



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

Public

THURSDAY, 27 FEBRUARY 2025

CANBERRA

BY AUTHORITY OF THE SENATE

ECONOMICS LEGISLATION COMMITTEE

Thursday, 27 February 2025

Members in attendance: Senators Allman-Payne, Bragg, Chandler, Cox, Davey, Ghosh, McDonald, O'Neill, Barbara Pocock, Rennick, Shoebridge, Dean Smith, Stewart and Walsh

TREASURY PORTFOLIO

In Attendance

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

Reserve Bank of Australia

Mr Andrew Hauser, Deputy Governor

Dr Brad Jones, Assistant Governor, Financial System

Ms Michelle McPhee, Assistant Governor, Business Services

Australian Securities and Investments Commission

Mr Joseph Longo, Chair

Ms Sarah Court, Deputy Chair

Ms Kate O'Rourke, Commissioner

Mr Alan Kirkland, Commissioner

Ms Simone Constant, Commissioner

Mr Greg Yanco, Chief Executive Officer

Mr Chris Savundra, Executive Director, Enforcement and Compliance

Mr Peter Dunlop, Chief Financial Officer

Productivity Commission

Ms Danielle Wood, Chair

Professor Alexander Robson, Deputy Chair

Dr Lisa Studdert, Head of Office

Ms Rosalyn Bell, First Assistant Commissioner

Committee met at 09:01

CHAIR (Senator Walsh): Good morning, everyone. 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 Reserve Bank of Australia.

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 the 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 will 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. 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 video conference and who are not speaking to please mute their microphones.

Reserve Bank of Australia

[09:04]

CHAIR: The committee welcomes the Reserve Bank of Australia and its representatives, Deputy Governor Mr Andrew Hauser, Assistant Governor Dr Brad Jones and Assistant Governor Ms Michelle McPhee. In welcoming the RBA, the committee recognises the central bank's independence under the Reserve Bank Act, particularly in relation to monetary policy settings. The committee is cognisant that while the RBA does not receive annual appropriations, it does provide the parliament with opportunities to discuss its insight and performance, which the committee greatly welcomes. As such, no government minister will be in attendance with the committee while representatives of the RBA are present. Again, we welcome you all. We welcome you in particular Deputy Governor Hauser for your first appearance before the Senate Economics Committee. It's usual

practice for me to offer the opportunity to make an opening statement, if you would like. Do you have an opening statement that you would like to give?

Mr Hauser: No, we don't.

CHAIR: Okay. We'll proceed straight to questions.

Senator DEAN SMITH: Welcome, Deputy Governor, Dr Jones and Ms McPhee. I want to start a line of inquiry that I pursued with the Treasury secretary yesterday. He effectively deferred the line of questioning to the RBA. I am curious to understand at what point in the RBA's two-day deliberations is the decision around the cash rate made? I'm assuming it's not on the Monday, the first day?

Mr Hauser: The formal decision is made on the Tuesday morning.

Senator DEAN SMITH: Is that the first item of business or the last item of business?

Mr Hauser: It would normally be the first item of business. The governor usually likes to go around the table in the morning on Tuesday. It is useful, I think, for all of us to reflect overnight on what we've heard both from the staff and from each other. We usually have a discussion that can be short or can be a bit more extended. The governor will then take the temperature of the table.

Senator DEAN SMITH: Does the governor have any expectations with regard to the extent to which board members might confer and discuss with each other on the Monday evening in between the two-day deliberation?

Mr Hauser: I couldn't speak for the governor, who, as you know, unfortunately can't be here because she is at the G20. I think our goal, to be frank, is to have the substantive discussion around the table. There is plenty of time, particularly, as you know, in the new format, where there are two days to have that conversation. There is no ban on discussion outside the table. Frankly speaking, the substance of that conversation happens there.

Senator DEAN SMITH: Better that everyone can hear everyone's line of questioning—

Mr Hauser: Absolutely.

Senator DEAN SMITH: or curiosity or doubt?

Mr Hauser: Yes.

Senator DEAN SMITH: And then everyone can equally hear the various perspectives of other board members in person?

Mr Hauser: Yes.

Senator DEAN SMITH: Thank you very much for that. I want to turn to the matter of revealing votes at the board with regard to the cash rate decision. Has a decision been made with regard to that matter?

Mr Hauser: As you know well, Senator, there is a recommendation in the RBA review that votes are included once the monetary policy board is established, which, as you know, happens at the end of March. Formally it happens at the beginning of March, but the first meeting is at the end of March. The governor is keen on a first discussion on that and a couple of other issues to do with the transparency recommendations in the report and that the new board has an opportunity to discuss its approach to that issue and a couple of others as well at its first meeting.

Senator DEAN SMITH: What are the various options? Is it the prerogative of the governor to put a formal recommendation to the board? Is that likely to happen after discussions have happened, or will discussion happen around a formal proposition put by the governor?

Mr Hauser: I can speak most clearly to what happens now. Clearly, that could change under a new structure. What happens now is that in general—I think this has been discussed in the past—there is normally a recommendation on the table on the first day. It is not always, but normally. I have only been on the board a year, as you know. By memory, that has always been the case. But it is a recommendation. It is not an edict. I can tell you—we will maybe come to the decision made last week—that there can be some very lively discussions around it. The governor—in particular, the current governor—is extremely keen that the board has a voice on that recommendation and can challenge. I can assure you that they do. The governor would normally on the Tuesday morning—we were talking about it a moment ago—make a proposition so that it is clear what people are giving their response to.

Senator DEAN SMITH: With regard to the public disclosure of voting positions, what options are being considered?

Mr Hauser: Well, you can cut me short if you don't like this approach. I can speak to how other central banks do it. I obviously come from the Bank of England, which I would say is at one end of that spectrum. It has individual accountability for each of its members. They vote formally at each meeting. That vote is formally

revealed. Many of them choose to explain their decisions, particularly if they are against the majority, in public. That is at one end of the distribution. Obviously at the other end of the distribution is consensus, which is where we are today. New Zealand has an interesting approach, whereby it seeks consensus wherever possible. That is the norm or the default. Where there is a genuinely split vote and the board asks for a split vote, that number is recorded in its public documents. I think that has happened once so far. There are other options that the ECB and the Federal Reserve adopt too. I think it's fair to say that what we want to do with the board is to explore that spectrum of alternatives with the board in its first meeting. Obviously, I think our assumption is that would then be formalised in the statement on the conduct of monetary policy, which is agreed between the Treasurer and the board.

Senator DEAN SMITH: So the Bank of England experience is to have board member A and their voting position publicly disclosed?

Mr Hauser: Yes.

Senator DEAN SMITH: Board member B and their voting decision disclosed?

Mr Hauser: Yes.

Senator DEAN SMITH: You mentioned that they often may seek to justify or explain their position. How does that happen? Does that happen in a written form, or do they walk out of the Bank of England and there is a gathering of media?

Mr Hauser: A press statement?

Senator DEAN SMITH: Are the media invited into the Bank of England board discussions?

Mr Hauser: The media are not invited in. Indeed, there is a very clear window where the communication of the committee's decision is handled by the governor and there is a press conference, as we have too. The governor is flanked by a couple of his deputies. As you say, the names are revealed in the minutes. So persons A, B and C are in favour of the proposition and persons D and E were not. The arguments used by the individuals are never named in the minutes—so Person A argued this and person B argued that. The balance of arguments and economic substance is listed. There is a bit of a guessing game sometimes as to whether a particular paragraph stating an opposing view is person A's or person B's perspective. That's an attempt to try to get the substance of the economics into the public debate rather than the individuals. The individuals report at a later stage. I'm sorry, but I can't remember exactly when it is. It is not immediately afterwards. So the scenario you paint of them rushing straight to the doors of the Bank of England and saying to the world that they have dissented and explaining why—

Senator DEAN SMITH: It would be a suboptimal outcome.

Mr Hauser: It would be deeply suboptimal and is not allowed. Individuals who have been dissenters would not always but from time to time find an opportunity to speak. Catherine Mann, for example, who you may know is an external member of the Monetary Policy Committee, changed her vote at the last meeting and had an interview or a speech quite soon after—a matter of days afterwards—to explain. I think it's unlikely that a model at that extreme is going to be the one that the RBA board prefers.

Senator DEAN SMITH: Which model do you think meets the test of public expectation or parliamentary expectation?

Mr Hauser: I would take your steer on the latter question. I wouldn't deign to state what I think the parliament's view would be. For what it is worth, my view, perhaps I should say, is that transparency and accountability are fundamentally good things. They are rather hard to disagree with.

Senator DEAN SMITH: Agreed. That would be a parliamentary view as well.

Mr Hauser: There are a number of principles in addition that are worth bearing in mind. The first is that in an intrinsically complex matter—monetary policy—it is best to start with clarity as to why the decision was made, which comes from the centre, or from the majority. It is better not to add noise but to signal to any subsequent communications. It is better to focus on the substance of the economic disagreement. I think, as you know, we have been seeking to move further towards that. I think it is a wholly good thing rather than person A, B or C had a particular view and maybe seeking to link it to their background, their perceived biases or whatever it might be. I don't want to front run the board, because I genuinely don't know where the board will end up. It is a new board and hasn't met yet. I think our desire will be to seek a balance between those principles of the objective positiveness of transparency and accountability whilst recognising the need to maximise signal rather than noise, to maintain focus on the substance of the arguments rather than the individuals, and to ensure that the public and, if I may say, parliament and other important stakeholders understand the why as well as the range of opinions.

The why we decided this should always precede, in my view anyway, the dissenting views or the challenges to that view.

Senator DEAN SMITH: So it may well be—of course, this is a decision for the new board at its end of March or beginning of April meeting—that the new board, rather than finding a midpoint between the Bank of England model and the consensus model, lands at one of the extremes, which is the consensus model?

Mr Hauser: Again, I'm hesitant to front run. My read of the tenor of the discussion on the board—and perhaps the external debate in Australia as well—is that is more likely than not. But where I feel very strongly—I know the governor does too—is that we want to find ways to move forward our ability to explain the range of different views. That is not individual views, but economic arguments. That is to get across the idea that whenever you're making decisions on monetary policy, you are balancing alternative risks. You are not doing black and white. You are balancing alternatives. As you learn and develop and understand more, that view may shift. That is a very similar mechanism to any other decision of a company board, household or anything else.

Senator DEAN SMITH: Some may say that where consensus models are utilised—ASEAN and the Commonwealth—they deliver suboptimal outcomes?

Mr Hauser: Yes. I think we have agreed, you and me anyway, that those two very end outcomes are probably not where you want to be. But we're in the middle of that process. I understand that you are encouraging me to give my views, but I genuinely don't know, actually, Senator. There are quite a range of different views on the board about this issue.

Senator DEAN SMITH: That is a good thing.

Mr Hauser: Yes.

Senator DEAN SMITH: Just to be clear, formal discussion around a proposition for revealing board votes has not yet been concluded, and the formal discussion around what that might actually look like has not started?

Mr Hauser: That's right.

Senator DEAN SMITH: The expectation is that the first discussion will happen at the next board meeting, which is the first meeting of the new monetary board?

Mr Hauser: Yes.

Senator DEAN SMITH: The expectation is that would then be codified, if you like, in the statement of expectation between the government and the bank?

Mr Hauser: That's right. That discussion would take place against the backdrop—very much like our discussion just now—of an analysis of the possible alternative options, the pros and cons and a recognition that the RBA review did make a clear recommendation.

Senator DEAN SMITH: Would there be an expectation that model would operate for 12 months, four years, or will it be iterative? It may well be decided that what was thought to be a good operating approach turns out to be less successful.

Mr Hauser: We're a learning organisation. If you look back over time, you will see that the statement of conduct of monetary policy has obviously changed a number of times. I doubt it will be something you would want to revisit every 12 months unless it was, frankly, a disaster, which I hope obviously it would not be. Yes, the opportunity to review that arrangement from time to time would obviously be there. To the extent that it was hardwired in the statement of conduct of monetary policy that obviously sets the framework within which the RBA's monetary policy operations work, I suspect that there will be a desire not to change that too often.

Senator DEAN SMITH: I will now turn to members of the board giving public speeches. Has the governor crystallised a view in terms of how that will work?

Mr Hauser: If I may, I will go back to the principles we just discussed on votes. I think they are actually quite similar in this respect as well. There is a desire to continue on the journey of explaining in more depth the rival economic arguments that underpin a decision and a desire to increase transparency and accountability, which is obviously the goal. There is also a desire not to increase the noise over the signal and a desire not to personalise what is ultimately a public policy debate. There will be a range of views, again, on the board about the desirability or otherwise of this occurring. I will go back to our earlier discussion. I think it personally very unlikely that we would get to a position like the Bank of England, which is at one end of that extreme, where every individual felt personally that they had to explain, perhaps at relatively high frequency sometimes, why they took the views they did. Again, I think—I'm slightly front-running here—our approach would be to present a range of possible alternatives, including when one talks about public engagements. There are quite a number of different forms that could take. I think as you may know, I have spent the last three days in Melbourne and in Hobart speaking to

firms, schools and public organisations about economic conditions and probably explaining a bit how we think about policy. I think Steven Kennedy may have mentioned to you yesterday that a number of the board members already do events of that kind. That would be at one end. It would be more listening than speaking. I do not think we're going to see the public statement on the steps of the RBA scenario that you painted earlier any time soon. It goes right the way over maybe to a formal speech or interview or something of that kind.

Senator DEAN SMITH: The clear expectation is that the board member would be articulating the bank's view and not their view?

Mr Hauser: Absolutely. I think that is one of the issues—

Senator DEAN SMITH: They would be reading from a pre-prepared speech?

Mr Hauser: Again, I wouldn't want to front-run the range of options.

Senator DEAN SMITH: That would reduce the risk of them—

Mr Hauser: It clearly would. I go back to the principles in terms of maximising the signal. I think, to be frank, this would not be something where Michele and I were saying, 'Damn you. Read from the script.' It will actually be very much in the minds of board members that they wish to maintain and enhance the clarity of the policy decisions that the board has made.

Senator DEAN SMITH: Where a board member did not want to be giving speeches to audiences, that would be respected? Would giving public presentations be a KPI for the board member?

Mr Hauser: I think the review has suggested an obligation. I think the point that you have just raised, however, is about (a) whether it is an obligation and (b) what that obligation might mean. There is quite a wide range of options, actually. We've had some preliminary discussions with our communications department about the way in which those engagements might work. One of the things I was doing yesterday was talking to schools, for example. It is a different type of conversation with students of economics from one where maybe the room is packed full of journalists and people trying to do gotchas and so forth. On the question of obligation, that will be in front of the board as well.

Senator DEAN SMITH: Given the unique position of the secretary of the Treasury on the board, will the secretary of the Treasury be treated equally like every other board member, or because of the unique role that they have, will exceptions be created and established for that individual?

Mr Hauser: Well, you have put your finger on another issue that the board will I think want to discuss. I am mindful that at least the current secretary—I don't have a long history of knowledge myself of this—does already make speeches from time to time. I will go back to your earlier suggestion that they might on occasions be a fairly standard script for individuals to adopt. It may be indistinguishable from the minutes, for example, or the statement on monetary policy. I would have thought there are options there. It is an interesting tension, isn't it, that the more one plays it by the book and plays it by rote, frankly, the less the benefits of the transparency and accountability that were originally asserted. Short of saying, 'Oh, well, you couldn't be bothered to read the statement on monetary policy, but I will listen to Steven Kennedy say the same words', its addition to the stock of transparency and understanding might be quite low. But I think that option clearly would always be available not just to him but to other members as well.

Senator DEAN SMITH: I would add that it is not where things start that is important; it is where things evolve to that is important.

