.

Senator O'NEILL: He was responding to yours!

Senator McDONALD: He's not speaking to the question.

Senator Ayres: It's an unfortunate thing. One of the good things for you that would happen if Mr Dutton were to become Prime Minister would be you get to answer questions. But I get to answer questions at the moment.

Senator McDONALD: We can stay here all night while you politicise the gas shortage and electricity prices, which is what the community is concerned about.

Senator Ayres: If Mr Dutton were to become Prime Minister—I'll wait till I get the call, Chair.

Senator McDONALD: Leave your [inaudible].

CHAIR: Senator McDonald! The minister has been here listening to answers from the chair. The minister is allowed to answer questions. You are worried about the time he is taking, but your interjections don't assist because you know that he is able to answer questions that are put. I think that's what he is doing. When he has finished doing that, I'll go to Senator Rennick. Minister.

Senator Ayres: If Mr Dutton were to become Prime Minister and this \$600 billion nuclear reactor plan were to commence, much more gas would be required—much more than peaking—to fill the gap from more unplanned outages from coal-fired power stations falling apart all over the country. If you were really concerned about making sure that demand and supply matched up in the gas market, you would not be engaging in a big, publicly funded picking-losers exercise for nuclear reactors. That is a complete disaster for the energy market in Australia. It leads to more incoherent outcomes. I will leave alone, though, your previous question about the importance of dealing with market-sensitive information properly because it's far too tempting, given what has been revealed about Mr Dutton's behaviour over the last couple of days—

Senator BRAGG: On a point of order, Chair. I haven't raised a point of order all day, but it's Senate estimates. This is an institution we are all trying to respect and this is about senators asking questions to departments. If the minister wants to make a political speech, I get that. But he's been going for over a minute and I think Senator Rennick has questions for the officials.

CHAIR: The minister's entitled to conclude his answer, which I suspect he was just about to do.

Senator Ayres: I have concluded that it's a new development in Senate estimates to have old Stopwatch Sam over here, but, if that's going to happen, I'm looking forward to it. I'll engage in it as a competitive exercise and try and get longer, Senator Bragg. Don't encourage me. Don't encourage me.

CHAIR: It is an unusual turn of events. Senator Rennick?

Senator RENNICK: Hi, guys. How are you going?

Ms Cass-Gottlieb: It is good to see you.

Senator RENNICK: When I was in the supermarket inquiry, I was surprised to hear from horticulturalists who said they had to sign nondisclosure agreements with Coles and Woolworths. Is that legal? I grew up on a farm. I'm used to going to cattle sales. There's an eastern cattle market index. There's a wool market index. How is it that Coles and Woolworths could silence and put NDAs on horticulturalists? That's the first question. I note that there's a collective bargaining exemption so that businesses with aggregated turnover of less than \$10 million are

exempt from collective bargaining laws. Is that the correct interpretation of section 95A of the Competition and Consumer Act 2010?

Ms Cass-Gottlieb: I'll start with the nondisclosure agreements. The ACCC is currently very close to concluding its final report, which will be delivered to government by 28 December—so, shortly. I'm not in a position to comment on the final report, but it was clear in the interim report that one of the many concerns that were raised with us was from suppliers, including farmers, relating to unequal bargaining power and the manner of a range of aspects relating to contracting, and we will address a number of those aspects in detail in the final report. In terms of the collective bargaining exemption, you are right that small businesses that come under the relevant level can notify, and, once they've notified and we're satisfied, then they are, in effect, exempt from the prohibition on parties competitively engaging in collective boycotting so that they can negotiate together.

Senator RENNICK: I checked out Woolworths' accounts the other day. They've got about \$65 billion in turnover. I know that's not all to do with horticulture, but I would have thought it's a pretty uneven playing field between them and, say, small farmers, some of whom are horticulturalists that might sell more than \$10 million worth of produce but have only got a one or two per cent margin and, throwing the other stuff out, do not make a lot of money. Is that something that you think's a bit on the low side, given that Woolworths and Coles make billions in turnover? It's a case-by-case basis, really.

Ms Cass-Gottlieb: I understand. Our final report will certainly look, in a lot of detail, at the question of the position of suppliers—small suppliers and a range of suppliers. There is a capacity to come to the ACCC for authorisation for participants who wish to collectively bargain and are larger than and don't come within that notification requirement. That is the way that we do assist. For instance, this week we authorised a group of Catholic hospitals in order for them to collectively negotiate with private health insurers. That was an authorisation, not a notification, because the hospitals together were above that level.

Senator RENNICK: Thanks.

CHAIR: I think that concludes questions we have for the ACCC. The committee is scheduled to take a 10-minute break, so I'll propose—do you have questions?

Senator DEAN SMITH: I might do. I'm just checking with the deputy chair whether—

Senator BRAGG: I've been liaising with the—

Senator DEAN SMITH: You have? Cool.

CHAIR: We could just go to 8.15 and then—

Senator DEAN SMITH: I have a quick one, if I may—a very quick one.

CHAIR: That's fine, Senator Smith. We'll take the break at 8.15.

Senator DEAN SMITH: You may not be able to provide an answer to the question, but are you in a position to provide an update to the committee on the Cravable Brands matter?

Ms Cass-Gottlieb: I have got something here. Apart from the meetings that we described in the November estimates, we have received upwards of 40 reports since relating to the concerns about the conduct. The matters that have been raised with us concern allegations and concerns of unfair contracting terms and contraventions of the franchising code. A view raised in the forty reports of concerns is that the actions taken as a whole amount to a pattern of conduct that causes significant damage to Australian businesses. We are continuing to investigate and to obtain the relevant information and evidence relating to those reports.

Senator DEAN SMITH: Thank you very much.

CHAIR: Thank you very much, as always, Ms Cass-Gottlieb and the team at the ACCC. That concludes the questions we have for you. You go with our thanks.

Proceedings suspended from 20:11 to 20:22

Australian Prudential Regulation Authority

CHAIR: Before I welcome our next witnesses, the committee has met during the course of the break to try to assist moving the program forward, and the committee is in a position to release the Australian Bureau of Statistics and the Australian Small Business and Family Enterprise Ombudsman. The committee now welcomes representatives of APRA. We welcome you, Mr Lonsdale, and team. Were you happy to proceed to questions, or were there any opening remarks that you'd like to give?

Mr Lonsdale: Thanks, committee, for being here. We do have an opening statement. I'm happy to just table it, which I understand you've got, and proceed straight to questions.

CHAIR: We'll circulate your opening statement and we'll table it. We'll go to the deputy chair, Senator Bragg.

Senator BRAGG: I just have some quick questions to do with the best financial interests duty. The super fund Cbus spent \$370,000 on a birthday party for itself. It hired the Regent Theatre Melbourne and invited a number of best friends, including union officials, politicians and the like. Would that pass the best financial interests duty?

Mr Lonsdale: I'll ask Ms Cole to answer that and talk to you about how we view the BFID.

Ms Cole: That indeed is a matter that we have under inquiry. As you would know from announcements we have made recently, we placed some licence conditions on Cbus last year requiring them to have an independent third party look at certain issues. Those issues went to the subject of fitness and propriety of directors and also certain expenditure payments. That matter was reported on by Deloitte, and the consequence of that has been that we have now entered into a court enforceable undertaking with Cbus regarding various work that has to be done by them to improve operational risk matters and matters such as controls around expenditure. That CEU was published, I think, a week or so ago. Also, they have produced a remediation plan for the recommendations of the Deloitte report, and that has been accepted by us and announced publicly.

Also, as part of the matters that we were looking into, we took a somewhat unusual step of announcing that we had commenced an investigation, and that's an enforcement investigation under our formal enforcement powers. Because of that and because that is current, I'm going to say very little about that other than noting its investigation into Cbus's approach to expenditure management following concerns that have been identified in the expert's report. I think you'll be aware, Senator—indeed, Deloitte has appeared before you recently—of the fact that, maybe paraphrasing Deloitte's words, they found insufficient evidence of systems controls and procedures around expenditure management of the sample areas they looked at. So I think the question you're asking is on exactly what we're testing in the investigation that we're currently carrying out.

Senator BRAGG: Is the birthday party part of that investigation?

Ms Cole: Aspects of expenditure wider than what was simply looked at in the Deloitte report are subject to that investigation, and I look to my legal colleague to the left to confirm whether what I said was accurate.

Senator BRAGG: What do you know about the birthday party?

Mr Calveley: Cbus's approach to expenditure management generally is under investigation currently. I don't think it would be appropriate for us to comment further, because of any prejudice to ongoing enforcement activity.