Mr Hauser: Yes. It needs to be consistent with a range of different board members' backgrounds, understandings and knowledge. I completely agree with that. I go back to your earlier point about changing. Although changing the approach is possible, in transparency issues in general, the usual lesson is that once you've opened the door, it's very hard to shut it again.

Senator DEAN SMITH: I have another line of questioning. Are there any observations you would like to make about your time in Australia thus far and the operations of the bank?

Mr Hauser: I go there hesitantly, Senator. It is an enormous privilege to have been asked to do this job. When one lists the number of non-nationals across the world who are asked to serve in a voting role on central banks, that list is very short. Obviously from the Bank of England, I worked for Mark Carney for a number of years. I think he did become a British citizen. He was a Canadian and Irish citizen while he was governor. I think there are one or two examples, but they are rare. I was asked to apply for the job, and I was very grateful to receive it. I have been very conscious since I began of the importance of learning and understanding about Australia. It is one of the reasons why I was traveling earlier this week. Frankly, it's a hugely stimulating opportunity for me. Look, as this discussion shows, the weight and importance of this decision-making is not lost on me. I have thoroughly

enjoyed it. I am also extremely conscious of the important role that I have been given and am very grateful for that.

Senator DEAN SMITH: Thank you very much. I have other lines of questioning around the dividend and other matters, but I will wait my turn again.

CHAIR: Thank you, Senator Smith. You will have ample time to ask further questions. Mr Hauser, I might give you the opportunity to give us a case study related to some of the line of questioning by Senator Smith. Can you talk about that decision of the board in February to cut the cash rate by 0.25 basis points? There is, as you've noted, a statement by the Reserve Bank board already, of course. The governor has given a lengthy press conference. She has also appeared before the House version of this committee as well. I am interested to hear from you at this appearance as the deputy governor why the bank cut the cash rate.

Mr Hauser: It's a good question. Maybe I will start a little way back. This obviously predated my arrival. Australia adopted a somewhat different strategy in response to the spike in inflation that was experienced across the world. Interest rates were raised substantially. Obviously, that had significant implications for households and firms. The RBA chose not to raise interest rates as far as other comparable central banks. It did so quite deliberately, recognising that it would mean that inflation would come down back to target somewhat slower. We were conscious that we also wanted to protect the gains in employment, which are part of our objectives. That strategy so far has played out broadly as we had expected. Inflation has come down from its heights to, on a trimmed mean basis, 3.2 per cent in the most recently quarterly number. Employment growth, as you know well, Chair, has frankly been extraordinarily strong. In fact, if you compare the employment outcomes in Australia to other comparable countries, you see that it's a clear outlier in a positive way. The employment rate at 64.5 per cent is its highest in history. The growth in employment since COVID in Australia has far outstretched that, proportionally speaking, to any other country, including the US, which is often cited as one of the standouts. So that strategy of protecting employment gains whilst bringing inflation down in a measured way—central banks never declare mission accomplished—so far appears on track.

Why did we make the decision last week to cut interest rates? We had signalled in December that inflation had come down and, obviously, activity had remained not negative but subdued. We were gaining as a board growing confidence that inflation would sustainably be back to around the mid-point of the target range of two to three per cent. That has been our criterion, and remains our criterion, for policy. That doesn't necessarily mean that inflation on an underlying basis needs to be in the band. It simply needs to be expected to come into the band sustainably and to be around the mid-point over the forecast horizon. We were not confident that was necessarily the case throughout last year.

When we met in February, reviewing the data—the significant fall in inflation and, in fact, the faster than expected fall in inflation, the fall in wage growth—and being very conscious of the persistent subdued pace of activity growth, we had developed somewhat more confidence that inflation would sustainably be back to target. I say somewhat. Central banks sometimes overuse a kind of car driving analogy—that part of what we are doing is pushing on the brake and part of what we're doing is pushing on the accelerator. We have removed a small amount of the braking that we're still applying to the economy. We have not yet chosen to depress the accelerator because inflation still has work to do to get back sustainably to the mid-point of that target.

We hope and expect that we will receive more further positive news, but we need to see it before I think we feel confident that further removal of restrictiveness is appropriate. The governor made a comment, which I think was quite widely reported, that if you compare the expectations of the market, which were and are for a sequence of rate cuts through this year and into next, we didn't yet share the confidence that the market seemed to have, on the basis of our outlook of the economy, that rates would necessarily follow that path. Just to conclude, the reason for that—maybe it's obvious—is that very strong growth in employment. It's good news in terms of the achievement of our objectives. It does pose potential challenges in terms of the tightness of the labour market and the potential that might put some upward pressure on inflation over time. I will pause there.

CHAIR: Thank you very much for that. It is a path to navigate, isn't it—putting downward pressure on inflation while, as you said, maintaining the gains in the labour market? Obviously at the end of the day, I think we're all here for people to be able to have good jobs with rising wages and as close to full employment as we can whilst at the same time having a cash rate that supports sustainable levels of inflation in the target band. So it's quite a path to walk, as you've described. In your answer, you talked about inflation peaking and coming down from that peak in 2022. You talked about this bank choosing a path to increase rates more slowly than some of our international counterparts in order to maintain those gains in the labour market. Given that you have recently come from another central bank and you've got that significant overseas experience, can you give us some

insights into how that narrow path that we're trying to walk and are becoming confident that we're walking has compared with other countries that perhaps took a different approach?

Mr Hauser: Yes. It's difficult to generalise because obviously different countries have had different experiences. Maybe I will start with two countries that are in many ways quite similar—New Zealand and Canada. Both countries raised interest rates further than we did. In New Zealand's case in particular, there was a very explicit policy. In fact, I think the governor may have said that his board intended to drive the economy if not into recession than certainly to slow very dramatically to bring inflation down. In both cases, interest rates have fallen quite sharply. That comparison has sometimes been made, I know particularly with New Zealand, about why on earth the RBA isn't following suit. I would point out that in both countries unemployment has risen really quite sharply. In Canada, for example, it's 6.9 per cent. I think if that number were on the front page here, there would be some difficult discussions as to what was going on with policy. Whilst it's verboten in central bank circles to rubbish your peers, different countries have chosen different approaches in that respect. I think, perfectly legitimately, different societies might make different trade-offs between inflation and unemployment. Inflation, as you well know as politicians, and the cost of living is the number one, two and three concern of households both here and elsewhere, but you do pay the price in terms of employment.

The United States is a different case, clearly, because the United States, relative to us and indeed most other developed economies, has had a very strong economy. It has had very strong productivity growth and very strong growth in output. The problems, if you like, that they've had are quite nice problems to have. Interest rates have been used to slow the economy from a relatively strong level. They have not had to deal, as we have done, with a very weak level of activity with a relatively high level of inflation. That has been a different challenge. With regard to the UK, Senator Smith asked me about my move. I'm glad not to have the problems of the UK, be it Brexit, exposure to the gas market or extremely anaemic growth and challenges. I would rather have the policy challenges of Australia than the UK at the moment.

CHAIR: That's really interesting. In the published decision and some commentary, there has been quite a focus on the international outlook.

Mr Hauser: Yes.

CHAIR: And some of the pressures around China and trade issues. I want to get your perspective on those global outlook risks. Perhaps initially, how did they play into the decision that the bank made?

Mr Hauser: I will start with China. China is clearly a crucial trade partner for Australia. Before the recent fun and games over trade policy, it was obviously already dealing with its own macroeconomic challenges that had originated in its property market but had spread more broadly. Growth has slowed, as you know, in China. The outcome this year was freakishly close to the target of five per cent. There are significant challenges in China. We monitor that very closely. You may be aware that we have two RBA officials who sit in the embassy in Beijing and monitor conditions in China on a real-time basis. On trade policy, this is clearly a very substantial and rapidly evolving issue. We've discussed in some detail in the statement on monetary policy a range of scenarios. I think scenarios is the only way to think about this issue at the moment. I'm not sure whether there has been an announcement or change on trade policy while we have been in this meeting, but it is happening so rapidly. There was news about the European Union, for example, this morning. Proposals are made and then withdrawn. Exemptions are made and then withdrawn. Candidly, I think most macroeconomic forecasters at the moment would struggle to put any single number on the impact on Australia or anywhere else.

What we've done in this statement on monetary policy is set out three different scenarios about possible tariffs in the US and then questions as to whether the countries that are targeted—China in particular in this case—choose to retaliate. That would be question one. Question two is whether they would also choose to stimulate their economy in order to try to offset the impact of tariffs. You know that during President Trump's first term, in fact, Chinese stimulus was so significant that it outweighed the tariff effect on Australia's trade with China. So those effects can be substantial. There is the response of the exchange rate. I could go on. There is a very long list that gets economists very excited about the variables that go into assessing the impact of those scenarios on Australian activity and inflation.

Boiling it all down, Australia is, to state the obvious, extremely dependent on the health of the global economy. Our success has been based on a strong global economy. When the global economy has been weaker in our history, we have suffered too. That is very hard to avoid. If when all the dust has settled the global economy is slower and more impaired, it is hard to see how Australia would escape some negative impact on activity.

But the impact on inflation is harder to divine. It could be positive. It's sure to be positive in the US, because tariffs raise the price of imports. Whether it is positive or negative—the governor has talked to you before about

this in Australia—is quite a finely judged issue. People sometimes say, 'For goodness sake, you're paid a great deal of money to work out the answer to that.' We are, and we're trying to. But it could be positive or it could be negative.

I want to come to your question about the role it played in the policy decision. One final point is that, for me, the really important economic issue at the moment is that when things are uncertain, households and firms tend to sit on their hands. That is sensible when you don't know what the outlook is for an individual firm, but it is damaging for an economy. The Federal Reserve did a piece of analysis during President Trump's first term that looked at the question of what uncertainty about trade policy rather than any specific negative outcomes might do to activity. It suggested that it might have reduced GDP growth in the US by about a percentage point, which is quite a significant amount.

I don't necessarily say that number will transfer to Australia. You even see in the response in the financial markets in the last few days in Australia and the US that companies are slowly waking up to the possibility that if things remain as uncertain as they currently are, perhaps they'll delay their investment projects and they will delay their new external market developments just to see how these things pan out.

You ask how this played into the decision. We didn't have any firm numbers about the impact of policy. But that cooling or freezing uncertainty effect, I think for a number of us—I would include myself—was an overlay on these other reasons for cutting rates. Whilst things remain uncertain, cutting rates and ceasing monetary policy a little in response seemed to some of us sensible.

CHAIR: Thank you. I will share the call.

Senator DEAN SMITH: Deputy governor, in your previous remarks, you mentioned that you were approached for the job, which I think is common knowledge. Who approached you for the job?

Mr Hauser: Well, the governor called me, actually. I was in Yale or New Haven or somewhere and I had an email that said, 'Michele Bullock', who I knew a bit, 'would like to have a word with you.' She said, 'I know this might sound quite a strange request, but I just wondered if you might be interested in being considered for this job.' I'm sure that she expected the answer to be no; that's more or less how it was framed. It did come at a good moment. I said, 'Well, this might surprise you, but, yes.' That was at a very early stage, Senator Smith, long before there was any formal process or any decision-making. That was the first contact.

Senator DEAN SMITH: Did the governor approach other people with a personal phone call to their mobile?

Mr Hauser: Well, I can't know any less than you on that. She may well. I assume she did, but I don't know.

Senator DEAN SMITH: You talked about employment gains in the economy. What are the risks or impediments to those employment gains?

Mr Hauser: Maybe—

Senator DEAN SMITH: Future risks. In the secretary of the Treasury's opening statement, he talked about trade tensions. He talked about falling commodity prices. He talked about weakening demand in the Chinese economy. Are they the sorts of things that might pose future risk to the employment gains that have been witnessed in the Australian economy?

Mr Hauser: Undoubtedly so. I think it's worth, when thinking about employment growth, to break down the numbers a bit. As you know, growth in market sector employment has been positive. It's often reported as being negative that there is job losses in the market sector. That isn't true in aggregate. Market employment has continued to grow but at a low level and roughly in line with the growth in private activity. The strongest growth in employment growth has been in non-market sectors—the health sector, education and so on and so forth. That has been a big contributor. Therefore, when thinking about the outlook for employment growth, I will start with market growth again. If, as we are predicting, private sector activity picks up over the forecast period, we would expect, other things being equal, that employment growth in the market sector would pick up too. The growth path for non-market employment clearly will be linked to different trends, including public expenditure and including the demographic effects that clearly have driven some of the substantial growth in the health sector in the past few years. We did a box in the monetary policy that shows that the growth in health sector employment in Australia has clearly outstripped that in many other countries.

I will go on for a moment. Employment growth is one thing. Its contribution to the capacity or lack of it in the labour market in Australia is for us really the important question. There, of course, is a very lively debate. We welcome it. It is about the extent to which recent employment growth has taken us closer or further away from the point—I hesitate to use the term 'NAIRU', because I don't think it's a very useful concept—at which capacity pressures in the labour market become so large that they begin to bid wages up and begin to bid inflation up. It

has been the case, obviously, as we have been discussing earlier, that strong employment growth has coincided with falling inflation and falling wage growth. There are those who argue that shows that the Australian labour market has substantial capacity and could easily deal with continued strong employment growth.

There is another view, clearly, that says that we're close to full employment now and that if we see further strong growth in employment, there is a chance that might start to push pressures in the labour market back up again. The honest truth is that we are running a horse race really on those two options. We're reviewing the data. We would be very happy, frankly, if those who claim that there is more capacity than we think in the labour market are right. That will mean that inflation will come down more quickly, employment growth will continue and monetary policy can ease. I think we're keen to see the evidence for that before we take further steps.

Senator DEAN SMITH: Should Australian households budget for a rate decrease in April?

Mr Hauser: I think you pay your money and take your chance on that. What I can commit the Australian people to is that we will do what is necessary to bring inflation back to target. I talk to firms and I am out and about. You do far more of this, Senator, than I do. The pressing concern of individuals is that the substantial rise in the price level over the last three or four years has been exceptionally painful. It is particularly so for those on low and fixed incomes and for companies trying to plan for the future. Our job, as set out in legislation, and the same with the conduct of monetary policy, is to bring inflation sustainably back to target. We will set the interest rates necessary to achieve that. I realise that isn't as much clarity as your hypothetical individual would like and I would like, too, if I were—

Senator DEAN SMITH: I think for Australian households struggling under cost-of-living pressures that is great clarity. I think the answer to them would be, 'Don't budget for a rate cut in April.'

Mr Hauser: Well, then, you've given that hypothetical individual your advice. We will set monetary policy where it needs to be to deliver the inflation target. If we're able to do that at lower interest rates, I can assure you that we will take that view. Equally, if we are not able, we will not.

Senator DEAN SMITH: I will turn to some of your comments about underlying inflation. When does underlying inflation reach the mid-point of 2.5 per cent in the forecast horizon?

Mr Hauser: You put your finger on—and I think you probably know you have—an interesting question, which is that in the forecasts we published—

Senator DEAN SMITH: I hope you give me an interesting answer.

Mr Hauser: You can give me a mark out of 10. In the forecasts that we published, underlying inflation reaches 2.7 per cent at the end of the forecast horizon. But the reason why it doesn't get back to 2.5 per cent is that it is conditioned on the market path for interest rates, which assume another three to four interest rate cuts. As the governor stated very clearly, and as a direct result of that forecast, if we followed the market path, inflation would be persistently yet slightly—not a huge amount—above the midpoint of the target. We cannot share the confidence of the market that sequence of rate cuts will come. The board reviewed an alternative projection in which interest rates remained unchanged at 4.35 per cent. Under that projection, which is not this one, inflation in an underlying sense moved downwards and by the end of the forecast period was somewhat below 2.5 per cent. I'm sorry that is a slightly involved answer. The conclusion was that holding rates where they were would cause inflation in an underlying sense to undershoot the forecast. It was a big and important contributory factor. Therefore, the board concluded that there was a case to cut interest rates.