Senator BRAGG: I imagine more generally than in your role as a regulator you would be proposing to publish something at the end of this investigation which is a deterrent to others?

Ms Cole: I think the whole purpose of enforcement cases, if brought following an investigation that substantiates evidence to bring them, is to send deterrent messages—you're completely right. It's to deter in the specific case and to send a wider deterrent message. But the thing I have to say is that this is the commencement of an investigation and obviously we have to go through the process—

Senator BRAGG: I understand.

Ms Cole: gather the evidence, take legal advice, make decisions and, if appropriate and there is a case to be brought, advance that case. On the fact that we have put into the public domain, as part of that package of measures with Cbus, that we have commenced an investigation, that is something that we thought we should do in the interests of transparency and the public interest. It won't be in every case that we announce an investigation, because actually that's just the commencement of a process. But, because we were going to talk publicly about other Cbus matters, we concluded that it was correct and transparent to put that into the public domain. Where we do that, it's clearly the case that we either arrive at a moment where we bring a case or, for whatever reason, decide there is insufficient evidence to bring a case. So what happens in relation to that case will inevitably be a matter in the public domain.

Senator BRAGG: Yes. I really appreciate the work that you're doing at APRA. I think it's very important high-profile work because there is so much money at stake here and there is a potential for great malfeasance. But I would say—and this will lead me to a question—that I do think a lot of this work has been developed because of the Nine newspaper's investigations into the CFMEU. That has generated a lot of this work because it pushed it into the public domain in a way which was irresistible. So I guess my question is: are there other funds and are there more systemic approaches to investigating the overall expenditure on inappropriate things, like birthday parties, junkets and the like?

Ms Cole: We have published a significant amount of expenditure data now pursuant to the transparency push that we've been heralding for a while. In the context of that, we have given messaging and speeches about how we are going to push into certain areas, how we're essentially going to select from a whole massive amount of data

cases that we think deserve or warrant following up because they look unusual or, on the face of it, how this can be in the best financial interest of members. I will go back to your starting premise. APRA has been building an enforcement capability for some time now, a time that predates by a significant time the CFMEU revelations.

Senator BRAGG: Good.

Ms Cole: Part of that capability is represented in this room now. It was part of a deliberate determination by APRA a couple of years ago that we had to have the capability ourselves to pursue some enforcement cases even though the primary focus of our business as a prudential regulator is supervision. You can track back to when we started to make those developments of that team. I am very pleased to say that I think we have a highly effective enforcement capability now, although not a huge one.

Senator BRAGG: Just finally, if—Mr Lonsdale?

Mr Lonsdale: It's an important point that Ms Cole's ended on. You will form your own views on the catalyst for action. What I want to make very clear is we have a systematic approach on how we view things. We have a law to administer that is very clear and we've got a posture that, where supervision is not working in the way that we need it to work, we will escalate up the toolkit, and we will use all mechanisms at our disposal. That is regardless of what's printed in the papers or anything else. That's our own view.

Senator BRAGG: I can see that, and that's very much welcome. Just finally—I'm conscious of time—I have to say I have been critical of APRA for facilitating the changes to the trustees a few years ago. I'm wondering if you've reflected on whether that was a good thing to do, in light of the best interest duty and in light of the best financial interest test, because, ultimately, the fines that are likely to be accrued by these funds—I think there was one handed down on Friday by the Federal Court to AustralianSuper of \$27 million. That is now going to be paid by the members, and that is because of the trustee changes that were facilitated through the state supreme courts. I don't expect you to say here at Senate estimates, 'We've completely bugged it up,' but have you reflected on whether that is going to be in the best interest of members—that, when big fines come in, the members will pay and not the shareholders?

Ms Cole: I think we've thought about this a great deal, because it's been a debate in the public eye for quite some time. I think it has been since the changes to the legislation were mooted in 2019. Certainly, when I joined APRA in July 2021, it was an issue that was being widely discussed. I suppose I'd slightly take issue with changes that APRA facilitated. I would say that APRA, with a great deal of care and with the benefit of advice, took the view that what it should do is intervene with the courts in most of the court applications to explain to the courts the importance of the issue, to explain the context, to explain APRA's mandate, to explain the best financial interests duty and to make sure that the court was aware of all those issues.

The other reason for intervening is that, in each of the applications to change a trustee, it wasn't a generic application. What we needed to look at, or invite the court to look at, was what was specifically intended; how specifically that would work through; what specifically was the amount that was to be built, for example, by way of a trustee risk reserve; and how that was to be governed, if you like. We went into this process intending to assist the court and the process by pulling out all those relevant details. When you look at the issue as it was considered by the courts, they looked at the wording of the legislation. I know you know far more about the passing of the legislation than I do, but a court interprets the intent of parliament through the wording of the statute that is put in front of it, and the wording of the statute was quite specific as to indemnification provisions. I think there were 15 applications, and all courts held that what was intended and put forward by way of changes to the trustee to raise fees for the purposes of building a trustee risk reserve did not infringe the wording of the provisions in the statute. That's how the system is supposed to work, I think. Parliament passes legislation, and courts interpret it.

Our agency, with great care and thought, invited the court to consider a number of relevant matters. Those relevant matters really did go into the best financial interest duty, which had to be weighed against the possibility that a major super fund, like AustralianSuper, could be rendered insolvent by a relatively minor administrative fine. That was an issue considered by the courts, and the courts weighed the balance of the best financial interest duty with the interests of members. So I feel that APRA did the right thing there. We can choose to disagree, but we stand by the approach we took.

Senator BRAGG: Just quickly, because time is short, I just want to check whether or not you actually did ask—

Senator Ayres: Senator Bragg—

Senator BRAGG: Sorry, did you want to say something?

Senator Ayres: I get to—

Senator BRAGG: Sure—what do you want to say?

Senator Ayres: If I thought Senator Bragg was remotely motivated by the best interests of superannuation members, I'd be paying attention to that.

Senator BRAGG: Thanks for your political speech.

Senator Ayres: The idea that he's concerned about these is motivated by anything but. An entirely ideological view—

Senator BRAGG: Point of order: you're now impugning—

CHAIR: Minister—

Senator BRAGG: You've got no idea—

Senator Ayres: An entirely ideological view.

Senator BRAGG: You are way out of your depth—

Senator Ayres: An entirely ideological view.

Senator BRAGG: You are way out of your depth.

Senator Ayres: It is all about—

Senator BRAGG: Point of order: he's impugning motive—

Senator Ayres: It is all about—

CHAIR: Minister!

Senator Ayres: not being able to—

CHAIR: Minister!

Senator BRAGG: Sorry—point of order! You be quiet!

CHAIR: Minister, if you'd just—

Senator BRAGG: He's just disgraceful—

CHAIR: take a rest, and also, Senator Bragg, I'd just note that uncharacteristic behaviour on your part—

Senator BRAGG: He's impugning my motives.

CHAIR: Your point of order is that the minister attributed motives to you. Minister, you might reflect on that as I give you the call.

Senator Ayres: We all have different motives. Some of them are about the public interest and some of them are not. But it's a matter for other people to make a judgement about that, I suppose.

Senator BRAGG: I'm conscious of time, and my only other, very brief question was whether you considered whether the shareholders could make a contribution to avoid that insolvency?

Senator Ayres: That really is a policy question for Treasury, in my view.

Senator BRAGG: Did you listen to the answer? She just gave a very detailed answer about the legal mechanics and how the trustee works.

Senator Ayres: I did. I heard her answer, but I think a long discussion about policy views is not something that the agency's able to contribute to.

Senator BRAGG: I don't think that's a policy question; it's a question of the operation of the law. Can we seek some advice on that?

Ms Cole: I do have something of an answer, whether it will satisfy you—

CHAIR: I think we might give you the call, Ms Cole—and see what happens, Deputy Chair.

Ms Cole: One of the things that we did invite the courts to go into was whether the trustees who were seeking an amendment to the trust to raise the fee-raising for the risk reserve had exhausted all other possibilities of raising funds to cover such a penalty. The primary one that people looked at that pops into my mind is insurance. I can't actually remember whether anyone addressed the specific question that Senator Bragg is raising, but I do know that APRA does not consider it within its powers—and this is where the policy point the minister made came in—to simply decide to impose a shareholder capital requirement on not-for-profit super funds.

I also observe that super funds were required to have capital in the sum of \$5 million up until 2012, when that provision was repealed and replaced by APRA's own requirements and our standards to have an operational risk reserve. Now the provision is for a risk reserve to pay penalties. When that risk reserve is created, like it or not,

Senator, the law says that that is no longer members' money, so the fines you were talking about will not be coming out of members' money. They will be coming out of money that's on the trustee's own balance sheet.

Senator BRAGG: Thank you very much.

CHAIR: I also have a few questions in the superannuation space. They're probably for you, Ms Cole, so I'm in your hands. You answered some questions earlier around the supervisory attention that you're paying in relation to best financial interest duty around travel, entertainment and conferences. I'm interested in knowing whether you have data or a sense of how the expenditure in those categories compares between the super system and other financial sectors that you regulate.

Ms Cole: I don't think we would have that. I was about to give a colleague a go at speaking tonight, but I don't think we have that.

CHAIR: Is that because you just don't have the data?

Ms Cole: We are collecting data very specifically pursuant to requirements of ours but also of our own design of data collections to enhance transparency specifically in super. I don't believe that we have any such data or collections from other industries that we regulate, and that would be a different construct because the best-financial-interests duty and the member relationship would not apply there. Perhaps it would not be spotlighted and certainly not spotlighted in the same way.

CHAIR: So you don't have that data. You haven't done that supervision in those sectors?

Ms Cole: No.

Mr Lonsdale: We don't require it in the same way—

CHAIR: because of the member focus in superannuation.

Mr Lonsdale: That's right. But we're happy to talk about what we do know within super on the expenditure categories we talked about.

CHAIR: I think you answered this in relation to Senator Bragg's questions, but did you have a supervision focus on this question for some period of time, or was it prompted by more recent events?

Ms Cole: Specifically, expenditure was certainly underway. Work had already been done on expenditure preceding my arrival at APRA, which happened to coincide with the change from the best-interests duty to the best-financial-interests duty. So there was already some thematic work and reporting that was coming out around that time. We then put the best-financial-duty lens onto expenditure and moved forward from there. Alongside that, we enhanced our capability to collect, process and analyse data, so those two things were running together. But it certainly goes back quite some time.

CHAIR: You've been collecting this data in relation to super funds for some time for the reasons that we have just articulated?

Ms Cole: Yes, at least back to 2021—and probably before then. That's when the duty changed in the Your Future, Your Super legislation, when the duty changed from best-interests duty to best-financial-interests duty effective on 1 July 2021, as I will always remember because that was the day I joined APRA. Before then, such data had been collected but not so granular, not so extensive. That program has built over time along with the building of APRA's systems for data collection.

CHAIR: I'm not sure what you publish of that data. I'm sure it's on the public record and I could know, but I don't know. Do you just publish that data at an aggregate level? You mentioned it's more granular.

Ms Cole: I will ask my colleague to answer that.

Ms Beverley-Smith: Ms Cole is correct: we've been collecting granular superannuation data for a number of years. Up until 2023, that was on a best-endeavours basis. As at 2023, our reporting standard 332 came into effect. We now collect fund-level, line-by-line expenditure data on a number of categories, discretionary and nondiscretionary spend.

Ms Beverley-Smith: And we publish it.

Ms Cole: We do publish that quarterly.

CHAIR: So you have an expense ratio that is published at an aggregate and fund by fund?

Ms Cole: We publish line-by-line expenditure data for every fund quarterly.

Mr Lonsdale: To give you a feel: there were 42,000 lines of data.

CHAIR: Is there a measure or benchmark that you are using to assess what appears to be a within-band ratio of expenses towards travel, entertainment and conferences as opposed to other expenses?

Ms Beverley-Smith: Not as such. We do have an intensified supervision approach as it relates to expenditure data. We triage the many tens of thousands of lines of data that we get in. We focus on discretionary data relative and absolute outliers in terms of size and payees. We also focus on any items of expenditure for which, upon observation, it's not apparent that it's in the best financial interests of members. So we do compare data, but we don't use set metrics.

CHAIR: That answer may answer this question: Do you analyse the data by fund type, for example? Do you think it's useful to look at how these expenditures look in for-profit funds versus profit-to-member funds, for example? Do you do that sort of analysis?

Ms Beverley-Smith: We look at the actual expenditure line item as opposed to the nature of the fund itself. If there is something that on the surface doesn't look like it's in the best financial interest of members, we will engage with the fund and get more information on that.

CHAIR: So someone could look at all that careful data that you collected and do that analysis of whether there are issues or metrics in relation to these sorts of expenses relative to other expenditures. Does that differ for for-profit or profit-to-member funds? People could take that data and do that, but you don't do it yourself?

Ms Beverley-Smith: That's correct.

CHAIR: You are neutral on that question?

Ms Beverley-Smith: Correct.

CHAIR: I go to the quarterly super performance statistics from September 2024, which I think you'd be able to speak to. Can you speak to those?

Ms Beverley-Smith: Potentially. I'll listen to your question first.

CHAIR: I want to go to a question around that. I think it's well documented that the returns of funds in that period were high—an average of 13.4 per cent. I'm talking about investment returns to members. This was for all funds in the year up to September 2024, as I understand it. I think this is an area where you can see a difference between the performance on the metric of investment returns to members for profit-to-member funds versus for-profit funds. Over a 20-year period, industry funds or profit-to-member funds made a net investment return of 7.1 per cent, and retail or for-profit funds that net return was less than that, at around 5.5 per cent. That difference could potentially be quite significant in terms of someone's savings that they are able to access for their retirement. Does APRA observe that, on that question of investment returns, the profit-to-member funds or industry funds typically the best performing? Is that what your data shows, and do you observe that?

Ms Beverley-Smith: Providing greater transparency on product performance is critical in delivering good member outcomes across the industry. APRA is committed to delivering that transparency. Primarily, we do that through two publications. One is the performance test, and the other is our comprehensive product-performance package, which we published for the first time in October last year. We publish a suite of metrics at the product level. Different funds have different products that they deliver, so what APRA does is report on performance at the product level rather than at the fund level.

CHAIR: So you don't observe that the profit-to-member or industry funds return a higher investment on average than the for-profit or retail funds?

Ms Beverley-Smith: It's not something specifically that APRA publishes.

CHAIR: That's seems a bit extraordinary that you don't look at that—that APRA does not observe a difference between the investment performance of different types of fund, that it doesn't consider that to be relevant.

Ms Beverley-Smith: When we engage with funds, we engage with them on the performance of every single one of their products as opposed to looking at the fund in its entirety. APRA's expectation is that each of the products deliver performance returns a bunch above benchmarks that are set in the performance test.

CHAIR: There does appear to be a sort of a model of governance perhaps in profit-to-member funds which would seem to be correlated with higher returns. That doesn't seem to be a problematic finding—

Ms Cole: I don't think we could draw that conclusion from anything that we see.

CHAIR: You don't draw that conclusion? You do accept, I think, that there are higher investment returns to members from those funds that have a certain structure—the profit-to-member structure. You observe that, but you don't attribute it to the model of the fund?

Ms Cole: No, we don't draw any conclusions at the fund level. The ATO publishes material, but I'm struggling to remember what that is—

Ms Beverley-Smith: As I understand it the ATO publishes product-level performance data as well.

CHAIR: Senator Rennick.

Senator RENNICK: Hi, guys. How're you going? Does APRA have enforcement powers over the banks at all? Are you able to enforce any action?

Ms Cole: Yes.

Senator RENNICK: The reason I ask is that we completed a Senate RRAT inquiry last year that looked into the closure of branches in the regions, because banks have closed thousands of branches in the last 20 years and they've now given this soft commitment not to shut any more branches until 2027. There was originally a banking code of conduct that said that banks couldn't leave town unless they had done a proper consultation with the community and if they were the last bank town they couldn't leave. That was completely trashed. They've closed branches and they've completely disregarded the banking code of conduct. Basically, we've got nothing out of this Senate RRAT inquiry. We've got nothing in terms of the banks being held accountable for shutting down branches. Is that something APRA is going to take more seriously? Because this is becoming a real issue.

Mr Lonsdale: We know that it's a matter of great public interest. Our enforcement powers are centred around areas where there is a legislative obligation to do something that is not being met and where supervision is not working in the way that we want or where it's against prudential standards. The code I think you're talking about is the industry code. Is that correct?

Senator RENNICK: Yes. It's an old banking code of conduct, yes.

Mr Lonsdale: The short answer is that it is not something we would look at and apply enforcement powers in that particular instance.

Senator RENNICK: So what mechanisms are there to stop banks from closing branches, full stop? I don't care whether it's in the regions or in the cities. I think the post office has a commitment to keep 4,000 branches open across the country.