Senator DEAN SMITH: So it's a correct statement that the RBA calculation is that underlying inflation doesn't reach the RBA's target mid-point of 2.5 per cent until beyond 2027?

Mr Hauser: Under the market path, that is true. But, on unchanged interest rates, it in fact not only meets it but slightly undershoots it.

Senator DEAN SMITH: But it was the RBA's forecast that the underlying inflation would reach 2.5 per cent in December 2026?

Mr Hauser: In the—

Senator DEAN SMITH: In the previous?

Mr Hauser: Yes. That's right. The difference between those two projections is that extra strength in the labour market and something of a change in the market path. The market path moved down a bit between December and February and the strength of the labour market increased slightly.

Senator DEAN SMITH: So the delay in reaching 2.5 per cent for the underlying inflation is because of the strength of the labour market?

Mr Hauser: And—

Senator DEAN SMITH: Expected strength of the labour market?

Mr Hauser: And the shape of the interest rate path that underpins this forecast. So it's both effects. Yes, the delta, if you like—sorry to use that word—or the increase in the projection between December and now partly reflects the strength in the labour market. It also partly reflects the fact that between December and February the market thought there would be somewhat more interest rate cuts, a view that we do not share the same confidence in.

Senator DEAN SMITH: It has been reported that the RBA has requested a dividend freeze. Are those reports correct?

Mr Hauser: The RBA, as you know from the annual report and previous hearings, currently has negative net equity. That is a legacy of its COVID era policies. In order to rebuild the capital base back towards a sustainable level, yes, it is the case that a request was made to forgo the dividend this year and likely for a number of future years too, although it will be for future discussion.

Senator DEAN SMITH: Has a response been provided to you with regard to that request?

Mr Hauser: Yes.

Senator DEAN SMITH: What was the response?

Mr Hauser: It was agreed.

Senator DEAN SMITH: That was agreed?

Mr Hauser: Yes.

Senator DEAN SMITH: Where will we see that dividend freeze? Will we see it in the budget? Do we expect to see it in an economic statement if a budget is not delivered?

Mr Hauser: Do you mean from the government's side?

Senator DEAN SMITH: From the government's perspective, yes.

Mr Hauser: I can't answer.

Senator DEAN SMITH: Where would the bank look in the government's documents?

Mr Hauser: I may have to take that on notice, Senator, I'm afraid. You can obviously see it in our report and our balance sheet, because we will be not paying a dividend. Where it's dual, if you like, in the government accounts I'm not immediately sure, unless my colleagues are.

Senator DEAN SMITH: When was the request made of the government and when was the request agreed by the government?

Mr Hauser: Forgive me because I have been here only a year. There is a process every year in which a dividend is agreed, so there is always discretion and there is always a discussion around that. That would happen prior to the finalisation of the bank's accounts. It is some time ago now, in fact.

Dr Jones: It would be surprising if the government effectively banked in a set dividend over a period of time. The history is that the dividend has moved around quite a bit as the bank's balance sheet has fluctuated because of interest rate moves or, in particular, movements in the foreign exchange market. It creates quite a bit of variability from one year to the next.

Senator DEAN SMITH: I accept that it is an annual discussion and an annual decision. Thank you very much for that.

Mr Hauser: I think there is a common commitment that it makes sense to rebuild the capital base at the central bank. This is not, as you know, Senator, an issue unique to Australia at all. The Bundesbank has been going through a very lively public discussion about its own negative net equity position, which in Germany has been a really difficult conversation. Most central banks have in various ways been having similar conversations with their treasuries.

Senator DEAN SMITH: I accept that.

CHAIR: We have the bank until 10.30 am. A number of senators have questions. I will move now to 10-minute blocks.

Senator GHOSH: I thank the officials who are here today. Underlying inflation has moderated in the last three quarters. That is reflected in your statement on monetary policy in February. What are the components of that underlying inflation that are driving that moderation or reduction?

Mr Hauser: There are a couple that we have a particularly close eye on. One is market services. We are obviously a service biased economy. Market service inflation has been pretty sticky—well above four per cent. That is again not unique to Australia and is a legacy in part of the COVID period and of relatively elevated labour costs as well. Market services inflation has, you might say at long last over the period you describe, begun to moderate, and that's very welcome. A second key component is housing and rent costs. The costs of new dwellings and rent are both key components of the index. Both of those have moderated, particularly in the most recent quarter, quite substantially and welcomely, I think, more than expected. There has been a general diminution of inflation across the other components as well, but they are the two that, frankly, we particularly had our eye on. Particularly in the case of market services, it has played a significant role in this persistent above target path for inflation. We needed to see it coming down.

Senator GHOSH: One of the observations one of your colleagues made to a Senate committee earlier in the year—this is Dr Hunter—was that there was still unevenness in sectors in the economy and that while some sectors were running hotter than others, others were not seeing that same pressure. Is that still the case, or do these reductions in services inflation and housing costs and rent, which is very welcome, mean that we're moving towards a more even picture across our economy?

Mr Hauser: I think it's probably unlikely that we would ever see a completely even picture, if I'm honest with you. It's one of the challenges of setting monetary policy that clearly every one of us has what economists call a different consumption bundle. You may have the misfortune of being particularly exposed. I suppose all of us have been exposed to food, for example—you have to eat—but particularly those on lower incomes. That has been elevated in the past. You are going to be disproportionately affected. You may not think that the official data on inflation gives a very clear or fair read on your own costs. They may not be. But in any economy at any point, you are always going to see a range of different sub-sectoral inflation rates. It is a good question whether we can point to a greater commonality of inflation impulse. I'm not sure. I would have to get back to you on that. Certainly the extremes of inflation rates that we have seen in some sectors—this may have been what Sarah was referring to—have fallen back. You can do various clever indices about the proportion of CPI that is growing at above three per cent and the share that has been falling quite sharply.

Dr Jones: Another dimension to this is where we observe stress across the country across different sectors of the economy. Construction and hospitality are the two sectors that show up most visibly in terms of the increase in business insolvencies. For construction, a lot of that was because of the cost-push inflation and builders not being able to pass those cost increases through. We saw a big spike in insolvencies in the construction sector. Typically, it was in much smaller firms, not the larger developers. Hospitality more recently is where we've seen probably the sharpest increase in stress and business insolvencies. That has been more of a demand issue because of the squeeze on real household incomes. People have been spending less. There has been more unevenness in the business insolvency picture.

Senator GHOSH: Thank you. One of the observations you made a moment ago was that housing costs and rent have reduced substantially in this most recent—

Mr Hauser: The inflation rate.

Senator GHOSH: Sorry, the inflation rate. Can you unpack that a bit? Are there components of that you have data on that you're able to give us a snapshot of?

Mr Hauser: It's maybe not surprising that they have slowed. We may well say thank goodness given the challenges that some of the high inflation rates in this sector over the past few years have posed, particularly to people who are not yet in the housing market. But it is partly the effect of higher interest rates. It is also partly the effect of capacity challenges in the construction sector. As I am sure you will well know, the construction sector has faced a difficult period of rising costs and imported costs in the products that it needs to build housing. There are labour costs as well. I will pick up on a point that Brad was making a minute ago. It fights for labour with a number of other sectors. I was actually with a house-builder in Melbourne yesterday. The challenges of delivering to a fixed price contract in recent years—you will know this better than me—have been very significant. There have been a number of dynamics going on in the construction industry that I suspect have also played a part in that.

In some sense, the question for us is less where it has been than where it is going. I will go back to the discussion I was having with Senator Smith earlier. If it turns out that the labour market remains pretty tight, that will have implications for the construction sector. It will have implications for the price of new dwellings and, to an extent, rents as well. We are not experts in projecting those elements of inflation into the future.

Senator O'NEILL: Can I ask a clarifying question?

Senator GHOSH: Of course.

Senator O'NEILL: You mentioned the labour market dimension for construction. Could you speak to the supply chain? My understanding is that is the most profoundly volatile part of that sector.

Mr Hauser: Absolutely.

Senator O'NEILL: It has seriously altered, which should give some confidence, I think.

Mr Hauser: You are right, Senator. Let me elaborate. This is not a labour only problem. As you well know, particularly in the year or two after COVID, the issues you describe were pervasive in the construction industry. It was particularly for imported products that were needed to build houses. They were impossible to get hold of. The inflation rates for timber and other imported building products were very elevated. Some of those constraints have eased back somewhat. The price level hasn't fallen back. We are back to the point about inflation versus price levels. Certainly they remain pretty intense. When you look at the comparisons between the prices and cost base in the construction industry, you will see that many of the constructors are still facing quite a substantial margin squeeze.

Senator O'NEILL: Thank you.

Senator GHOSH: I want to make sure about that answer and the one before it. Does the reduction in the inflation in this space, given your observations about the labour market, mean that some of those capacity constraints are easing from where they were?

Mr Hauser: The crucial issue for construction or any business is whether the diminution in output price inflation is also matched by—it goes back to the question of Senator O'Neill—a diminution in the inflation of their cost base as well. It really comes back to this macroeconomic judgement as to whether we've achieved this narrow path or slightly broadening path, whatever analogy you wish to use, so that the return to construction becomes more reasonable than it has been in recent years.

Dr Jones: I will give you some sense of the orders of magnitude here. Dwelling cost inflation peaked at 20 per cent. That is an order of magnitude way beyond anything that we have observed before. Because of that component of the CPI, it is almost one-tenth of the CPI. Dwelling cost inflation was contributing two percentage points to headline CPI, so it was a really meaningful impact on overall inflation. It was a 20 per cent peak. To put things in context, we are now in the low single digits. Most of the upstream pressures that the deputy governor was speaking to have come out of the system now. It is not completely, but the lion's share has.

Senator GHOSH: I want to go to some previous evidence of your colleagues to various committees. There is sometimes a lag in the way signals are transferred and then a lag in terms of how interest rates affect what is happening in the economy.

Mr Hauser: There's always a lag, unfortunately; yes.

Senator GHOSH: I want to build on what you said earlier about different economic scenarios and the various ways they play out. I appreciate that was in a particular context. Was there any concern raised at the most recent meeting that there's a risk of undershooting the band at some point?

Mr Hauser: Yes. We always like to present our forecasts for inflation—you probably know this—with this blue band around it, which represents our forecast errors over the past. That band has blown out since COVID. It's something like two or three times as wide as it previously was. This goes back to a discussion I was having with Senator Smith earlier. Frankly, we want to admit to that. Every other forecast will have had much the same issues. There is every possibility. In fact, as an old boss of mine used to say, the only thing you know for sure is that any point estimate of the outlook for inflation is wrong. The probability of inflation hitting the 2.7 per cent we were discussing before in three years is roughly zero, in fact, because there will be so many other shocks. I think this is a strength of the board, going to the discussion we were having earlier about the range of different views. There will be those who worry about an undershoot and there will be those who worry about an overshoot as well. I think you want that on a policy board.

Senator GHOSH: What are the consequences if—

CHAIR: This is your last question, Senator Ghosh.

Senator GHOSH: In broad terms, what are the consequences, if there is that undershoot and you've got monetary policy settings that remain restrictive, as they are described in the most recent statement?

Mr Hauser: It's not the case today, but if there were to be a sequence of negative shocks or, indeed, surprises to our forecast—that is, inflation came down more quickly—policy would have to react. Again, as I said to Senator Smith earlier, you can be assured that it will. That is not necessarily in the near term. If the forecast for

inflation in your scenario begins to move to the downside of the midpoint of the target, policy will react. That is our job.

Senator GHOSH: Thank you.

Senator O'NEILL: That means interest rates could go down?

Mr Hauser: I'm sorry?

Senator O'NEILL: What does that exactly mean in normal speak?

Mr Hauser: It means that if our projection for inflation moves from 2.7 per cent to 1.5 per cent or two per cent—let's use a pretty extreme number—and we were to publish that, interest rates would be lower than they otherwise would be.

CHAIR: Senator Rennick?

Senator RENNICK: Mr Hauser, I know that you are new to the RBA. Have you got an opinion on the management of policy through the COVID period, when the RBA panicked, literally dropped interest rates to 0.1 per cent, printed \$300 billion to pay people to stay at home and get brainwashed by the premiers and then jacked interest rates up 13 or 14 times in about 18 months? It was hardly a measured response, was it?

Mr Hauser: I hesitate to give a detailed answer to policy decisions that I wasn't studying closely. I do recognise, maybe removing some of the extremes, the story you describe. Many central banks had the same experience. Whether it was—

Senator RENNICK: They created the experience, didn't they?

Mr Hauser: It's an absolutely fair challenge that in retrospect some of the policy decisions that were made, not just in Australia but elsewhere, may have had consequences for the outlook. I think it was not easy to know that at the time.

Senator RENNICK: I did. I posted the other day text messages I sent to Minister Cormann at the time, the Treasurer Josh Frydenberg and the Prime Minister. I said that we were going to cause inflation for the next decade, but I was ignored. Do you think really the whole concept of the RBA being independent is nothing but a smokescreen and that, at the end of the day, the RBA is a puppet of the politicians? It should be, by the way. I actually think the RBA should report to parliament. But I think the whole independence—

Mr Hauser: As we do. I think you have put your finger on the challenge. Independence cannot mean you are operating in isolation from society. The only remit for central banks only makes sense if it has social support, public support and ultimately through this parliament and people like you. The moment that support is no longer there, central banks do not and should not have a role, because we're unelected officials with enormous power. That is why the act sets out our powers. As you know, the statement of the conduct of monetary policy can change, as we were discussing earlier. It sets parameters for our operations that are set by politicians and, ultimately, by you. I completely agree with that. I think we must be accountable and we must explain ourselves. Any right we have to set policy is contingent on doing a good enough job.

Senator RENNICK: One of the criticisms I have of central banks is that they only rely on qualitative easing. In other words, they just change the price of money. They don't look at quantitative easing. In Australia, the RBA outsourced macroprudential controls to APRA back in the late 1990s. You really have three levers to control monetary policy. The RBA uses only one, which is qualitative easing; that is, it changes the price of money. Companies expand the volume of credit by issuing new shares. Why can't governments expand the volume of credit by issuing infrastructure bonds against sovereign infrastructure, such as dams, power stations, ports, rail and so forth rather than go out and borrow money? You're from the Bank of England. I understand that it is a bit different. It is a bigger currency, so to speak. Here in Australia in 1985—I'm not sure if you are familiar with our monetary history—Paul Keating lifted capital controls. We stopped controlling our own volume of capital, which was the contradiction of a 1937 banking royal commission recommendation. Now, for example, if we build a dam for \$1 billion, rather than issuing new equity for that dam, which is our own title, we'll go out and borrow \$1 billion to build that dam. That means we have to repay the \$1 billion to another central bank because we use a foreign currency—that is, Japanese, US or euro. We now have to repay that money to a foreign bank, which gets it from one of those three central banks, rather than use it ourselves. In order to deal with inflation, rather than just control the demand side, should we look at increasing supply via increasing the supply of sovereign assets such as dams, power stations and what-not?

Mr Hauser: Ultimately, government debt is secured on national assets of the kind you describe. I think you are describing a bond that is directly hypothecated to, say, hydro-electric plant A.

Senator RENNICK: Yes. Exactly. It's secured rather than unsecured against our children's taxes and our children's future.

Mr Hauser: They are more complicated financial instruments than basic vanilla bonds and would probably cost more. They would cost the public more because the returns on that bond would not come, as you say, from the general power to tax but the specific returns on that asset. Clearly—

Senator RENNICK: The government would issue its own bond. It is issuing equity. It would come back to us as a dividend rather than go away from us. It comes back to our children as a dividend. You pay the infrastructure bank that is owned by the Australian government. That pays a dividend back to the actual federal government rather than us paying interest offshore to a foreign bank.