Mr Lonsdale: Yes.

Senator RENNICK: Is there a similar type of commitment to make banks do the same, given that they have a massive social licence in the sense that they had a \$188 billion Term Funding Facility during COVID at extremely cheap rates? They were bailed out in the GFC. You couldn't short them even though they could short everyone else. We know that they're too big to fail, so they have an inherent government guarantee. How do we hold these people to account?

Mr Lonsdale: I understand. I'll ask Ms McCarthy Hockey to talk about one of the publications that we do and what's in that publication that I think goes to your question. Fundamentally I think it's a set of policy issues. It's not an issue for APRA.

Senator RENNICK: Right.

Mr Lonsdale: But, having said that, we do have an interest in it. As well as being the prudential regulator, we're also a data collection agency, and one of our data collections does look at points of presence. We collect that data to try to provide more transparency for policymakers to make judgements on. There's, is there anything you want to add?

Ms McCarthy Hockey: We do collect that data and we do provide it to Treasury and other parts of government that are interested in it. It is clear that the trend is down. That is true. The context is that customers are using cash less in general, and that's why that has happened. But across the six or seven years that we have been producing it we have seen a 44 per cent reduction in major cities and a 36 per cent reduction in regions—so it's a little bit less in the regions—and this year is similar as well. We'll be doing another collection coming into the June data and publishing that in October. We make every effort to make sure it has some value for those who are reading it. We know that people do look at the data, so we've made some effort around geographic data to make it easier to engage with, and we have a slice-and-dice capability, where we've drawn out much more of that perspective on Australia Post.

Senator RENNICK: Thanks. I'm aware of the information, but it's 'What are we going to do about it?' day. I mean, you can have a set of management accounts, but if you don't act on them and stop this from happening—

Ms McCarthy Hockey: That is beyond the powers of APRA. We do not have the powers. What we do is look after all of our depositors' monies, regardless of the bank. The Banking Act is for every banking model that exists. It can be what you'd call the big banks with lots of branches. It can be small mutuals. Completely digital banks are also covered by the one code. So we have no powers, and the act does not relate to the way in which banks will relate to their customers. It is a matter for the banks.

Senator RENNICK: Okay.

Ms McCarthy Hockey: I can hear that you have real concern for the community, and we know because we collect this data. We did hear from the community. They want better data. We've done as much as we can. We want to try and keep feeding that back. But our powers are limited, because we relate to every bank in the system.

Senator RENNICK: So do you only have powers in regard to deposit taking? What about loans? What's your relationship with AFCA? They're not—

Senator Ayres: Before you get to that question, Senator Rennick, on the rural bank question, I think the way that APRA have described their role in that is absolutely right. The announcement that the Treasurer made a few weeks ago—I mean, I share your view. You can't grow up in a country town and not understand how important banking services are for not just people who don't necessarily use digital services but businesses and also just to have a shopfront in country towns. Having a liveable space in the main street of country towns matters—

Senator RENNICK: Absolutely.

Senator Ayres: It matters in terms of the availability of cash. It actually matters for those purposes as well. Thirty-six per cent of rural bank branches closed over the course of the last decade. The approach that the government has taken is set out in that agreement, firstly, with larger banks. The enforcement mechanism is what I think you were trying to come to in your question. Beyond the agreement and a position in writing set out to the Treasurer, there are signed deeds that underpin that, so there is an enforcement mechanism there. That takes us through to 2027. The government will be watching this set of developments very carefully. The last thing we need is an alternative government that is not committed to these issues and then having everything falling off a cliff in 2027. So we'll be watching these developments very closely. It is an important holding position that delivers that outcome. Then there are these other outcomes with Australia Post and with, from memory, Suncorp and ANZ. There is a series of arrangements there that have been reached, so it is not just those big deposit-taking banks, because you want to incorporate more competition into the model. And thirdly, there are government's reforms, the things we have done, including the arrangements with Armaguard and others that were reached earlier on in terms of ensuring that rural banks have access to cash for all of the reasons that you and I share. It is a very important set of questions, but it is not a set-and-forget thing where this arrangement is reached and then it just keeps getting rolled over. Through this delivery of services, whether it is banking, whether it is rural air services or whether it is a range of these sorts of commitments, we have to keep these country towns alive.

Senator RENNICK: Yes, exactly. What is your relationship with AFGA? I am getting swamped now by people. You know, once you get on one of these rabbit holes you get a referral, so now I am getting swamped by people who have had issues with AFGA and who feel their issues are not being addressed properly by AFGA. But AFGA—and I suspect this is correct—don't actually have enforcement powers over the banks either when people have issues with their home loans or their lending. What mechanism do you and AFGA have—and you may not have any—in enforcing loan agreements and contractual agreements between banks and customers?

Mr Lonsdale: That's very much at the consumer end. Broadly, the way to think about it is we are at the front end, so we are at the safety end. We are operating through regulated entities to make sure that the system remains safe and some of those issues do not happen. As it goes down the chain and there is an issue with the consumer, one of the last resorts is AFGA. They are a separate body. We have an interest in what they do, but our enforcement powers do not extend to what they do.

Senator RENNICK: So you are pretty much mutually exclusive?

Mr Lonsdale: That is correct.

Senator RENNICK: Okay, thanks, Chair.

Senator O'NEILL: I appreciate your last response there, Mr Lonsdale, about the front end and the back end and it depends on where you are sitting what you may perceive, but, I think, for millions of Australians, they see AFGA as a critical part of that whole system and integrated with you. I want to ask a general question about that product design and implementation, particularly matters that are being aired led by Flequity's leader Catherine Fitzpatrick around products in the banking sector that are inspired by the concept of safety by design. Does APRA have a view about that?

Mr Lonsdale: I think that is best addressed by ASIC. We do not design products. We don't have regulations that guide the banks on what they sell. They are commercial decisions for the banks. ASIC, though, if I understand your question, do have product design obligations and DDO obligations.

Senator O'NEILL: They do.

Mr Lonsdale: They are a separate agency, and I think you will see them tomorrow.

Senator O'NEILL: I go to your opening statement, second paragraph, with some considerably reassuring news:

APRA is pleased to confirm to you and the Australian community that our financial system remains resilient and stable, supported by a well-developed regulatory framework and pre-emptive management of risks by APRA and its regulated entities.

Could I put it to you, Mr Lonsdale, that, while ASIC has particular responsibilities, you are the ones who are interacting with the banks. There are risks to them that are not just about money but also about financial impacts of decisions that they make about what they invest in in their back office, what they report to you in CPS 230. All of these things, in my view, are integrated and I struggle somewhat with this separation. We look after the money side of it, because the money is not an artefact in itself; it is connected to all these products and the impacts that they have right across the sector, which goes to the point that you're making about it being a risk-managed situation. Can I ask you—perhaps there is somebody here who can make a comment—about the integration of fiduciary management and money management alongside product offerings and interactions in the marketplace.

Ms S Smith: We did have Catherine Fitzpatrick come to our executive team and board to talk about the work she is doing. I think it is really important work, and she raises such fundamental issues of harm that can emanate from decisions made, or from not being aware of the impact of the decisions that are being made if they are very much a product out a process level as opposed to thinking about the consequence, so thinking about the consequence of mis-sharing information by not understanding what it may mean to disclose an address of a victim-survivor of financial harm, so I think Catherine's work is incredibly important. We listen to her stories, and I think you cannot help feel that there is a social responsibility for us to do more to protect victims of that. I think the awareness is one thing. APRA has a unique position in the industry where we can have conversations with boards and executives, which we do, to ask questions around how they are thinking about these issues to raise awareness. I think they are highly relevant. They are really important. We try and use our voice of influence in the supervision process to raise awareness of the matters you are talking about.

Senator O'NEILL: That is really heartening. I'm very glad to hear that.

Ms McCarthy Hockey: I will just add the specifics of how we do that now and how the work between APRA and ASIC as the twin peaks regulators works. You will have seen it come to life in hardship piece very much. ASIC does important work which is outcome based at a consumer level, as Mr Lonsdale already referred to. What we do, we look a lot at the systems and processes and risk management in place. You will see us repeatedly undertaking work across all industries, banking, insurance and superannuation, that the systems and processes, the way that governance works is working, and that's where we do complementary work between ASIC and APRA. So you're right to say, 'How do you unpack connective tissue between the two agencies?' We have very good relations between the two and we are talking quite actively as to the boundary between our important work that ASIC do and we do. But for us, it is our risk management standards and the practices and governance that set up a successful organisation that delivers good outcomes. ASIC then looks at whether those outcomes are achieved. That is where it lives in a complementary perspective.

Senator O'NEILL: I understand because I spent many, many years overseeing ASIC with the PJC committee, so do I understand in quite some detail their role. But this whole financial service intersection is an ecosystem where everything is touching on one another, and separation doesn't seem to help consumers, in my experience. You indicated in your opening statement an increase in the capital add-on applied to ANZ of \$750 million due to heightened concerns about the bank's non-financial risk management practices. That was quite a significant move. Having seen some CPS 230 documents in previous years, not anything related to the current situation at ANZ, the non-financial risk comes in a range of forms, not only with digital investment in technologies but also in the design of product, I will put to you. It is not that far. Could you speak to the current situation with regard to the ANZ and the \$750 million due to those heightened concerns about non-financial risk?

Mr Lonsdale: I can speak to some of it. There are some issues still underway.

Senator O'NEILL: I don't want to compromise anything.

Mr Lonsdale: No, but I can give you a thumbnail sketch of where we are. That institution had some particular non-financial risk issues. There was a set of issues in the markets business of that entity. We applied an additional \$250 million, taking the total to \$750 million in capital overlay. We required a report to be undertaken, and that report is being undertaken. It's not completed yet. Once we see that report, then we will make some decisions on what to do next. But I think the important point out of this, which is where I think you were going, is that non-financial risk is a very, very important risk category that needs to be addressed. I think we have a strong track record now of leaning into that, whether it's on governance or accountability. Issues that go to remuneration come up from time to time, as well as culture.

Senator O'NEILL: Thank you. This might be a question on notice to you, Ms Cole or Ms Beverley-Smith. You talked about the reporting standard 332.0 and your line-by-line data collection. I'm sure there are AI tools that you're using now to interrogate that data in interesting ways. You indicated you use relative and absolute outliers to pick up information, but you also said that the action that you take does not rely on set metrics. My question, then, from a systems point of view, is: how do the people you are judging assess themselves or adopt practices themselves if you don't articulate set metrics for them to observe?

Ms Cole: They have to observe the requirement to act in the best financial interests of their members, and our—

Senator O'NEILL: Do you have metrics around that?

Ms Cole: No. Our provisions require them to have systems and procedures. We can elaborate more on that.

Senator O'NEILL: My concern is how arbitrary this selection of relative and absolute outliers could be and how unknowable the measuring stick of APRA is in that regard?

Ms Cole: It enables us to pick up and require them to explain to us why that payment or expenditure is in the best financial interests of their members in the sense it exposes information to us that enables us to follow up on whether there are adequate systems and an adequate performance of the duty. That is what it is there to do.

Senator O'NEILL: I might have some more questions on notice about that.

Ms Cole: Yes, sure.

Senator O'NEILL: I'm not quite sure how the transparency around that would operate in effect to drive and improve change and make things clear to people who could inadvertently be unaware of the metric that you are now operating which you haven't articulated.

Ms Cole: I think we're on a journey with it, to be honest. We would say that we are on a journey of promoting transparency, working through the data and using it to put trustees to the test as to how they are operationalising their requirement to act in the best financial interests of members.

Senator O'NEILL: And then what is the preventative piece, and how do you articulate that? I guess that's what my thinking is. With regard to the statement of expectations in 2023 and the update, you've applied an expectation when requesting information from entities about these new standards. How is APRA implementing the government's expectation that proportionate regulatory requirements be applied to smaller regulated entities?

Mr Lonsdale: You're talking right across our regulated entity population, Senator, not just in super.

Senator O'NEILL: Yes, I'm particularly interested in not just consumer but smaller entities—for example, the ones that are often covered by COBA.

Mr Lonsdale: Yes. I'll ask Ms Therese McCarthy Hockey to help me. I'll start by saying that everything we do in APRA, whether we're formulating policy, supervising or collecting data, has a proportionate element to it. So, for example, if you look a policy and the key potential metrics on capital, there's a difference. If you're a major bank, you're at 18½ per cent CET1; if you're a regional bank, you're much less. We have a risk-weighting system. It's very complex. It's risk based for major banks, and a standardised system, which is much simpler, for a lot of other banks.

On liquidity, we have an LCR system for major banks. We have an MLH, a much simpler system, for smaller banks and credit unions. If you look at credit requirements, we have a whole range of issues that do not apply. They're exempt at the credit union end—for example, interest rate risk in the banking book. If you look at resolution and recovery planning, a major bank compared to a small credit union is very different. Every major policy change that APRA has implemented in the past five years—that I can remember—has proportionality built into it.

Senator O'NEILL: Using two of those examples in those areas you've mentioned in terms of change and differentiation between the two quite different contexts, can you give me an example of where the regulatory burden, which is so often called 'red tape', has been reduced?

Mr Lonsdale: Where it has been reduced?

Senator O'NEILL: Yes.

Mr Lonsdale: I'll give you several examples. I ran through a range of issues there that we kind of forget about but are part of the architecture that we regulate on. So I would highlight—

Senator O'NEILL: I'm sorry, Chair, I can't quite hear the witness.

Mr Lonsdale: highlight all those—

CHAIR: I will bring myself to order. I'm sorry, Mr Lonsdale. You have the call.

Mr Lonsdale: I would highlight all those areas. Last year, we announced eight or nine reporting standards on the banking side that we removed—and reporting is a big burden if you're little. If you're big, it's less of an issue; if you're little, it is a significant issue. We currently have underway a review of our SFI and non-SFI thresholds—we've talked about that—as well as licensing arrangements and looking at, if you're little, what sort of licensing arrangements might apply to you, which may well be different if you want to come in as a full licence. Senator, I'll just pause and ask Ms McCarthy Hockey to fill in the blanks.

Senator BRAGG: I have a point of order, Chair, on timing. I think there was an informal agreement to try and get through the last few witnesses tonight. I know that the Labor government doesn't want to have certain Treasury officials and Housing Australia come and give evidence tonight, but I do think it would be—

CHAIR: That's impugning the investigation that we're asking you to support.

Senator BRAGG: I do think it would be appropriate to try and get to the witnesses as agreed rather than continuing with this filibuster, for the record.

Senator Ayres: On this question, I don't think Senator Bragg means to; I really don't think he does, but we have had coalition senators interrupting women speakers at these things all day—all day—and it ought to stop.

Senator McDONALD: That's an overreach!

Senator Ayres: Let Senator O'Neill ask her questions. Let Ms McCarthy Hockey answer them.

Senator BRAGG: Anything for the filibuster!

Senator Ayres: You may not think these questions are important, but there's a constituency—

Senator BRAGG: How stupid do you think people are?

Senator Ayres: that Senator O'Neill talks to.

Senator McDONALD: The people watching are rolling their eyes.

Senator Ayres: I'm not sure how many people are watching, Senator McDonald.

CHAIR: I'm sure that the Customer Owned Banking Association are watching.

Senator Ayres: What they would want to here is senators asking questions and officials answering them, and less of the sort of inside baseball Canberra points of order and more of the asking questions and answering them.

CHAIR: I'll just add to that, from my perspective, Senator Bragg, that this committee has longstanding issues with managing time. Opposition senators today have had more time than government senators, as always, so your suggestions are incorrect. You've put private discussions on the record. I did try to assist you earlier in the day, when time was blowing out, to draw that to your attention to seek your assistance to manage the people on your team, and yet here we are, in the same situation that we are always in in this group of Senate estimates, having time problems that we have always had, not because of government questions but because of the time management issues on the opposition side. Senator O'Neill was about to get towards the end of a 15-minute block and, because of this intervention, she is still in that 15-minute block. Senators have questions, as you always say to me, so Senator O'Neill, your question.

Senator O'NEILL: Ms McCarthy Hockey was about to answer my question about the reduction in regulatory burden for smaller entities in particular.

Ms McCarthy Hockey: I might just add to Mr Lonsdale's perspective. He has given you quite a lot of policy perspective, and I might give you a little bit on how we manage data and supervision. For larger organisations, we have data submissions happening across the year in quite a high lot of intensity. We have 21 returns on a quarterly basis. For small organisations, that is three forms once a year—so that's the first thing, just to really try and make sure that we recognise that there's smaller capacity with compliance teams and reporting teams, and how to manage that. Then we take that data and we use it in a data enabled way. We're really mindful of trying to look across a portfolio, look for outliers and reduce the burden. That's when the supervision comes in.