Mr Hauser: I might turn to Brad in a minute. Some countries in Europe, as you may be aware, have infrastructure banks. They have their benefits. They do also have some challenges. If you are seeking to sell an equity stake in national assets, investors will demand a premium because, of course, they could lose all their money.

Senator RENNICK: That's not the point. The federal government would be funding the state government—I know you don't have states in the UK—to build that dam. The interest the state government pays is back to the infrastructure bank owned by the federal government. So the interest stays in Australia as well as the initial cost of the capital. We're retaining the earnings here in Australia rather than letting them go offshore.

Mr Hauser: My sense is that this is a perfectly sensible policy proposal. It is one that other countries have adopted. I wouldn't recommend that it be used as a monetary policy tool. Imagine a world in which we had a very successful funding flow to a set of infrastructure projects of the kind you describe. If inflation spiked, we would have to raise the price of those assets. That would have to be done in order to bring inflation down, but it might damage the investment.

Senator RENNICK: That is my point. Inflation is a relative concept. We had too much demand through COVID. You are now smashing demand rather than lifting supply. We have gone from 14 million people in 1985 to 28 million people today, so our demand has increased. We have to increase supply to match demand, and we are not doing that. We are just manipulating the price of money.

Mr Hauser: I will turn to Brad in a minute. I think you make a perfectly reasonable point that policies that might seek to increase demand would make monetary policy more straightforward. I humbly suggest that's probably a government and a parliamentary decision rather than one for unelected central bankers, who have struggled in recent years, as you have quite pointedly remarked, to bring inflation back down. Brad, do you want to add anything?

Dr Jones: I would just say that the remit the parliament has given us is a tool to assist with cyclical demand management. The policies that you are talking about focused on expanding the supply side of the economy are very much in the government's wheelhouse.

Senator RENNICK: I have one more question. I note the Bank of England has been struggling to meet its gold deliveries of late. There is a lot of talk about it. The authorities in the American administration are talking about auditing the gold bars at Fort Knox. I am not sure if you are familiar with it, Mr Hauser, but I have been given a document by the RBA whereby the Bank of England admitted to having fake gold bars and duplicate serial numbers. Is the RBA willing to cooperate with the American administration when the audit of the gold bars at Fort Knox is carried out? An audit of the gold bars at the Bank of England will be carried out at the same time so we know that serial numbers aren't being double counted.

Mr Hauser: I might turn to Michelle on this point. As you might understand, I'm a relatively new arrival.

Ms McPhee: Well, as you know, we do have considerable gold holdings at the Bank of England. They have been audited, as you know. The audit has been put on our website. I know that this is an issue that you have been talking to my colleagues about for some time. I don't think we have any direct requests from any government or central bank to participate in any activity like that. I might just take that on notice.

Senator RENNICK: Thank you.

CHAIR: I'll go to the deputy chair, Senator Bragg.

Senator BRAGG: I want to ask you about non-market jobs. Do you have a sense of how many non-market jobs there have been in the employment figures over the last year?

Mr Hauser: It is large. I don't have the precise figure in front of me.

Dr Jones: My recollection is that the contribution of total growth from the market sector has been in the order of about 20 per cent.

Mr Hauser: Market or non-market?

Senator BRAGG: Non-market.

Mr Hauser: Senator Bragg's question is about non-market.

Dr Jones: Non-market has contributed about 80 per cent of the increase in total employment growth over the last year or two.

Senator BRAGG: I assume your definition is similar to the one Treasury uses—that there is some sort of government substitution or government subsidisation of these jobs?

Mr Hauser: We discussed in the statement of monetary policy—there is a box in there—the health sector in particular, which has been a significant part of the contribution. I don't have myself—maybe colleagues do—a detailed analysis of the relative contribution of public subsidy versus private provision.

Dr Jones: I know our economics group does have that breakdown. It's not all public. Some of what's designated as private and non-market is still supported in a roundabout way by various government measures.

Senator BRAGG: So the answer to my question is yes?

CHAIR: You might want to repeat the question.

Senator BRAGG: Are non-market jobs by definition subsidised in some form by the taxpayer?

Mr Hauser: Some of them.

Dr Jones: Some are.

Senator BRAGG: It is a question of degree?

Mr Hauser: It is.

Senator BRAGG: Some are here in Canberra. They might be working at the Housing Australia Future Fund. They could be working in a job there. They could be working in another role where the taxpayer is supporting a part of their salary. For example, they could be working in a business where the government is providing a subsidy to that organisation in some form. Is that right?

Dr Jones: Yes.

Mr Hauser: Yes.

Senator BRAGG: I know this is a very Senator Rennick question. I want to ask you about the gold. Given that you worked at the Bank of England, maybe you can help us with this, Deputy Governor. I think a number of countries have been repatriating their—

Mr Hauser: Yes.

Senator BRAGG: Is it true to say that Poland, Hungary, Romania and India have repatriated gold from the Bank of England?

Mr Hauser: I don't know the list of names, but there have been a number of people moving gold on the whole from the UK to the US.

Senator BRAGG: From the UK to the US?

Mr Hauser: Yes.

Senator BRAGG: Why are they doing that?

Mr Hauser: It's a complex story. I'll pass to Michelle in a minute. One of the dominant traits in the gold market is to buy physical gold, hold physical gold in long form in London, which is the main physical gold market, and to sell futures or derivatives on gold in the US. In normal times, that trade is what is called market for pennies. It's a tiny little wedge between the return you will get on the physical gold and the return you get on the derivatives in the US. It is a so-called basis trade. There are many other kinds of basis trades in financial markets. It is a nice little earner but rather small. What has happened in recent times is that because of rumours, not reality, that tariffs might be levied on precious metals by the US, that wedge between physical gold in London and the derivatives position in the US has widened. Those mostly market intermediaries—which is why I'm not sure about your list of sovereigns—such as JP Morgan, for example, have found that the best way to deal with this blowout in spreads is to give physical delivery of the gold in the US, which is not an easy process. You have trucks queued around the block in the city of London waiting to take the gold out of the Bank of England and then transfer it to the US. This is not the only trade going on, but it is the dominant trade. It is to deliver it physically into the US market to close out that derivative position. I am sorry to go into what might seem—

Senator BRAGG: It's fascinating.

Mr Hauser: Double Dutch. Have I got that right? Don't say no.

Ms McPhee: No. That's absolutely right.

Senator BRAGG: It's all good. Finally, I think we've held the same amount of gold in England since the 1990s so it's not being traded?

Mr Hauser: That's right.

Senator BRAGG: Are there any plans to look at whether that would be repatriated?

Ms McPhee: We review our investment strategy on our foreign currency reserves regularly. Gold is part of that. We hold our gold at the Bank of England because it is the most liquid trading centre in the world and it's convenient for us to hold it there. It is a good facility for us. The trade that the deputy governor has been talking about is one where market participants are exploiting a differential between physical and futures prices. There also seems to be an element, if you like, of perhaps de-risking with some of the global uncertainty with tariffs et cetera. Some US based financial institutions are addressing that by bringing their gold home. It is quite unusual to move that much gold. It is quite a logistic exercise, as you can imagine, to physically move gold bars. Hence, there has been a lot of attention on what is going on at the Bank of England with their gold.

CHAIR: We've several minutes left. Senator Smith?

Senator DEAN SMITH: I will turn to the statement of monetary policy. At page 40, the bank talks about household disposable income. It makes the following statement:

This has been among the weakest periods of real income growth since the 1960s and has occurred alongside a period of historically weak productivity outcomes.

When does the bank expect Australia's living standards to be restored to their previous peak? There is a graph, B.1 at page 40, which, unfortunately for me and I'm sure others, is a bit hard to read. That previous peak looks like it might be bar six, seven or eight. When do you expect Australia's living standards to be restored to their previous peak?

Mr Hauser: I will ask Brad to start. Brad, if you run out of road, I will come in.

Dr Jones: I think the profile set out in the forecasts is in section 3.5. You are right in that there has been one of the largest contractions in real household income in the post-World War II period. We expect real incomes to start to pick up, which is really a function of two things. One is nominal income growth remaining firm because the job market is expected to remain firm. As inflation continues to come down, that will help lift real incomes. I couldn't tell you off the top of my head when the earlier peak will be exceeded, but we can take that on notice.

Senator DEAN SMITH: Yes, please. That would be great. At page 46, you talk about the liaison program. Specifically when talking about the community services sector and charities, you make the statement that contacts in the business liaison program, community service organisations and charities:

... have highlighted the challenges posed by the heightened demand for their services and expect this to continue over the year ahead.

What is happening in the community services and charities sector? Deputy Governor, you talked about having gone on a building site or spoken to a construction worker. Have you also been speaking to community service organisations and charities?

Mr Hauser: Yes. In fact, a few weeks ago, I spent a day at the National Debt Helpline in Sydney and listened in. They were kind enough to let me listen in to calls with individuals who were facing credit difficulties. I have to say that it was a humbling experience. I haven't done that before either in the UK or in Australia. It was very evident from hearing directly from those involved the challenges and personal difficulties that being in that level of debt distress produces. I might pass to Brad. We look closely at the aggregate data for that. I've also spent time with ACOSS in various of the states listening to the work they do. It's harder to reach the voluntary sector and the charity sector than it is to reach the peak body for mining or something—

Senator DEAN SMITH: Correct.

Mr Hauser: but it's terrifically important and I would say particularly important for someone like me, who is still learning how Australia works. I take the thrust of your question very seriously. I know the governor does too.

Dr Jones: There is an almost mirror image of calls into the National Debt Helpline, which is about real household disposable income per capita. That, to us, underscores the importance of getting inflation down. High inflation has been one of the key drivers—actually, even more consequential than interest rate settings—in depressing real disposable income. If we can get inflation back to target, real incomes, supported hopefully by productivity growth, will help put the country back into a much better place on that metric. I would underscore

the point that the calls into community helplines and the National Debt Helpline and others, we think, is directly tied to the real income challenge the country is facing.

Senator DEAN SMITH: It could have said over the next three months or the next six months. It clearly says over the year ahead. That is a bit of an ominous sign for charities and community service organisations that, as you say in the preceding sentences, are already dealing with heightened levels of demand and a broader range of clients.

Dr Jones: It's going to take some time for real household disposable income, particularly on a per capita basis, to overtake the previous highs. I don't think anyone at the bank thinks these pressures are going to dissipate any time soon.

Senator DEAN SMITH: Finally, who made the decision to invite the cameras into the board meeting? Why was it necessary? Is that an established precedent now?

Mr Hauser: The board made the decision because it was—

Senator DEAN SMITH: Unanimously?

Mr Hauser: It wasn't put to a formal vote.

Senator DEAN SMITH: Was it consensus?

Mr Hauser: It was consensus. The board made the decision because it was the 722nd and last meeting of the Reserve Bank board. I appreciate that there has been some discussion about the potential for there having been other reasons behind it. That's the long and short of it. That is why it was done.

Senator DEAN SMITH: So the cameras will be invited into the first meeting of the monetary board, which will be meeting No. 1? It depends. How will you record this? Will it be meeting 723?

Mr Hauser: We'll have a subcommittee to work on that question.

Senator DEAN SMITH: Will it be 722/1?

Mr Hauser: I think it will be meeting one of the monetary policy board. I don't know if the cameras will be invited in again. It was a fairly straightforward decision to invite them in to commemorate the last meeting. It obviously coincided with a decision by the board to change interest rates. That was purely coincidence.

Senator DEAN SMITH: This is a personal observation. I thought the boardroom looked underwhelming. I don't want to be unkind, but it looked like a staff training room. I was expecting this grand boardroom and portraits of governors on the walls.

Senator GHOSH: Your colleagues will be asking questions about it!

Mr Hauser: I have received a number of questions here today about the featherbedding of public officials. I think we are lucky to have tables, actually. In the UK, it was always a specific thing that you should have the rattiest looking—

Senator DEAN SMITH: The Bank of England stands out like the Privy Council.

Mr Hauser: I will take your comment and pass it back to the governor! I can assure you that, had we had—

Senator DEAN SMITH: To be fair, the RBA building on Martin Place is a historic building and suitably fitting for a central building.

Mr Hauser: And, as you know, we're temporarily out of that building.

Senator DEAN SMITH: Correct.

Mr Hauser: So we are in rented accommodation. We have the facilities available. I apologise that it didn't have the necessary grandeur.

Senator DEAN SMITH: Perhaps the palatial boardroom is best kept out of the camera's eye.

CHAIR: Thank you very much, Senator Smith. On behalf of the committee, Mr Hauser, we thank you very much for your first appearance with us. Thank you to Dr Jones and Ms McPhee. That concludes our questions. You go with our thanks. Thank you.

Mr Hauser: Thank you.

Proceedings suspended from 10:30 to 10:41

Australian Securities and Investments Commission

CHAIR: I now welcome Senator the Hon. Tim Ayres, Assistant Minister for Trade and Assistant Minister for A Future Made in Australia representing the Treasurer. I welcome representatives from ASIC. Welcome, Chair Longo and team. Do you have an opening statement that you'd like to give?

Mr Longo: Thank you, Chair. I will be brief. Good morning, everyone. I'm pleased to appear before the committee for the first time in 2025. I'm joined today by deputy chair Sarah Court and fellow commissioners Kate O'Rourke, Alan Kirkland and Simone Constant as well as CEO Greg Yanco, executive director of enforcement and compliance Chris Savundra and executive director of enterprise services Peter Dunlop.

I have three topics I want to focus on. The first one is some new executive appointments at ASIC. As you will be aware, ASIC has appointed a new chief executive officer Scott Gregson, who will take over from our retiring interim CEO Greg Yanco on 17 March. I would also like to take this opportunity to thank Mr Yanco for his exemplary service and his contribution to helping making ASIC a modern, confident and ambitious regulator. This week we have also appointed Amy Nichol as ASIC's new general counsel. Peter Dunlop, who you will know has been with ASIC for three years as our chief financial officer, as I've already indicated, has just been appointed executive director. As this is our first estimates hearing for 2025, I thought it would be timely to provide a brief update on key aspects of ASIC's work program.

Yesterday we released a discussion paper canvassing key and emerging issues relating to public and private markets. The changing dynamics between public and private markets is evident worldwide. In Australia, the number of initial public offers is at a decade low alongside declines in many developed markets. Australian and global private capital funds have experienced significant growth and are becoming an increasingly important source of economic funding, partly driven by the growth in domestic superannuation.

Our discussion paper poses questions to inform ASIC's priorities and future work program. The paper seeks feedback on ASIC's role in balancing the dual goals of ensuring Australia's public and private markets are open, accessible, attractive and support economic growth while protecting against risks. We are looking to ensure we have the regulatory settings right to maintain the integrity, transparency and efficiency of our capital markets, which is critical to the sound functioning of Australia's financial system and investor confidence.

The ASIC simplification consultative group held its first meeting this week to discuss how we can more efficiently and effectively administer the law. As a regulator, our experience is that simplicity means enforceability. It's good for consumers, investors and businesses and it is in line with government aims to reduce the regulatory burden throughout the economy. The ASCG will identify how we can more efficiently and effectively administer the law, how we can cut back on unnecessary bureaucracy and how we can simplify guidance and legislative instruments. The focus will be on making the most difference as quickly as possible for consumers and investors, businesses and directors. I look forward to updating this committee on the progress of this group at a later date.

I will now turn to enforcement. Our enforcement outcomes remain strong. Last year, we increased both our investigation numbers and civil litigation filings by more than 20 per cent on the previous year. We saw important enforcement outcomes across a broad range of areas, including greenwashing, crypto, predatory lending, high-cost credit and insider trading. This year, we've already seen a number of strong enforcement outcomes. Last Friday, AustralianSuper was fined \$27 million, with the Federal Court agreeing with the findings of our investigation, which identified a failure to merge multiple superannuation accounts. In a strong signal to directors and executives on the importance of meeting their duties under the Corporations Act, this week, the Federal Court penalised two former state entertainment executives for breaches of their Corporations Act duties and disqualified them from managing corporations for a period of time.