When you look at supervision across our smaller entities—and, I should have probably said earlier, we categorise into four categories—there are 80 tier 4s. The tier 4 category might see us every two or three years because we rely on the data and do a lot of benchmarking. But when you look to the bigger organisations, tier 1 in particular, that will be more than 10 rather extensive reviews across different risk categories, board engagements and senior leader engagement every year. We're trying to differentiate, yes, that the policies do one thing and the lived experience of how often we're engaging and what we're requiring. That said, there's always more we can do and we are looking at things like our thresholds, the categorisations, the data—is it meaningful; is it what we

want? Only in the last couple of weeks we've reduced a requirement around a cloud information paper and we also removed another data collection.

Senator O'NEILL: These are all calculated to make sure that there's no risk embedded in it but that it gives you sufficient supervision; it's just a clean house situation.

Ms McCarthy Hockey: That's right, if we need the confidence to be able to sit here and say, 'Yes, we're confident; we know where the banks are at in every part of the system.' But how do we glean that? We use different techniques like smarter data.

Senator Ayres: I think it's also true that part of the benefit of this is that it benefits those smaller banks disproportionately, extending this kind of support. Senator Rennick was asking about those smaller banks trying to get into regional areas and into country towns. This kind of work makes a difference for them. It engages with their larger institutions as well but it's something that makes a difference in the country as well.

Senator O'NEILL: I saw it in Gulgong the other day, outside the Commonwealth Bank there, talking to locals about how they're managing out that way.

Mr Lonsdale: I think Ms Cole also has a comment on the FAR proportionality.

Senator BRAGG: Hopefully not a long answer.

Ms Cole: Never from me.

Senator O'NEILL: I've got more questions.

Senator BRAGG: There you go—more filibustering!

Senator Ayres: I think if Senator Bragg was to reflect on that interjection—

Senator BRAGG: You've tried to drag this out. You don't want the Housing Australia fund on tonight.

Senator O'NEILL: My next question is about housing.

Senator Ayres: I understand people get energy late at night, but—

Senator BRAGG: I don't usually, actually. You're trying to obfuscate the process.

Senator Ayres: Senator Bragg, I don't think snide interjections to officials are that helpful. I think if you reflect on what you just said, and the tone, you would probably think you shouldn't do it.

Senator BRAGG: You're dragging your answers out to avoid future witnesses.

Ms Cole: I can give a short answer.

Senator Ayres: Don't be feel bullied by Senator Bragg; give a proper answer.

Ms Cole: I'm trying to be helpful with an example. Driving proportionality came from a suggestion by APRA itself. You'll know the Financial Accountability Regime took a while in its passage through the parliament, and then the various rules were put in place. One of the things there is that the entities for banking—and for insurance and super, who come under it in the next few weeks—have to produce quite a lot of information to APRA by certain deadlines, including maps, roles and responsibilities and detailed information of that nature. It seemed to us, about this time last year, as we were looking through this and the minister was in the process of considering the minister rules he had to make, that perhaps the categorisation of entities could change to relieve the burden on a greater number of them, because there was a categorisation—I might get the wording wrong—of enhanced and standard entities based on size. 'Enhanced' was a size that wasn't all that big for some of them. Therefore, we went forward and suggested via Treasury, who took it to the minister, that we should change the levels of categorisation, which meant that smaller entities had far less of the administrative burden on this. They're still caught by the regime but there's advanced mapping and the scale of the roles and responsibilities is less.

Senator O'NEILL: These were significant changes to efficiency and productivity.

Ms Cole: I would say so. It was a direct APRA suggestion.

Senator O'NEILL: And it cuts costs. My final line of questioning goes to matters of housing. What changes have you made to clarify arrangements around financing of new unit blocks?

Senator BRAGG: I've got a point of order.

CHAIR: The deputy chair has a point of order.

Senator BRAGG: We have significant issues to put on the record with the Treasury in relation to the costing of opposition policies and also about the competence of the Labor government's housing program, Housing Australia. I want to put on the record that I think this has been orchestrated to avoid scrutiny.

CHAIR: What is the point of order?

Senator BRAGG: You're trying to avoid scrutiny. This has been dragging out for no reason.

CHAIR: There is no point of order. The minister can respond.

Senator Ayres: If you want to defend your \$10 billion lunch program, Senator Bragg, go for your life.

Senator BRAGG: How many houses has your \$10 billion fund built—300 or zero?

Senator Ayres: Ten billion dollars for tax-deductible lunches—

Senator BRAGG: Are you on a duck? We'll ask the agency, if we get a chance. You're on a golden duck!

Senator Ayres: Tax-deductible lunches for your friends is the one idea—

Senator BRAGG: You like cricket; they're on a duck!

CHAIR: This hour of the committee is always very edifying for our witnesses in the regulators and the agencies.

Senator BRAGG: I think Senator O'Neill has one more question.

CHAIR: I think Senator O'Neill is struggling to get through her questions with all the interjections. She has the call.

Senator O'NEILL: Ironically, given the commentary prevailing here, my question goes to a matter around housing and housing access that APRA is intimately engaged with. It's another part of the strategy of this government to attend to the reality that neglecting the housing sector over decades doesn't actually assist Australians who need housing. My understanding is that you have made changes with regard to arrangements around the financing of new unit blocks. What exactly have you done, what is the rationale for that and what is the anticipated impact—or can you explain what's already happening?

Mr Lonsdale: Ms McCarthy Hockey can tell you what we're doing.

Ms McCarthy Hockey: We have standards which go to how banks would think about the collateral and the arrangements for what's called pre-sales of unit blocks or other multi-dwelling residences. Our standards say that the banks need to prudently think about that. We had written to banks when there was an exuberant period of investor lending at that time, and we asked them to consider how they thought about that and if it was prudent. Some banks had interpreted that as more conservative, so we've been working with banks to make sure that they understand our intent is not to take away their own credit assessment and there is no requirement for 100 per cent pre-sale, which was the concern. We have written to banks and, in a public way, announced that we have just made that clarification such that banks can make their assessment on those dwellings.

Senator O'NEILL: If I understood what you said, the historical period going back to 2016 or 2017 was, 'We think you're lending too much money and there's too much risk; you need to be careful.' That has been interpreted as, 'We have to sell 100 per cent of the plan before we will finance.' That is a break on the building of housing and development. So you have now clarified in 2024 or 2025?

Ms McCarthy Hockey: We have just clarified it recently, or put that position publicly, but we have been talking to banks for a long time.

Senator O'NEILL: They've been getting the message, but you publicly put it on what date?

Mr Lonsdale: This month.

Senator O'NEILL: This month—2025?

Mr Lonsdale: Yes.

Senator O'NEILL: From 2017 to 2025, developers and lenders have been encountering banks, saying that they're using APRA guidance to prevent the financing of the development of units. That stops as of your announcement, and now it's prudential judgment by the banks and not a requirement to sell 100 per cent? What's the standard? What are the banks doing?

Senator BRAGG: Point of order, Chair.

Ms McCarthy Hockey: That has always been the case. It is the banks' decision to look at the profile of the—

CHAIR: Sorry to interrupt you, but the deputy chair has a point of order.

Senator BRAGG: Given that APRA was due to be dismissed about an hour ago and we still haven't got to revenue and Housing Australia, can I propose that we extend the time of this hearing to enable us to get to them. I propose that we extend the time to 11 pm.

CHAIR: We have a hard marker of 10 pm. I've indicated that we have that hard marker throughout the day in comments. We've taken modified breaks in order to meet the hard marker of 10 pm. It's probably a matter for a private discussion. That will take some time to do.

Senator BRAGG: I'm just wondering how much longer Senator O'Neill will be going for.

CHAIR: I'll just get an indication of how long.

Senator O'NEILL: That was my last question. I was just waiting for the final response to it.

CHAIR: That was her last question, so we'll be moving to the revenue group.

Senator BRAGG: That's the second time she's had a last question.

Senator O'NEILL: That is not true. You are now beginning to badger. It's unlike you, Senator, but it's hit a point where I'm pretty sick of having my questions interrupted and being spoken over, which happened for hours through the course of this day. It's enough.

Senator BRAGG: I think you're the master of it.

Senator O'NEILL: You just don't know when to stop. My last question was asking you about why this interaction had happened and this misunderstanding. Why did it take between 2017 and this month, 2025, for this clarification? Clearly we need that private investment in housing to get to the goals that we seek for our fellow Australians.

Ms McCarthy Hockey: Absolutely.

Senator O'NEILL: Why did it take so long?