ASIC's proceedings continue in relation to the remaining nine former Star directors and officers. Recently, we also banned the former director of JB Markets from carrying on a financial services business after finding he was not a fit and proper person to participate in the financial services industry. Following an application by ASIC, the Federal Court recently made interim freezing orders against certain assets of two individuals in connection with our ongoing investigation into the Shield Master Fund. These investigations around Shield Master Fund are among the most complex ASIC is undertaking at the moment.

Our 2025 enforcement priorities were launched in November 2024 and reflect our strong focus on investor and consumer protection in the face of increasing cost of living pressures. Our priorities are selected to focus our enforcement efforts on the areas of greatest potential financial harm and promoting transparent and reliable markets. We will detect, investigate and prosecute unlawful conduct that seeks to take advantage of consumers and investors. We will target business models that avoid consumer credit protections. We will target conduct that exploits superannuation savings. We have a particular focus on fraudulent property investment schemes. We will continue to uphold the integrity of our financial markets. To support this, we have established a new dedicated team to target insider trading. We welcome the committee's questions.

CHAIR: Thank you very much, Mr Longo, for that opening statement and for the work that the regulator does. I will go straight to questions.

Senator BRAGG: Good morning. How many people has ASIC been able to get into jail in the last 12 months because of corporate crimes in Australia?

Ms Court: Thanks for the question, Senator Bragg. I haven't got the precise numbers of people who have been imprisoned as a result of ASIC investigations, but I can take you through some of the criminal matters where there have been—

Senator BRAGG: How many people actually go to jail for serious breaches of the corporate law in Australia?

Ms Court: Several people have gone to jail.

Senator BRAGG: Why don't you take it on notice if you don't know?

Ms Court: I can take it on notice, but I'm also happy, Senator, to take you through some of the examples of those who have been convicted and gone to jail.

Senator BRAGG: I just want the number. Maybe take it on notice.

Ms Court: Yes, Senator.

Senator BRAGG: Can I ask you about the AustralianSuper matter you mentioned in your opening statement, Mr Longo.

Mr Longo: Of course, Senator.

Senator BRAGG: How many people were injured as a result of AustralianSuper's actions?

Mr Longo: I think a lot of the information relating to that matter I might ask Chair Court to give you and possibly Commissioner Simone Constant. They have a superannuation focus.

Ms Court: In relation to the case ASIC had in court, over about a 10-year period there were more than 90,000 members of AustralianSuper who had multiple accounts that should have been merged. So over 90,000 people were concerned about.

Senator BRAGG: Ninety thousand people?

Ms Court: That's right.

Senator BRAGG: I think in some of your submissions to the court you had obtained some internal communications?

Ms Court: Yes, indeed.

Senator BRAGG: I have been able to dig up a quote. It states:

It benefits the member by stopping the \$1.50 charge on their dup acct, but for us it means less revenue.

Ms Court: Yes.

Senator BRAGG: Does that indicate their internal thinking about how they were treating their members at the time?

Ms Court: Well, I can't speak for AustralianSuper. Clearly, that kind of communication was something we put before the court in the proceedings. It was one of the pieces of evidence that we relied upon. Obviously, we're concerned about any action by any superannuation trustee that indicates an intent to benefit a trustee to the detriment of a member, yes.

Senator BRAGG: Okay. So the fine is \$27 million. Is that right?

Ms Court: Yes. The penalty that the court imposed was \$27 million.

Senator BRAGG: Is it right for me to say that ASIC submitted this to the Federal Court:

The imposition of a pecuniary penalty in the amount of \$27 million is not expected to cause a material detriment to members of the Fund. It is noted that if the Fund had been run at a profit for shareholders and thus contributed to assets owned beneficially by either AustralianSuper or its shareholders, ASIC would have sought substantially higher penalties.

Ms Court: I haven't got our submissions in front of us.

Senator BRAGG: That's in the judgement.

Ms Court: That's in the judgement? Well, then, yes. The parties put joint submissions to the court. I assume that the judgement reflects those submissions.

Senator BRAGG: So you could have sought a penalty of \$140 million, but you sought a lower penalty because of the capital base of the fund. Is that right?

Ms Court: No. That's not right.

Senator BRAGG: Can you explain to me, then?

Ms Court: When the court imposes penalties, there are a range of factors that the court takes into account. Every case is clearly different. There's a list set out in the legislation. There's also a lot of court based law. The kinds of things that the court will take into account will be the size of the company involved, the nature of the misconduct, the benefit gained by the person who is engaged in the conduct, the vulnerability of the consumer, the involvement of senior management and whether or not the conduct was deliberate. There is a range of factors, Senator, that go into this. The courts describe the penalty as an instinctive synthesis. In my view, it's an art, not a science. The benefit to a trustee and the impact on a member is but one of many factors that go into determining penalty.

Senator BRAGG: But why did you say that if the fund had been run at a profit for shareholders ASIC would have sought substantially higher penalties?

Ms Court: One of the factors that the court will take into account in determining penalty is any benefit to the wrongdoer. If the fund does not retain the benefit and it is returned to members, for example, it is a different scenario than if a fund, or any other company for that matter, retains a financial benefit of the wrongdoing and keeps it for its own asset base or gives it to shareholders. That would be the difference.

Senator BRAGG: Is that your position?

Ms Court: Well,—

Senator BRAGG: Of ASIC? That you would treat the funds in a different way?

Ms Court: No. It's not our position that we will treat funds differently.

Senator BRAGG: Why is that in your submission, then?

Ms Court: I don't have that submission in front of me. That would have been one factor in a range of factors. As I say, each matter depends on the particular circumstances and the arrangements that sit behind the particular trustee. One factor a court will take into account and ASIC will take into account when thinking about penalties is who has retained the benefit of the misconduct.

Senator BRAGG: You are clearly concerned, quite rightly, that if you hit these funds with big fines—in the case you've got AustralianSuper, or Cbus—it is the members that will pay. Is that what you are concerned about? That's what it looks like to me.

Ms Court: We're concerned about a lot of things in the superannuation sector.

Senator BRAGG: Well, you should be.

Ms Court: As we've talked about on many occasions.

Senator BRAGG: Good.

Ms Court: We have an extremely active both enforcement and surveillance program of work, as you are aware.

Senator BRAGG: I understand that.

Ms Court: We have many cases in court at the moment. What I want to take slight exception to, Senator, was your description of ASIC imposed fines. Just to be clear, these are court imposed penalties. It is an independent judge looking at the facts who imposes the penalties. ASIC makes submissions as to what those penalties should be. One of the things that we take into account is the benefit to the trustee. I will go back to your question about members. I think this was the subject of some discussion—

Senator BRAGG: It was, yes.

Ms Court: last night. How the trustee pays for any regulatory penalties, be they as a result of ASIC action or any other regulator, is an issue for the trustee. But there is a law, as I understand it, that says that those penalties cannot be paid directly from member funds. Indirectly, clearly, funds have to be paid. There may be an indirect impact on members as a result of risk reserves being raised.

Senator BRAGG: I understand that you have to work with the laws as they are.

Ms Court: Yes.

Senator BRAGG: My submission will be—I don't need you to comment on this—that the law is being distorted through the amendments to the trust deeds. The reality is that when these big fines come through, the members pay, not the shareholders. Clearly that has been taken into account in this judgement. My question really to you is: are you going to be consistent with how you deal with this regulatory arbitrage? Clearly, if it were a fund that had shareholders putting capital into the fund, it seems to me by reading your submission to the court that you would have imposed the maximum fine of \$140 million. You are talking about 90,000 people here who

have been wronged. The members will pay the fine. The fine would have been bigger if the shareholders had put some money in. Isn't that right?

Ms Court: No. I'm not sure if I was supposed to respond. There's a lot in that question that I would dispute and be—

Senator BRAGG: I'll give you the question again. Are you going to be consistent with how you deal with this regulatory arbitrage?

Ms Court: ASIC will be consistent with how it deals with its approach to submissions to the court on misconduct by superannuation trustees and any other entity. We are consistent on that. We have a very clear framework. The courts have set out over many decades the factors that are taken into account to send deterrence signals to the market, which is the purpose of civil penalties. We absolutely take a consistent approach to that, Senator.

Senator BRAGG: Consistent across all funds?

Ms Court: Consistent across all entities, be they superannuation funds or any other entity in the market that we regulate.

Senator BRAGG: A comment in your submission to the court notes the status of the fund. How would that apply in a fund that was not owned by unions and employer groups?

Ms Court: I really can't answer that without the submissions and more detail about the situation, Senator. It's a hypothetical situation. We've had many matters against—

Senator BRAGG: I will table the materials and we could come back and talk to it. I don't want you to feel as if you are talking about your submission without knowing what it says. We can table it and come back to it later.

CHAIR: You need to provide it to us to do that.

Senator Ayres: I think there are two elements to that proposition, Senator Bragg. One is, of course, the officer is not operating with the benefit of the material that you are referring to. That can be resolved by providing it and giving her and her team an opportunity to review it. The second element that I think is more difficult is that you are asking her to engage in any case in a hypothetical. That's harder to overcome unless you have a particular case in mind. It's inevitably the case that in superannuation funds that are not for profit some of these issues are different to superannuation funds where the profits are returned to investors, of course, many of whom are in your support base. I understand that. There are issues that are going to be very hard for ASIC to respond to unless you have something specific to refer to.

CHAIR: Thank you. The committee is seeking to find and table the document. In the meantime, we'll go to Senator O'Neill.

Senator O'NEILL: Thank you very much. Welcome. It's nice to see you again. We've just had the Reserve Bank here. The deputy governor indicated that he had been on the helpline listening to people. There's a huge range of literacies in terms of financial products across the country that I know you are very aware of. I want to start my line of questioning reflecting on your comments about your insider trading team. Can I ask you to explain clearly so that ordinary Australians who don't trade understand what insider trading actually is.

Mr Longo: Well, insider trading is when anyone in possession of material information affecting the price or value of those securities trades with that knowledge before that information becomes public. That has been a longstanding principle in our markets and, in fact, markets generally. It's unfair that people have selective access to information of that nature. If you have material inside information, obviously you have a leg up. You have an opportunity to trade with information no-one else has.

Senator O'NEILL: So it's a practice of unfair trading on the Australian Stock Exchange, which some people may never have interacted with at all. That is the trading bit. The inside bit is knowing something that other people don't know?

Mr Longo: It's not a big problem as a shorthand insider. Under US law, you have to be a true insider to commit an offence. In Australia, it's anyone in possession of that kind of information who is prohibited from trading. You don't have to be a true insider. It can be anybody.

Senator O'NEILL: Anybody who gets information that should be held confidential?

Mr Longo: There's a complex law around how you establish whether they've got possession and whether it's material or not. That is why running insider trader cases, in my experience, is very difficult to get across the line to a criminal standard.

Senator O'NEILL: Just because it's difficult doesn't mean that you resile from the task? In fact, you mentioned it a couple of times in writing.

Mr Longo: That's right. It is difficult. It's important to remind everyone that our resources are limited. We don't lightly embark on a fully resourced investigation every time a potential insider trading matter might be brought to our attention. The vast majority of those matters will not be resourced for investigation because we can make an early assessment that an investigation will not lead to admissible evidence being found that would justify a referral to the Commonwealth Director of Public Prosecutions.

Senator O'NEILL: In your experience, you have taken cases about insider trading through to the courts. Have any of the people who have undertaken insider trading admitted immediately that occurred, or do they usually say, 'No. It wasn't me. I was just smart when I did my trades?'

Mr Longo: That's a really good question. As a generalisation, most people who do the wrong thing find it hard to accept they've done the wrong thing until they reach the steps of the courthouse. But occasionally, even in the insider trading arena and even in the criminal arena, we do get the occasional plea of guilty. But that is a very facts sensitive situation, Senator. Sometimes people will fess up or want to concede they've done the wrong thing early in the process. There's a whole practice and protocol, be it a civil or criminal matter, as to how the regulator or the DPP will deal with those circumstances. It's very facts sensitive.

Senator O'NEILL: How does ASIC become aware of cases of insider trading?

Mr Longo: We have constant monitoring of the markets on a daily basis. We have a state-of-the-art surveillance system that has been in operation for some years. It is called Artemis. I think we've given evidence to the committee before about how it works. It's real-time. It varies from day to day. I'm told that 100 or 200 queries might come to our attention. Insider trading is often related to continuous disclosure issues, so there might be something happening in the market and we're worried that either someone is trading in a way that is a bit odd or there are circumstances brought to our attention where we might say: 'Hang on a second. Shouldn't you be disclosing what is going on here?'

Senator O'NEILL: In summary, you use market data?

Mr Longo: Yes. Real-time market data.

Senator O'NEILL: And any AI tools to discern patterns?

Mr Longo: I'm not sure I'd call it AI tools, but they are AI-like. I might add—I hope I'm not anticipating something that you're about to ask us—that the technology I'm referring to and the practise of our approach is relatively recent in the last few years.

Senator O'NEILL: So you wouldn't have had those observation skills when the GFC occurred, for example?

Mr Longo: No. Indeed, at that time, the regulatory oversight arrangements were different.

Senator O'NEILL: So it was easier for people to get away with doing the wrong thing and being an insider trader using exclusive knowledge to get a leg up and trade than it is now?

Mr Longo: All I was saying was that there was a time when the ASX itself had frontline supervision for the sort of trading we're talking about. That moved to ASIC later. I can't comment—maybe I can—on the other proposition you are making.

Senator O'NEILL: That was then. This is now. Then it was easier?

Mr Longo: The way to understand it, with respect, is that now we're the frontline markets regulator. We've had that role for some years. We have very good technology. I have a lot of confidence in the team. It's very hard to get a criminal brief up for insider trading, but we do a lot of work in that space. If you're talking about frontline supervision, say, more than 10 years ago or even 15 years ago, the regulatory arrangements for that were different. They were led at that time by the ASX. What would then happen is that the ASX, if it found or heard something that it was unhappy with and felt it needed regulatory attention, would then refer that to ASIC.

Senator O'NEILL: There is a threshold there that you talk about, I think, that is embedded in your answers about when you would undertake an investigation. Is public interest a consideration in determining whether to conduct an ASIC investigation?

Mr Longo: I'm happy to answer that question. We take into account a wide range of factors. In more recent times, we have limited resources. We've been very public about our enforcement priorities and about the areas where we think particular attention needs to be given. In recent times, we have dedicated resources to an insider trading team, for reasons I can come back to. The public interest is a very broad concept. It's not very useful really in deciding what matters to take on. Generally speaking, we will be driven by what our enforcement priorities are

and what is going to have the most impact on conduct in the market. We are not resourced and we're not required by the legislation to take action on every matter that is brought to our attention. We are not a complaints handling authority. We get lots of data from lots of places. We are resourced to conduct around 200 investigations a year. A lot of those matters may end up in a civil or criminal court.

Senator O'NEILL: Thanks, Mr Longo.

Mr Longo: I can unpack that with maybe some assistance from my deputy chair Sarah Court, who chairs the enforcement committee. In broad outline, that's how it works.

Senator O'NEILL: I certainly don't want to speak over you, Mr Longo.

Mr Longo: That's okay.

Senator O'NEILL: I appreciate the detail you want to give me. I know that I'm going to get the call from the chair very soon to wind up. Public interest is one component that you might consider in determining whether to conduct a review along with other factors. When things are in the public eye, that is something that comes to your attention. Is that a fair shorthand?

Mr Longo: The public interest is a concept of wide import. We have so many matters that we could deal with. We break it down to a range of factors. One of them, for example, is whether we can find the evidence. There is the age of the matter and whether it is likely, if we put a lot of resources into this matter, that we are going to get a result. There's no point investigating something for 18 months and saying, 'That's nice. We can't do anything.'

Senator O'NEILL: Does ASIC itself recommend criminal prosecutions through investigations, or is that a determination by law enforcement?

Mr Longo: When we look at a matter at the very beginning, we have an open mind as to whether it will end up as an administrative result, a civil result or a criminal result. It's of the very nature of an investigation most of the time, firstly, that you don't know whether you're going to find the evidence that you need to do anything at all and, secondly, once you find the evidence, that it's admissible and you have an option to do something. We then very carefully consider what our options are. We routinely are weighing up civil and criminal results and outcomes. We make judgements, discretions and decisions about whether to refer something to the DPP because we think it's so serious, we think the evidence is there and we want the DPP to look at it. There's a lot of discretion and judgement. This is not simple work. It's very complex work.

Senator O'NEILL: Is there a statute of limitations for an offence that becomes known?

Mr Longo: Some offences have statutes of limitations.

Senator O'NEILL: Could you take on notice—

Mr Longo: Some offences do. The less serious ones have statutes of limitations. I think as a general matter serious offences don't have statutes of limitations.

Senator O'NEILL: We talked about the insider dimension of this. Often the sense is that an insider is a person who belongs inside an institution. But an insider could be somebody outside an institution who has possession of information. That makes them an insider. Is that correct?

Mr Longo: The word 'insider' is not used in the Corporations Act.

Senator O'NEILL: It's not information held?

Mr Longo: It's a handy shorthand. I think everyone sort of gets what we're talking about. The law prohibits trading if you are in possession of material price sensitive information that affects the price or value of securities that's not readily available or readily observable. There's a whole jurisprudence and legislation around it. I really stress that these cases are very hard to run.

Senator O'NEILL: A lot of people, I think, who don't know much about this would think that the market is all just about businesses and information that flows around businesses. They might think of BHP and inside information or they might think about banks. Can I clarify that government agencies can be the source of very sensitive market information too? Isn't that the case?

Mr Longo: I would generalise that to say that there are many institutions in our society—corporations, the Commonwealth and lots of entities, private and public—that have information that is sensitive. That is why we have confidentiality obligations. A lot of us are very familiar with that.

Senator O'NEILL: Right across government.

Mr Longo: Across our community.

Senator O'NEILL: Across the community. But in government across every possible portfolio there would be insider information potentially that could impact the market. So we would call it market sensitive. But Treasury surely would be the peak place where information that could be market sensitive would be moving around. Is that a fair statement?

Mr Longo: I think we all have access to information that is sensitive from time to time. I'm happy to continue answering these questions in a hypothetical way. I really want to stress that each situation is extremely facts sensitive. When it comes to insider trading, certainly the classical stuff involves, say, an entity on the Australian Stock Exchange. You really have to establish in detail what information the person had that was sensitive and that they had possession of it at the time they traded. As we know from history, that person might have had an independent reason for trading. If that reason is rational and coherent, the charges won't even be laid in the first place.

Senator O'NEILL: We heard yesterday, on the strength of information from the report of the committee of privileges, into matters arising from the economics legislation hearing and three subsequent publications of documents. They related to the matter of Mr Godwin Grech. He was actually, if I can put it in Australian parlance, leaking like a sieve to the Liberal Party while he was constructing a \$4 billion market intervention to hold up the banks during the GFC. That is now clearly a matter of fact. Who had access to that information at this time remains unknown. There may be people who have that information who could put it out in the public. We've clarified a couple of things. An insider is a person who has information. Market trading is using that to your personal advantage because you have knowledge that the market doesn't have. We are clear that government agencies, particularly Treasury and, in this circumstance, Mr Grech, with a \$4 billion policy intervention, was providing information broadly to members of the Liberal Party.

Senator DEAN SMITH: No. I don't think that's accurate.

Senator O'NEILL: It's reasonable to say that both—

Senator DEAN SMITH: I don't think the privileges committee agreed with that. That is not accurate.

Senator O'NEILL: senior public servants and parliamentarians—

CHAIR: Order!

Senator O'NEILL: have access to market sensitive data—

CHAIR: Order! Senator O'Neill.

Senator O'NEILL: that could be used in a case of insider trading.

Senator DEAN SMITH: It was not a finding of the privileges committee.

Senator Ayres: I don't want to suggest that you are doing anything but answering the questions properly, of course. Of course, Mr Longo is in charge of an organisation that is responsible for conducting these prosecutions. As you can see, he has been circumspect in talking about the thresholds. Of course, officers of ASIC and other agencies—Treasury and other parts of government—always hold information that is market sensitive. They have their own investigative procedures and codes of conduct for their staff. As Mr Longo has said, these are complex matters. He is, of course, giving this evidence in the shadow of the allegations about Mr Dutton that are being made publicly and in estimates proceedings.

Senator DEAN SMITH: They are not the subject of this committee. It was part of the ruling yesterday, Senator Ayres.

Senator Ayres: They have been canvassed across these estimates proceedings.

Senator DEAN SMITH: Chair, we had a private meeting—

Senator O'NEILL: Again. And we've spent another 40 minutes figuring out the issues so this line of questioning proceeds.

Senator DEAN SMITH: and we canvassed these issues.

Senator Ayres: If you want to be part of the cover-up operation, Senator Smith, you should—

CHAIR: Order!

Senator BRAGG: We don't need your help.

CHAIR: Order!

Senator BRAGG: This is embarrassing.

CHAIR: We will allow the minister to conclude.

Senator Ayres: What are the tests that ASIC must engage in before it commences an investigation? Mr Longo has taken you to some of that. What are the tests that they determine before they send a matter to the Commonwealth prosecutor? That is a different matter. Of course, they are interfered with by the effluxion of time and the complexities of these kind of prosecutions. Of course, the tests properly for a conviction are higher still. A court will apply those, and that's a matter for the court. The problem, of course, for Mr Dutton is that while those tests may apply here—

Senator BRAGG: This is a disgraceful waste of the Senate's time. This hearing is not about your political, grubby machine.

CHAIR: Order! Senator Bragg.

Senator BRAGG: This hearing is about Senate estimates and us asking the officials questions. You are out of order. I'm calling a private meeting.

Proceedings suspended from 11:17 to 11:41

CHAIR: The committee has had a private meeting. The committee agrees that the questions that Senator O'Neill is asking are relevant to this round of Senate estimates, including the topics that she is exploring around, for example, the handling of sensitive information. She is entitled to ask those questions. The minister is entitled to provide answers to questions as he sees fit when he wishes to answer a question. I draw the minister to the topics of the question and invite the minister to refrain from talking about any member of the House of Representatives' private interests in any answers that he may give. On that understanding achieved by the committee, I call Senator O'Neill to continue her questions.

Senator Ayres: I might conclude my answer, reflecting on that advice, thank you, Chair. I think Mr Longo has explained ASIC's role in prosecutions. Of course, in terms of individuals who work for ASIC, Treasury or the Public Service more broadly, or public officeholders, including members of the House of Representatives or senators, it is the case that individuals become privy to information. They have a duty not just in terms of the criminal law and civil law but to the people they serve to not use that information in any way but for the public purpose for which it has been provided. It is not an opportunity to enrich yourself, trade shares or undertake activity that goes to one's private interests. Of course, the period that we've recently gone to around the global financial crisis and, latterly, the intervention that the Morrison government undertook with the support of then opposition are good examples of concentric rings of people having knowledge of, and being engaged in, imminent public sector interventions that will change the market. Those with absence of that knowledge are ordinary Australians. During the COVID period, of course, we saw long queues at Centrelink and high levels of uncertainty. During the global financial crisis, markets were being smashed around the world. Banks collapsed. Factories closed. Economies went backwards. It was by no means a certain thing. Maybe in retrospect people say they made astute investments at the time. By no means was it a certain thing when critical interventions were going to be undertaken or whether they were going to be undertaken.

The Australian public deserves to know that their representatives are acting in their interests and their interests alone. That's why the government has, of course, on coming to office, put out the ministerial code of conduct, which imposes higher obligations upon ministers than previous governments imposed. In any case, there are criminal and civil tests. Public character tests should be applied to members of parliament and public officeholders more broadly. Thank you.

Senator O'NEILL: Thank you very much, Minister and Chair. I will pick up the threads of where I was before the private meeting. I asked whether information relating to policy development is considered market sensitive information. I think Senator Ayres's contribution has made it very clear that is the case. I was about to read from the privileges document. Mr Grech at the time was leading the policy work as a senior Treasury official into a program entitled the Australia Investment Business Partnership. It was essentially to invest \$4 billion to shore up the security of the banks for Australia in the crisis that was emerging under the GFC. It is now a matter of fact and recorded in this document. I will quote from it:

...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.

I read some of them on to the record yesterday. He described himself as a Lib. He was communicating with members of the Liberal Party. That is shown by the addresses that he communicated with. Given that, it is unknown at the moment exactly with whom Mr Grech communicated this market sensitive information. My question to you is: how would such sensitive information be considered and picked up now? You've indicated a couple of techniques you have. Would information of the kind that Mr Grech was sharing have been picked up at the time by the ASX, who you indicated was the custodians of the insider trading matters at that time?

Mr Longo: At that time, if we're talking about 2009, clearly the ASX was the frontline regulator. Let me say right up front, with great respect to the committee, that I'm not in a position to comment on whether or not the information this person had was price sensitive in the sense that concept is understood for the purposes of a potential insider trading prosecution.

Senator O'NEILL: You would have to do a lot more investigating?

Mr Longo: With your indulgence, I think it's very important to be very objective about the language we're using. There is clearly lots of information that we talk about that is market sensitive. It's confidential. It's market sensitive. It's interesting. It might move the market. We often hear those phrases—move the market, and markets reacted. That's fair enough. I think we have some sense of what that means. Market sensitive information and trading on it ahead of that information being published or made known isn't necessarily information that is going to prohibit you from trading. So many factors go into an insider trading prosecution. We talk about market sensitive information. As I've already mentioned, in any criminal prosecution, that information has to be particularised to a very high standard. There are lots of court cases about that. I can personally attest to that.

Secondly, in order for the prosecution to even get this matter to a jury, the crown, which is usually the prosecution, usually has to lead expert evidence to establish or to opine that what the prosecution says is price sensitive information is price sensitive. So the court and the jury, if it ever gets to a jury, will not take the word of the prosecution. The court will expect there to be expert evidence. I can tell you now that expert evidence is often contested by other expert evidence that says that the information is not price sensitive.

I think it's really important for the committee to appreciate that, from my perspective and from ASIC's perspective, the information may be confidential and market sensitive and interesting, and people might know it at the time they do some trading, but all that has to be linked back to the particular entity in which the trading of securities occurs. There are lots of hoops to jump through along the way. I really want to stress those general principles. I really can't comment on this gentleman's state of knowledge and who he spoke to and all of that. I just can't do that.

Senator O'NEILL: Perhaps you are not the person who needs to come forward with the truth about what was going on there. There are members of the Liberal Party, though, who know exactly what it was that Mr Grech was communicating to them at the time. I believe it would be in the national interest if people of integrity who had that information and didn't use it were able to inform the current interest. There may be somebody who advantaged themselves in that period between 23 February, when the market was at its lowest, and the announcement of \$4 billion to prop up the banks with a 21 per cent increase in the following 12 days. If they had intimate knowledge of that, that would be important to put on the record too. Of course, it would also seem to me appropriate especially if such a person were still in the public eye.

I want to ask a couple of quick general questions. Do you monitor for unusual share activity related to government announcements now?

Mr Longo: My understanding of the way the system works is that we have technology, systems and processes where we look at what is going on with trading in the market. That technology will lead wherever it leads. We have the identifiers of who is actually doing the trading. Without going into information that is actually quite sensitive, we have the capability to trace who is behind the trading and form quick judgements about whether we need to ask more questions or whether we're satisfied with the initial reaction to our questions. Remember that we get hundreds a day. Our team is very experienced. We are in constant communication with the ASX and brokers. It just depends. We're interested in everybody's trade. We don't give special attention to one part of the market or another. If you are trading on the Australian Stock Exchange, we're watching.

Senator O'NEILL: Thank you. This is my final question. If it were found that an official involved in the development of key policies responding to the global financial crisis had been leaking sensitive information that was capable of affecting the market and that was generating a practice of insider trading, would that raise concerns for you about these historic occurrences? Would you have capacity with the ASX to investigate if you were so inclined?

Mr Longo: I hope you don't mind me saying this. I will not comment on a particular scenario. As a general principle, ASIC stands for transparency. We've just published a paper on public and private markets. It is a fundamental tenet of well-functioning markets that there is transparency, because that leads to honest, efficient markets. As a general principle, unless there's a good reason to keep something confidential, our system encourages information to be made available to everyone. That is really at the heart of the continuous disclosure regime. There are obviously exceptions that I wouldn't go into now. As a general principle, we celebrate transparency. Unless there's a good reason—and there often is; you're developing confidential policy or it's of a

proprietary nature or it comes under the one of the exceptions the ASX recognises—as a general principle, of course, we encourage openness. A lot has been written and said about the GFC. I think for today's purposes, if it's okay with the chair and committee, from an ASIC perspective, we encourage transparency. Of course, all of us would appreciate the need for confidentiality in our work.

Senator O'NEILL: And integrity in people who come across confidential information, whether it's in their direct control or whether by the rumour mill they pick up a hot tip on the horse that is running tomorrow at the ASX.

Mr Longo: I don't know anything about horse trading or horse races, I'm sorry. I think those of us who have been around a while appreciate the basic concepts of confidentiality that we're talking about. There's obviously lots of potential questions around information that should be kept confidential that's market sensitive that is going to move markets. These are very general concepts. From the humble world of ASIC, we are here to enforce the insider trading laws. If information comes to our attention that will justify the commencement of an investigation, that's what we'll do.

Senator O'NEILL: Thank you very much. I have other questions, Chair, thank you.

CHAIR: Thank you. This is some housekeeping. We are due to break at 12.10 pm for lunch, which we will do. A number of senators still have questions, so we will be returning after lunch with ASIC.

Senator RENNICK: I want to congratulate you on the fact that you've raised this issue about transparency and opaque markets. I've long had an issue with opaque markets. One of the reasons why I think these dark pools have been created and a way they get around it is that when the GST was introduced, the state governments got rid of stamp duty on share trading. If you want to kill a lot of this scalping and opaque market stuff, you need to bring back stamp duty on share trading. Think about it. I know you're not responsible for policy, but this dealing with it. Hardworking Australians pay stamp duty on their houses, their farms and any hard assets they buy. Often there is still stamp duty on insurance, for example. We have these high frequency traders, most of them foreign sourced or residency based, coming in here. There's no stamp duty on share trading, and the tax act gives a capital gains exemption on foreign companies who own less than 10 per cent. They call them non-portfolio interests, and they don't have to pay capital gains tax. It's a ripe market for money laundering because they don't have to pay stamp duty on the way in. They don't have to pay capital gains tax on the way back. It's completely opaque. I congratulate you for looking at it. I think it's a very serious issue. I think it's something that has to be dealt with. I guess that's more of a comment. Keep it up.

Mr Longo: Thank you.

Senator RENNICK: Minister, I might recommend to you that if you have a productivity crisis in this country, bring back stamp duty on share trading and fund the states to abolish payroll tax, because that would really help our corporate sector a lot. It's ridiculous. We have payroll tax on people at work yet we have foreign scalpers and traders coming into this country trading shares and our assets who pay nothing. I have another question for you. I raised the issue last time of Macquarie Bank getting fined a few million dollars for engaging in scalping the energy markets. I believe that was a civil conviction.