Ms McCarthy Hockey: It actually has been our standard the whole time, but it would be the banks' own credit processes. It actually just came to light around the housing inquiry that came forward that there were banks that were not sure. There were some reports that borrowers were not sure either. This was really about us making sure that our standards as they are do not require that. It depends on the banks' own credit system, and that's what we've clarified.

Mr Lonsdale: We are always on the lookout for ways that we can improve clarity and improve our standards. Up until very recently, it was certainly not clear to us that there was any issue. The 100 per cent presale issue was not guidance. It's not a standard. It was something that was written in the thematic review that highlighted something that an entity was doing, and it had been interpreted in a particular way. When it came to light that that was actually what was happening, we've moved very quickly to clarify that.

Senator O'NEILL: It's a shame that it took from 2017 to 2025 for that to become apparent to everybody. I guess that's the ecosystem thing, and people need to be talking to each other about things in the interests of the consumers. Thank you very much.

CHAIR: Thank you, Mr Lonsdale and the APRA team, for answering our questions. That concludes them, and you go with our thanks.

**Department of the Treasury
Australian Taxation Office
Tax Practitioners Board
Australian Charities and Not-for-profits Commission**

[21:36]

CHAIR: I now welcome representatives of Treasury Revenue Group, the Australian Taxation Office, the Tax Practitioners Board and the ACNC. I think you can read that we're quite late in the piece and so if people had opening statements, we'd appreciate them being tabled. Are there any opening statements to be tabled?

Mr Heferen: I do have an opening statement. I have been waiting about 2½ hours. It's about 1½ minutes.

CHAIR: Okay; go ahead.

Mr Heferen: Thank you. It's once again a privilege to be before this committee with my executive team, many of whom have travelled from around the country where they represent around 20,000 ATO staff in 22 ATO offices across Australia's metropolitan and regional areas. I have been in the commissioner role for almost one year and leading the ATO is the privilege I anticipated it to be.

I cannot overstate the dedication and integrity of ATO staff. I've had the pleasure of hearing directly from many of them about their dedication to their roles as public servants and tax officers who are tasked with the important job of assisting their communities to meet their tax obligations, enabling the revenue to be collected so that governments can provide the services the community requires.

We at the ATO also understand well our responsibility to the Australian community to administer the tax system according to the law and to treat access to taxpayer information with the respect and care that is expected by government and the community. Throughout the past year I've sought to emphasise that the ATO's core role is to collect the right amount of tax in accordance with the law in the most efficient, transparent, empathetic and timely way for the government and the taxpayer. With this as our main focus, I'm pleased to update the committee on our progress.

While all tax owed to government is a priority, from individuals and from small and large business, we are moving harder and faster to collect priority debt such as unpaid superannuation guarantee; PAYGW—that is, tax that is withheld from employees pay but not passed onto the government; GST that is collected from customers but not passed onto the government; and from the small group of taxpayers who exhibit the most non-compliant behaviour in avoiding their obligations.

It is important to note only 22,000 taxpayers are responsible for \$11 billion of the total tax debt value. In context, that's about one per cent of the total debtors responsible for well over 20 per cent of the collectable debt owed. To be clear, I'm not talking about just the largest taxpayers. This one per cent of taxpayers is of varying sizes, and it is this group where our focus lies.

The approach we're taking to collect the tax owed to the government is deliberate and targeted, with action being taken against those who repeatedly refuse to engage with us and continue to ignore our reminders. For these taxpayers we are moving more urgently to deploy the full powers available to us, including issuing director penalty notices, taking garnishee action and, if necessary, taking wind-up action. We're beginning to see the effects of this work through reduction in the amount of debt owed to the government. Collecting what's owed is our job. Importantly, we are also making it fairer by protecting good businesses from those in the system who don't meet their obligations. That is, we're doing our best to assist in ensuring a level playing field.

While we have a job to do, it's important that we carefully differentiate those taxpayers who may be experiencing vulnerability from those who are deliberately non-compliant. To support this, the ATO is implementing a vulnerability capability that will strengthen and coordinate the way the ATO supports those who need it most. This program of work will include the development of a framework together with specific actions and activities to support people experiencing vulnerability, including financial abuse.

I want to reiterate to the committee the message I provided in my last opening statement. To any taxpayers who may be experiencing financial hardship: the ATO can and will work with you to find a way forward, so please contact us. With that, thank you. I look forward to assisting the committee.

CHAIR: Thank you very much, Mr Heferen and Ms Woodward, for your opening statements. As per usual, are you happy for us to table those?

Ms Woodward: Yes.

CHAIR: Thank you. The committee tables both of those opening statements. We'll proceed to questions. Senator Smith.

Senator DEAN SMITH: Earlier today, the secretary of the Treasury, Dr Kennedy, said that officials would be available from the Revenue Group to answer questions with regard to the tax deductibility of the cost of meals. Ms Brown, you are here. Are Mr Darren Kennedy, Mr Richard Maher and Dr Yi Yong Cai here?

Ms D Brown: Yes. The whole of the Revenue Group SES is here.

Senator DEAN SMITH: Ms Brown, on 4 February 2025, in an interview with Sally Sara on *Radio National Breakfast*, the Treasurer said:

We asked Treasury to cost the announced policy from the Coalition.

Ms Brown, is the Treasurer's statement an accurate reflection of the work you undertook?

Ms D Brown: I think a similar question was asked of the Treasury secretary this morning. He indicated he would not be commenting on the Treasurer's comments. Neither will I, but I will confirm that we costed the policy as per the policy parameters in the email we received on 29 January. It wasn't a costing of opposition policy.

Senator DEAN SMITH: On what basis do you think you are entitled to not provide a response to or a comment on my question, which specifically asked you whether the Treasurer's statement about the work of Treasury officials was accurate? What's your basis for that?

Ms D Brown: I think, in fact, I did say that we weren't costing opposition policy. We were costing policy parameters provided by the office as in the email of 29 January.

Senator DEAN SMITH: Mr Kennedy, again, on 4 February 2025, in response to questioning from Sally Sara on *Radio National Breakfast*, the Treasurer said:

We asked Treasury to cost the announced policy from the Coalition.

Is the Treasurer's statement an accurate reflection of the work you undertook?

Mr Kennedy: I will repeat the comments made by Ms Brown that we costed the policy we were expressly asked to cost as per the email of Wednesday 29 January.

Senator DEAN SMITH: Mr Richard Maher, again, on 4 February 2025, in response to questioning from Sally Sara on *Radio National Breakfast*, the Treasurer said:

We asked Treasury to cost the announced policy from the Coalition.

Is the Treasurer's statement an accurate reflection of the work you undertook?

Mr Maher: I would echo the comments made by Ms Brown and Mr Kennedy.

Senator DEAN SMITH: So your response is the same as Mr Kennedy's?

Mr Maher: Yes, except perhaps with the nuance that I was not involved in doing the costing itself, so I cannot speak to it in quite the same way.

Senator DEAN SMITH: Finally, Dr Cai, again, on 4 February 2025, in response to questioning from Sally Sara on *Radio National Breakfast*, the Treasurer said:

We asked Treasury to cost the announced policy from the Coalition.

Is the Treasurer's statement an accurate reflection of the work you undertook?

Dr Cai: I want to repeat what my colleagues have already said. I did the costing, and that was based on the parameters provided by the office as laid out in the email that we received on 29 January.

Senator DEAN SMITH: Given the time, I might pass over to other coalition senators. I do have some other questions of the ACNC and other officials on other matters.

CHAIR: Senator Bragg.

Senator BRAGG: In relation to the tax issues around Dalma, the formwork company—who knows about that?

Mr Hirschhorn: Senator, before you ask any questions, I'd just reiterate that we don't talk about individual taxpayers, particularly in the context where discussing their matters might prejudice those matters.

Senator BRAGG: Okay. I have another matter I would like to ask you about, but I'm not sure I should raise it in this open forum, so I'm wondering whether there might be an opportunity for me to seek some information about some cases to do with phoenixing and the pursuance of people who may have been wrongly associated with somebody who has been a serial 'phoenixer'.

Senator Ayres: Is this construction industry stuff?

Senator BRAGG: Yes. Is there a good means for me to do that rather than naming names here on the record improperly?

Mr Heferen: Senator, if there are particular things you want to discuss by way of a briefing about how the process works and what's involved, rather than doing it here, we'd be very happy if your office got in contact with mine. We'll make sure the relevant people are available to talk you through what we can do, bearing in mind the restrictions Mr Hirschhorn has talked about around sharing taxpayer information.

Senator BRAGG: I'll take you up on that.

Senator DEAN SMITH: Perhaps we can return to the ACNC. Ms Brown, this is a question I have asked in previous estimates: are fundraising laws in Australia harmonised?

Ms D Brown: That's an issue more directed towards Markets Group.

Senator DEAN SMITH: I think you said that last time.

Ms D Brown: I did. But I believe the answer is they are still not harmonised.

Senator DEAN SMITH: Ms Woodward, in previous estimates and in correspondence, the ACNC has provided to me information regarding investigations concerning charities with links to terrorist organisations or activities associated with the financing of terrorist activities. Do you have an update to that information that has previously been provided to me?

Ms Woodward: I do have an update. From 7 October to 31 December 2024, the total number of concerns that we've received that relate to the Gaza-Israel conflict total 440.

Senator DEAN SMITH: That is interesting because, from 7 October 2023 to 19 September 2024, I think there had been just 145.

Ms Woodward: There has been an increase, yes.

Senator DEAN SMITH: How many investigations are underway?

Ms Woodward: They relate to—

Senator DEAN SMITH: It is 405 complaints, isn't it?

Ms Woodward: It is 440 complaints, and about eight of those are related to possibly antisemitic behaviour. There has been one particular charity where there has been a high number of those complaints, so, even though the number has gone up, a very large number of those relate to one particular organisation. Sorry, what was the question?

Senator DEAN SMITH: How many investigations have been initiated?

Ms Woodward: Those complaints relate to 34 charities, and 24 of those specifically raised concerns about terrorist organisations or an association with terrorism financing. We have done eight investigations in particular. Two are ongoing. Six have been finalised. One has been referred to another government agency.

Senator DEAN SMITH: In previous evidence for the period 7 October 2023 to 19 September 2024, you said to me that there had also been eight investigations.

Ms Woodward: Correct.

Senator DEAN SMITH: Is that to say that, even though there has been an increase from 145 complaints to 440 complaints, there have been no new investigations?

Ms Woodward: I will take that on notice to be sure that I get that accurate, but that is what's in my brief. As I said, hundreds of those 440 complaints do relate to one particular organisation. So it might sound like a big increase, but, actually, quite a concerted number—almost like a campaign—of complaints were received.

Senator DEAN SMITH: I understand. What can you share with us with regard to those eight matters that related to antisemitic behaviour or antisemitism?

Ms Woodward: That's actually quite hard to work out because sometimes it's not specifically referenced and it might be part of a broader number of complaints, but there were eight complaints that had a particular reference to antisemitic behaviour that were raised.

Senator DEAN SMITH: How many charities have had their registration revoked as a result of these complaints?

Ms Woodward: None to date.

Senator DEAN SMITH: But there are only two ongoing matters under investigation?

Ms Woodward: At this point, as I said, some have been referred to other agencies. So, in terms of our investigations, yes.

Senator DEAN SMITH: Thank you very much.

CHAIR: I'll go to Senator McDonald, on revenue.

Senator McDONALD: No, we—

CHAIR: I'll go to Senator O'Neill.

Senator McDONALD: Filibuster—

CHAIR: I just offered you guys the call, but we'll go to Senator O'Neill.

Senator O'NEILL: I'm not going to ask my questions if I'm going to be interrupted again. My tolerance for that is completely done. So I expect courtesy when asking my questions.

Senator McDONALD: You usually do it to us, so—

CHAIR: The senator will be heard in silence. Senator O'Neill.

Senator O'NEILL: Mr Dutton has claimed that Labor's investments in the APS have led to an expansion of what he calls, loosely, 'Canberra bureaucrats', but at the same time Labor has made significant investments in the ATO to combat fraud, identity theft, multinational tax avoidance and more—a range of initiatives that actually require skilled staff. Could you explain what has happened since Labor got to power and how your staffing numbers in Canberra have changed.

Mr Heferen: I might turn to the chief operating officer, Ms Curtis, to go through it in some detail, but the actual numbers in Canberra changed very little. We have an ASL in the high 1,900s. I stand to be corrected, but

there are about 1,900 in Canberra. The vast bulk of our staff are in other metropolitan and regional areas, but for a bit more detail I will turn to Ms Curtis.

Ms Curtis: That's correct. Most of our staff—in fact, over 90 per cent of our staff—are actually located outside of Canberra. In fact, we have actually seen a decrease in the number of staff in Canberra in recent years. As far as the investments in the taskforces and the other measures that you have spoken about go, we have seen an increase in our overall staffing levels—of 1,100 ASL—since the 2022-23 budget.

Senator O'NEILL: Thank you for that clarification, because there is a concerted effort in the media, at the moment, to misrepresent the distribution of the Public Service across this nation. These are people who go to work every day to do something that they're proud of, for their country, and they're everywhere. The 'Canberra bureaucrat' is a myth that's been very well punctured there. Ninety per cent of the ATO staff are in places other than Canberra. Can I ask you where you've seen the most growth of staff out of all of your offices?

Ms Curtis: Yes. We have seen the most growth in regional areas, in Gosford and in Townsville.

Senator O'NEILL: Could you take me through the staffing increases in Gosford and in Townsville?

Ms Curtis: I can, but I might call on my colleague who has more details around that, if that's okay.

Senator BRAGG: Where did you—

Senator Ayres: It's going to be hard to, if you—

Senator BRAGG: Well, congratulations. You've achieved your goal.

CHAIR: Senator O'Neill asked to be heard in silence, which I don't—

Senator BRAGG: That's an absurdity. Senator O'Neill is the most disruptive senator that has ever been on this committee, in my time in parliament, by a mile. She interrupts every other senator, every time.

Senator Ayres: Senator Bragg—

Senator BRAGG: It is true! I'm over it.

CHAIR: Senator Bragg, we're all—

Senator Ayres: I know they're hearing information that is inconvenient for the Liberal Party, in terms of regional jobs that you want to get rid of.

Senator BRAGG: I'm not putting up with hypocrisy.

Senator Ayres: It is deeply frustrating—

Senator BRAGG: I'm not putting up with your appalling hypocrisy. I know it gets in the way of your talking points.

Senator Ayres: It's disrespect for the institution.

Senator BRAGG: I know that—

CHAIR: Okay. I think Senator Bragg made references to standards of behaviour there and that's ironic, at the moment. Senator O'Neill has the call and she deserves to be heard in silence. I think she put a question that Ms Stott was about to answer, and we'd like to hear from you, Ms Stott.

Senator O'NEILL: Yes, thank you very much. Hopefully you can tell us about jobs for real Australians.

Ms Stott: The largest proportional growth has been in regional areas of Gosford. Twenty-one per cent of that site has grown by 82 people. Townsville has grown by 17 per cent, which is 50 people. We've also had growth in some of our suburban areas, such as Parramatta at 11 per cent, with 162 staff, and Penrith at six per cent, with 42 staff.

Ms Curtis: I might just add, for the record, that the reduction in Canberra since December 2021 has been 14 per cent, 289 people.

Senator O'NEILL: Thank you very much. Having lived on the edge of Sydney most of my life and now not far from Gosford, I know what that means to families, that they can find a safe, secure well-paid job where they live and they can actually participate in their communities. So let's be very clear about what these public servants are doing, that the Leader of the Opposition wants to call 'Canberra bureaucrats'. It's completely wrong, in fact, and dismissive, in terms of their contribution to the nation.

Could you explain part of the work that is happening, with regard to these new staff? I understand there's a phoenix taskforce. I'd like to understand what it does, why it's important and how this is important, in particular, to small businesses that are complying with their obligations under law as opposed to those that are in breach of the law.

Mr Hirschhorn: The phoenix taskforce is one of our very important taskforces, which has recently been extended and expanded, as has a twin taskforce, being the serious financial crime taskforce. What we find with phoenix behaviour is that, quite often, there is theft against the tax system and the ATO has to take action in relation to that theft—but also that the sort of person who phoenixes a business or abuses a corporate structure is generally also, let's say, taking advantage of local suppliers and employees. Often, super is not paid.

The phoenix taskforce and our work together with ASIC is very important, in terms of a level playing field and making sure that subcontractors and other small businesses get paid for their work.

Senator O'NEILL: That sounds fair to me.

CHAIR: Thank you very much, Mr Hirschhorn. It being 10 pm, the hearing will adjourn. Senators do still have questions for the Revenue Group and also for Housing Australia, so the committee has agreed to spill over.

Committee adjourned at 22:00