Mr Longo: Yes. I think that is correct. It was a penalty imposed by the Market Misconduct Tribunal; I think it is the name of the tribunal. It isn't a court, but it's one of those interesting entities created by the Corporations Act.

Senator RENNICK: Thanks.

Mr Longo: My deputy has said it is the market disciplinary tribunal.

Ms Court: The disciplinary panel—MDP.

Mr Longo: But not a court.

Senator RENNICK: Okay. I note, however, a couple of smaller people—one was a nurse, I think—got charged. They made a profit of \$88,000 for spruiking shares on the market. They were criminally charged. I think there's a difference in outcome there. Whilst obviously I don't condone what they did, four people made \$88,000—it was out there somewhere, about \$22,000 a pop—and they are going to be criminally charged. I think there's plenty of spruikers out there on HotCopper and all that all the time. I think it's unfair that the individual gets a criminal charge yet Macquarie Bank only gets a civil charge. I will leave it at that. I don't know if you have any comments on that as well.

Mr Longo: Are we aware of the matter that the senator is raising?

Ms Court: I'm not familiar with it, sitting here now today, but I understand the broader point you are making. Individuals get criminally charged and criminal convictions and a big entity, such as Macquarie, is getting a \$5

million civil penalty but not the condemnation, if you like, that comes with a criminal conviction. So I understand the point.

Senator RENNICK: Because that touches on Senator Bragg's point before. There's so much going on that ASIC can't get over the top of every bit of corruption or cheating on the markets or whatever. If you put a couple of them in jail, I think you will find that the fear of real penalties being applied to these people will suddenly reign them in a bit. I will leave that as a comment, not a question.

Ms Court: With your leave, Chair, I will comment very quickly. Over the break, Senator Bragg asked me about the number of custodial sentences in the last 12 months. I haven't got the 12-month figure, but I have the six-month figure. Eleven custodial sentences have been imposed on people for misconduct. That includes suspended sentences, where the court makes that decision. There were eight the year before and 21 the year before that. We can still give you that information further if you need it, Senator Bragg. There are a lot of people in custody as a result of ASIC investigations.

Senator BRAGG: Good. Thank you.

CHAIR: That is a good segue back to Senator Bragg.

Senator BRAGG: Thank you very much, Chair. Have you now taken the document in relation to the AustralianSuper matter?

Ms Court: Yes. I have it, Senator, yes.

Senator BRAGG: There is an extract and maybe the whole judgement. Who funds the trustee risk reserve?

Ms Court: As I understand it, Senator—it's not my direct area of expertise—the members fund that through fees. They fund a range of administrative and other costs of the trustee.

Senator BRAGG: The trustee risk reserve is used for paying regulatory fines, perhaps?

Ms Court: Yes. As I understand it. Again, Senator, I caveat my answer only in that I'm not an expert in how these issues work. That's my understanding.

Senator BRAGG: Generally speaking, the members have built up the reserves in the fund through paying higher fees. That is then reserved for future purposes. In the case of a judgement here, as you know by your own hand, AustralianSuper maintains a trustee risk reserve.

Ms Court: Again, I'm not trying to be argumentative. This is not ASIC's own hand. This is a judgement of the Federal Court written by a judge. It will draw heavily on facts agreed between the parties put to the court. I don't demur to that at all. I want to be clear that this is an excerpt from there.

Senator BRAGG: But didn't you agree with the judgement?

Ms Court: Sorry, Senator. We are trying to ascertain. I have assumed that this is an excerpt from the judgement of the Federal Court?

CHAIR: Yes. It is.

Senator BRAGG: That's right.

Ms Court: It's not from the joint submissions of the parties?

Senator BRAGG: No. It's the judgement. You are generally happy with the judgement?

Ms Court: We were—

Senator BRAGG: These are not trick questions.

Ms Court: No. I was just trying to think. It's an interesting description—being happy with the judgement. We think that the imposition of the penalty amount was appropriate in the circumstances of this misconduct.

CHAIR: I will take the opportunity to table the document formally that Senator Bragg is referring to and the opening statement.

Senator BRAGG: Thanks, Chair. I guess it's going back to my earlier question about the size of the fine. As I said, it could have been as high as \$140 million. It seems to me—now you have the paper in front of you—that one factor that was taken into account was the status of the capital position of the fund. It had been funded by members who had created the trustee risk reserve. Is this a factor that you imagine you will take into account when you are in a similar situation in future? Examples include—I don't expect you to make direct comments about these matters—Rest insurance issues or Cbus's issues. They are of a similar capital status in that the shareholders do not put capital into the fund. The members pay a fee to build up a risk reserve. Do you expect this to be something that ASIC will take into account in future?

Ms Court: The provisions of the legislation require ASIC to take into account the effect of the penalty on members. That is an express provision in the law. Yes, clearly that will be one of many factors that are taken into account in relation to ASIC's submissions on penalty to the court. Ultimately, the court will determine that issue, Senator.

Senator BRAGG: Because the greater the fine, the more the members pay?

Ms Court: The higher the fine—

Senator BRAGG: The members pay the fines, right? They pay it through the risk reserve?

Ms Court: The members don't directly pay the fines. The law prohibits that. These penalties can be, again, as I understand it, sourced from a range of areas, including the risk reserve and insurance. There may well be other issues as well, Senator. The effect of the penalty on members is one aspect a court will take into account. Against that, Senator, can I just be clear that ASIC has been working very hard to increase penalties across the board in the financial services sector. I think it is the second highest penalty that has been imposed on a superannuation fund. Again, I stand to be corrected on that. It's a significant penalty. In our view, it was appropriate in the circumstances.

Senator BRAGG: You have made your position clear. I won't add any editorial. Thank you for that. I want to ask about phoenixing. We have canvassed with ASIC before the issue of phoenixing. I want to ask you about the Delmar case. Is anyone able to talk to me about that?

Ms Court: Could you give me more information, Senator? It's not a name I'm familiar with.

Senator BRAGG: It's about payroll.

Ms Court: I'm sorry, Senator. It's not ringing any bells for me, I'm afraid.

Senator BRAGG: I might make some more general comments and maybe you can answer my question this way. How confident are you that when someone is rubbed out as a company director or has faced a serious penalty that they are not going to turn up again as a company director?

Ms Court: How confident are we?

Senator BRAGG: In your systems so that if people are banned, they don't end up being directors?

Ms Court: Well, look, I am reasonably confident, Senator. We have a lot of work that goes on in relation to directors. We engage all the time with liquidators. We are getting reports of misconduct from businesses and from liquidators on a regular basis. We follow all of them up, every one that we receive. We have been working very hard to make sure that the requirements of the director ID are being met. We now have very high compliance in terms of directors and the director ID. We are having prosecutions of directors that we are ascertaining have not complied with those requirements. There is a lot of work going on in relation to these issues.

Senator BRAGG: Can I ask you about a matter concerning someone who I believe was banned as a director, Terrence Marshall? You might need to take this on notice.

Ms Court: I think I might have to.

Senator BRAGG: I understand that Mr Marshall may have ended up becoming a company director again after he was banned and perhaps during his banning period. I don't expect you to know the details and the cases here at the hearing, unless you have anyone who can provide that on notice?

Ms Court: I don't think we have anyone here with that information. Senator, clearly, being banned from being a director is serious. If we get information that somebody is acting as a director during the period of their ban, that's something we would look at seriously. We would be very happy to have that information.

Senator BRAGG: Could you look into that and provide me with an answer as to what has happened in this case?

Ms Court: Do you have any more details, Senator?

Senator BRAGG: There is correspondence in your system from Mr Warren Day when he was there. He exchanged some correspondence with some people who had been in some way engaged with the gentleman I mentioned before.

Ms Court: I know you are asking me questions, Senator. Is that recent correspondence from Mr Day?

Senator BRAGG: Within the last 18 months.

Ms Court: Thank you, Senator.

Senator BRAGG: Thank you very much. I have a final question and then I'm done, Chair.

CHAIR: Actually, thank you for checking with me, Senator Bragg. We are due for the lunch break.

Senator BRAGG: It's one minute.

CHAIR: We will take that break. We will resume with ASIC.

Proceedings suspended from 12:10 to 12:56

CHAIR: We will go straight to questions. The deputy chair, Senator Bragg.

Senator BRAGG: What is your view on crypto, Mr Longo? I believe in the past you might have said it was a nonsense. I've also got a quote hear from you saying it's a bigger fool theory, but I wonder if those are misquotes or whether that is your actual view about crypto?

Mr Longo: My job is to administer the law as it is. Part of that involves warning consumers about trading or indulging in activity that's clearly highly risky, speculative and about which there is ample evidence that losses can occur for no good reason. Putting that to one side, under the existing law, cryptocurrency activity is regulated. If it's a financial product or service, the law has been for years—and is—that you need a licence to do that activity. We published an information sheet years ago and I think there's a bit of been a bit of misapprehension and confusion recently about ASIC's position. I'll pass to Mr Alan Kirkland in a moment, who personally attended a lot of the consultation meetings. I think the key points are we're technology neutral. The law has been like that for many years. Secondly, our approach to regulation of crypto is in fact no different from our approach to regulating any other financial product or service. We publish a lot of regulatory guidance information sheets on a wide range of financial activities and they get updated. My broad position is I have warned consumers about this activity. It's clearly highly risky. But our job is to administer the law the way it is. We're technology neutral. The only other point I would make is that the recent work that ASIC has been doing in this space is actually responding to various voices in this sector who are looking for more certainty in their business. We're right in the middle of a consultation. We're open minded. We're doing our best to administer the law to best effect. I'll hand over to Mr Kirkland.

Senator BRAGG: You're the head of the agency. It sounds like you don't think it's nonsense?

Mr Longo: I think it's a highly speculative activity. I do have personal views.

Senator BRAGG: You're entitled to your personal views, but you're also the head of the agency. What you say carries more weight than if you were doing a different job.

Mr Longo: I don't think I can be any clearer than to say to the general public that this activity is highly speculative. It's risky and should not be undertaken lightly. That doesn't mean it's illegal or it's prohibited. As the regulator, it's my job, as I have done across a number of asset classes—and indeed in this private-public markets paper—to express views about private and public markets and the need for transparency and data. In the crypto space, it might very well be said that there's a greater need for transparency there as well. As to my views about the riskiness of this behaviour—I have no intention of withdrawing them. Secondly, I do intend to apply the law as it is. If there's financialisation of this activity going on and it's regulated, we will regulate it. If the parliament wants to amend the law or revise the law—

Senator BRAGG: You mean 'enforce'?

Mr Longo: We will administer the law as it is and that includes licensing and it does involve enforcement action. We have a number of cases in the courts where we have taken action and been largely successful. I think it's really important that we dispel this confusion. ASIC will continue to administer and enforce the law as it is in connection with this activity. We're not policy makers. If the parliament wants to revise the law or amend it, then of course we will do that.

Senator BRAGG: If you ran for parliament then maybe you would be, but right now you're not?

Mr Longo: That's right.

Senator BRAGG: When you talk about it being highly risky, you're talking about it through the lens an investment, aren't you?

Mr Longo: I'm talking through the lens of a retail investor.

Senator BRAGG: Yes, I figured as much. So you're not necessarily impugning the virtue of disruptive ideas; you're talking about this with through the prism—

Mr Longo: The one thing that I am pro is technology and innovation.

Senator BRAGG: We agree on that.

Mr Longo: We absolutely agree on that. We are technology neutral. As head of the agency—and I do accept being reminded of that—it is part of my job to call out activities that are causing harm. Some crypto related

activities have led to very significant losses for retail investors. All I'm saying to the market is: be careful. Be careful.

Senator BRAGG: In light of your comments that you are a law enforcement agency, which I very much welcome, what is the outcome you're looking for from publishing a paper on private credit?

Mr Longo: We are publishing a paper that includes private credit. What this paper is about, stepping back, is private and public markets in general, and in particular what's happening in our public equities markets, what's happening with the investments superannuation are making in particular and the impact of that on the stock exchange and in the private market space. We're still in the discussion paper—

Senator BRAGG: Are you agitating for any policy change? Are you using your position to agitate for the parliament to do something? That's my question.

Mr Longo: That is fair enough. We did this paper for several reasons. One is to shine a light on a section of our markets that we believe is lacking transparency at the moment. As a national markets regulator, I'm concerned about that. One thing we would be asking parliament for, and have asked parliament for over the years, is more recurrent data-gathering powers—we can be more specific on notice—and for other, I'll call them, reforms. By the way, this would only line us up with what's going on internationally, where we're actually behind in this space, to give us greater transparency. This is not about—and I've made this very clear—reregulating the private market space. It is about understanding what's going on there and, secondly, being very open minded about—it's actually the other way around—whether there are aspects of our current regulatory settings that are impeding these markets, in particular the public market. I think we made that very clear in the paper. The other thing, in fairness, that I've made clear in the paper is that some very serious players like Larry Fink and others are worried about what's going on in these markets. They've become a bit frothy, and they're looking for more data and transparency. Part of what we're trying to do here is do the work and, by the end of the year, hopefully have something sensible to say about whether there is a need for any additional regulatory interventions aside from the data gathering, which I'm morally certain we do need. But I'm not so convinced that we need more regulatory interventions in the private space, particularly since—and I'll stop there because this is a big subject—we're very open to hearing from market participants about what they're doing to maintain standards in this area. We're interested in keeping Australia competitive, attractive and having an eye on risk. They're the key things.

CHAIR: Senator Barbara Pocock.

Senator BARBARA POCOCK: On that front of governance, I haven't read yesterday's paper, but I'm interested in whether you have any thoughts in relation to governance. You point to the changing dynamics between public and private markets with that growth in private capital markets. What are your reflections on the different levels of governance in those two different kinds of investment categories?

Mr Longo: What's often raised in the public space is that the levels of governance are actually too high, that our expectations of directors of public companies are too high; it's too burdensome. I get some feedback that those boards are spending far too much time worrying about compliance rather than worrying about growing the business and that the balance isn't right. Our preliminary view is that view has to be respected; in fact, that's one of the reasons we're doing regulatory simplification and listening to directors. But we don't think that's the main reason we're seeing a patchy listing history on the ASX. We think it's part of the story but we don't think it's the main driver. As I've said, I think we are asking and inviting the ASX to take a more proactive approach with its listing rules to see whether there are things that can be done to make the public markets more attractive. As the regulator, it's not my starting position to prefer one over the other. We need both. One supports the other. These markets are crucial to our economy and there's a lot going on internationally in terms of, for example, non-bank financial institutions. This is going back to Senator Bragg's observation about private credit. We're coming from a relatively low base in Australia but it's growing very quickly. There are issues about valuations, disclosure and potential risk being transmitted from one to the other. At the moment, I'm really saying, 'Look, everybody, this is a really important issue.' There are a number of things happening at once. We have the impact of \$4 trillion-odd looking for a place to invest—call that superannuation—but on the Australian Stock Exchange between a quarter and a third is super. Then we have these other developments. I think the paper really is a significant piece of work in calling out these key themes and saying to everybody, 'We all have an interest in getting this right.' Everybody literally has an interest in getting this right.

Senator BARBARA POCOCK: Continuing around the question of governance, you may be aware of the large body of research internationally about how more gender diverse boards are associated with higher returns. There's research out of the US and out of various European countries. Bloomberg Intelligence has recently drawn attention to a two per cent to five per cent higher return than companies with fewer women on their boards. Of course, diversity, equity and inclusion issues are on the international agenda today. We hear that John Deere

shareholders in the US have rejected a reduction in commitments to DEI, and this is occurring in other places as well, so it's a controversial issue important to governance. Do you see a connection between diversity on boards and in senior leadership and performance?

Mr Longo: I certainly support diversity on boards. I'm not going to comment on all the research. It's an area which seems to have attracted a lot of controversy in more recent times but, as a general matter, in terms of my views about board composition I would step back even further and say, 'Yes, absolutely, diversity on boards is really important.' ASIC encourages diversity, as indeed we do in our own institution. The only other thing I'd say about board composition—and I think it's as important as diversity—is science in the boardroom. You'll be hearing me say a lot more about that. The diversity we're looking for on boards needs to include that as well, that we have directors—

Senator BARBARA POCOCK: Sorry? I missed the word you used?

Mr Longo: Science. We've had a lot of discussion. We've just been touching on crypto and the extraordinary underlying technologies that are summoned by that idea. We have AI that is really becoming more and more significant from a governance perspective. Of course, I think diversity, and gender diversity in particular, is really important. From my perspective at the moment—and I'll be talking a bit more about this in a few weeks at the AICD forum—it is stepping back and asking, 'What sort of board composition do we really need to face all of these challenges of the future?' It includes diversity, but you'll be hearing me banging on about science as well.

Senator BARBARA POCOCK: You're talking about diversity of knowledge as well as diversity by gender and other characteristics?

Mr Longo: And experience—diversity in its broadest sense, yes.

Senator BARBARA POCOCK: Coming to your own organisation, do you implement and follow through on equity and diversity policies within your own organisation? I'm assuming, of course, all appointments would be on merit, but making sure established cultures and practices of recruitment, promotion and so on reflect non-discriminatory and inclusive practices?

Mr Longo: I think we're passionate about it. In fact, I might ask Kate O'Rourke to respond. All of the commissioners are involved in diversity and inclusion efforts of one form or another internally, but I know Kate in particular is passionate about it. I'll ask Kate to say a few words.

Ms O'Rourke: ASIC does have a diversity council, which I'm pleased to chair, and which includes, as well as other commission representatives and executive representatives, the leaders from our staff of six different diversity committees that we have—Women in ASIC, Parents and Carers, Multicultural Committee, Access and Inclusion, Reconciliation Action Plan and our Rainbow Group. We have those six staff-led and staff-run committees. Obviously all the staff do their other jobs as well. They are passionate about using activities within our organisation to enhance how we run as an organisation. We have events and very practical initiatives to help ASIC run even better.

Senator BARBARA POCOCK: If we suddenly had a leader federally who said, 'DEI is off the table and I want all DEI appointments sacked and removed' as the executive order does from Donald Trump in the US, from what you've just said that would be a very small list of sackings in your organisation given, as I hear, you've integrated the practice across your leadership. Is that a fair assessment?

Ms O'Rourke: The committees are staffed by people who are employees of our organisation. That's how those committees are run.

Senator BARBARA POCOCK: Thank you. I want to return to ASX governance. You'll be aware that the ASX governance board—I think it's called the Corporate Governance Council—has recently dropped, deferred or paused its proposed revamp of diversity, equity and inclusion reporting measures. I understand they've been through five rounds of amendment as a result of pushback from four business groups, including the Business Council of Australia and, sadly, the Australian Institute of Company Directors. Does ATSI take an active interest in Australian companies and their DEI policies?

Mr Longo: In terms of the first part of your question, we're not part of that process. The ASX Governance Council is independently chaired. It's actually a consensus-driven body. If my memory serves me, we have the fourth edition of the principles currently in operation. As it turned out, they weren't successful in coming up with a fifth edition. Of course we're interested in what happened and what didn't happen, but we're not at that table. It's really entirely driven by the ASX and that council.

Senator BARBARA POCOCK: Do you have a view about that scaling back of creating a reporting opportunity?

Mr Longo: In terms of the press reports, I've been watching what's going on. From my perspective, the fourth edition is there. It remains operational. Our job is to administer, as I said a moment ago, the Corporations Act as it is. We have an enormous body of case law that talks about what our expectations of directors should be. We work closely with industry organisations. From my perspective, it's an interesting incident and a disappointing one, because I think there were high hopes right up until recently that there would be a fifth edition. It just didn't work out. I'm not sure what's going to happen now in terms of whether there'll be a cooling off. Perhaps in six or twelve months from now there will be another attempt at getting a fifth edition off the ground. From my perspective, I'm not sure I could take that much further. I don't know if that's helpful.

Senator BARBARA POCOCK: Do you as ASIC see an area of potential conflict where companies with a significant presence in Australia that have scrapped their diversity commitments might be breaching Australian law? One such company we've heard say this publicly, for example, Accenture, does an enormous amount of business across our economy, including in the public sector. Do you see that as a conflict where a company says they're walking away from diversity, inclusion and non-discriminatory practice in the shadow of Trump? Is that a concern to you?

Mr Longo: This unfolding situation is a concern to anyone who's worried about the highest standards of corporate governance. I can't speak for the US. I think we all have our views about the US, but speaking for Australia, our own country, I think our values, our principles, are well embedded in our institutions and in our law. Some of that are actually values and principles. They're not to be found in the Corporations Act. We have a particular culture, a way of doing things, in Australia and we all should be proud of that. There may be particular entities. Some of them may be listed. Accenture, for example, I don't think is a listed entity; it's like a partnership. Those entities will have to take responsibility for what they say about their practices and approach to this topic. We're all going to be interested to see what happens in the next six to twelve months to see what walking back there is from this important topic. The other part of that is whether that from an ASIC perspective is breaching the law. That's a different set of issues. If you're looking at it with a Corporations Act lens, it would be very fact sensitive. I don't think you could sort of say, 'The Corporations Act requires diversity in the boardroom.' I don't think you could put it as bluntly as that. It's more likely to be more subtle where, if you're doing business with the Commonwealth, the Commonwealth won't want to be doing business—I'm just being hypothetical—with an entity that doesn't subscribe to these values and principles. I can see that way of enforcing, if I can use that word, this approach. As far as the directors duties provisions of the Corporations Act are concerned, they're very broadly drafted; they're very general. I try to keep on top of the case law here, but I'm not aware of any case law in Australia that directly says, 'You've broken your directors duties because you haven't encouraged a diverse work environment.' We have a lot of employment legislation. We have other hooks of approaching that issue. I know that sounds a bit general but, at the general level, of course we're very interested in high standards of corporate governance and that includes diversity.

CHAIR: I did neglect to advise senators that I'd go in 10-minute blocks when we returned from the lunchbreak and you're pretty well into another one.

Senator BARBARA POCOCK: It's going over the same territory in a way, but there have been a litany of corporate governance failures in recent years. I won't go through them. Many point to the need for a new set of principles for listed companies. The failure of that governance board of the ASX to come near to agreement on rule changes really points to the failure of our corporate leaders, the governance group of our biggest corporations, to navigate a way forward and establish a stronger commitment to things that are connected to good governance. Do you see a role for ASIC in solving that dilemma and in finding a more positive way forward on diversity?

Mr Longo: If we're talking about the ASX Governance Council, that's really a governance council to support the ASX and it's by consensus. This is an area that attracts a very broad range of views. From an ASIC perspective, we try to approach issues when things go wrong in an objective way based on the law as it is, and we try to apply some judgement. I'm not trying to avoid your question. I think there are all sorts of reasons why companies fail: their business model fails or there have been problems in the boardroom—and any number of reasons. I'm not sure I can generalise, if that's the right way of putting it, to answer your question, other than what I've already said.

Senator COX: Firstly, thank you for your work.

Mr Longo: Thank you.

Senator COX: And the conversation this morning, particularly around insider trading and the increase in your workload. Given that investigations have increased by 20 per cent, has that meant an increase in resources in any way to assist with any of that?

Mr Longo: I'll ask Ms Court to provide some her own observations as chair of the enforcement committee. When we approach enforcement, I'd like to talk about the machine. The general public sees the output—sees the court cases—but we spend a lot of time and energy thinking about how to investigate more quickly and more efficiently, how to work together more effectively and how to choose matters to best effect. We have limited resources. How we select matters is very important. I'm going to hand over to Sarah Court for a minute, but I cannot leave this opportunity to say that we have to invest in technology and data. We're doing our best within our existing resource remit. Some of the gains of the last 12 to 18 months is a better use of technology. We need to remain an effective law enforcement agency and keep up; most issues in our lives these days all have a connection with technology. When members of superannuation funds don't get the services they require, what is the root cause? Technology! When banks let their customers down a lot of the time, what is the root cause? Technology! We have to understand AI. We have to understand what's going on in crypto. We live in a world of data. I said earlier that I want to try to understand what's going on in the private markets. Data! We will be even more effective as a law enforcement agency if we invest more in data and technology.

Ms Court: In terms of the increase in work, as I think Mr Longo said in his opening remarks, we have significantly increased our new investigations in the last financial year and our civil penalty proceedings. In fact, I was looking at the statistics while Mr Longo was talking. In the last financial year, we increased annual investigations up to 168, and that's the highest number of new investigations we've had over the last five or six years. That's been a very deliberate effort by us. You weren't on the committee, Senator, at the time, but in previous appearances we've talked at length about the organisational restructure that ASIC underwent a couple of years ago. One of the real aims of that work was to try to make sure that we could move matters through our agency more quickly than they had managed to get through the agency in the past. We get a very high volume of matters, complaints and referrals of misconduct that come to us day in and day out. One of the hardest jobs for our staff is to look at all of those, assess those reports and work out which ones should be elevated for an investigation, which ones should be with another agency and which ones will we not get evidence to support for the various issues? We are cautiously hoping that, moving into where we are now, we will see the results of some of that hard work that's been done over the last couple of years. Having said that, I make the only caveat that numbers like this, of course, move up and down year by year. One of the other challenges that we have is when we have large numbers of new investigations that work their way through the enforcement machine that Mr Longo has talked about, many of those will end up before the courts or with the Commonwealth Director of Public Prosecutions for criminal prosecution. Then our teams have a lot of work to do to support those matters through the court process. It's not like we get to a certain point, we hand it over and our work here is done and we'll start on the next investigation. We have large teams of people involved throughout the court process in liaising with witnesses, drafting affidavits, taking statements, compiling evidence and working with counsel. They do a terrific job. We have a lot on, but we're having really pleasing results at the moment in our enforcement capacity.

Senator COX: Given that data is quite powerful—and feeding into my colleague Senator Pocock's question around corporate governance—are we able to see any trends from that data? I know that 168 is quite a high volume, but are we trying to look at what those trends are in the data and where they're coming from? Mr Longo, in your opening statement or in a question in response to Senator O'Neill, you talked about particularisation and about looking at it case by case. Essentially, if there are particular markets or particular areas in which there are data trends, are you able to table any of that with the committee or is it publicly available?

Mr Longo: There are several levels to the data story. Deputy Chair Court alluded to a couple of them already. We get data through reports of misconduct—I'm guessing around 10,000. We get data from the Australian Financial Complaints Authority, from external dispute resolution schemes, and there is internal dispute resolution data. The reportable situations regime also produces a lot of data points in terms of reportable situations. When you step back from all that, you ask, 'What is ASIC doing with all that data?' The answer is that we have a data lake, a range of technologies and processes, that try to interrogate that data. The short answer is that I think we need further investment in our capability there, to be really frank. We've made submissions to government and indeed to committees such as this about it. The other answer to your question is that we do our best to draw conclusions and inferences from that data about where the emerging problems are and where we should be putting our attention. It does inform our enforcement work, but in particular it also informs our regulatory work. Not every problem or issue that the data is telling us is something we can litigate. It might eventually be, but in the meantime it contributes to our regulatory guidance, the way we think about problems, the way we do thematic surveillances and our surveillance work. If we know what's going on, we're able to focus our limited enforcement and surveillance resources to best effect. That's the key.

Senator COX: Thank you. That's very helpful. I haven't even got to my question yet that I originally came in with. I hold the trade portfolio, but I also hold resources as well. Given that approximately 95 per cent of foreign owned companies are in the oil and gas industry operating within our markets, particularly in consortiums and alliances, what would be the process—I want to do a 101 for people who are watching here today—around directors buying shares in what may be seen to be insider trading with the information Senator O'Neill talked about this morning? What are the requirements for a director?

Mr Longo: I'm not aware of a general legal requirement as to how companies manage this issue. All well-run public entities have procedures and policies that deal with this very issue. There are times when you're allowed to trade as a director. Depending on the policies and procedures of the particular entity, you may need to get approval from the chief compliance officer or from the chair. There are various ways of tackling the issue but, broadly speaking, a well run company will have well developed governance and compliance procedures around in what circumstances a director in particular can trade in the shares of the entity they're a director of, which is obviously very sensitive.

Senator COX: Hypothetically, what about if a company director with a company that's not doing so well increases their shares? Milestones might be happening in projects outside of that. They have access to some of that information. Are they generally the red flag?

Mr Longo: This is where we get to continuous disclosure, if it's a publicly listed entity.

Senator COX: How does that work with an international market, though? If this is listed on AIM and the London Exchange—

Mr Longo: Most markets will have disclosure rules. In the US, there's Reg FD (Full Disclosure). The Brits have their rules.

Senator COX: How does work when they're operating in Australia?

Mr Longo: If they're operating in Australia, they're listed here and their securities are listed here on the public exchange, they're under an obligation to continuously disclose material information that affects the price of value of their securities. The idea, in a nutshell, if you're a director of one of these entities in Australia, is that so long as your company is strictly complying with those obligations—in theory at least—when the director trades, he or she doesn't have any advantage over everybody else because all the material information should be out there.

As I said, different companies have different approaches to this. There are some that are quite conservative and they'll only allow their directors to trade in the securities of that company around the announcement of their results, for example. There are little windows, and they're quite strict. Different companies approach this differently. Of course, then there are the staff. We've been focusing on directors, but the same problem applies to all of the staff and senior executives, because they all have access to information as well. This issue, as I say, is a well understood risk in public companies. My understanding is they've all got policies and procedures that deal with it.

Senator COX: Finally, is there any arrangement that exists, given that 95 per cent of those foreign owned companies operating here have securities and are doing whatever it is in compliance with that? I know that a Foreign Investment Review Board that exists. What's the relationship between ASIC and the Foreign Investment Review Board?

Mr Longo: I'm aware of the work of FIRB. Their job, broadly speaking, is to approve transactions that involve foreign investors and attract certain thresholds and caps. I'm not that familiar with their work. I don't know whether any other commissioners can share some information?

Ms O'Rourke: I think the Foreign Investment Review Board procedures include gathering of information. Information that's gathered might include ASIC generated or information that—

Mr Longo: We might help FIRB make their decisions.

Senator COX: But there's no formal arrangement; is that right?

Mr Longo: As Commissioner O'Rourke said, FIRB has its own capability, its own powers and protocols to gather. If FIRB came to ASIC and said, 'We really need some help to understand this corporate structure' or 'What do you know about this entity? We're looking at this transaction. Has it come to your attention?' By the way, I don't know how often that happens, but requests like that would obviously—

Senator COX: Of if it's ever happened?

Mr Longo: I suspect it would happen from time to time that we're asked for what we know about a particular entity. By the way—

Senator COX: Could you provide on notice whether it actually has and under what circumstances?

Mr Longo: We can go back on notice, but some of those requests might just be interrogating our systems. They may not involve a phone call, a meeting or anything. ASIC has a lot of data of its own. Some of it is available to the public via payment of a small fee to the Commonwealth or it's available to the official family. My guess is FIRB probably has some access to our database through that route as well under our legislation—627, I think, is the gateway—but we can go back on notice and tell you a little bit more about that.

Senator COX: Maybe Treasury could take that into consideration, too, Minister.

Senator DEAN SMITH: Thank you for your participation. Thank you also for the speediness with which you responded to my recent correspondence in relation to add-on insurance. With the chair's permission, I'll just ask that AFCA's letter to me in relation to similar issues that I raised with them be circulated for the benefit of the witnesses and senators who might be interested.

CHAIR: Pass that over to me and I will do so.

Senator DEAN SMITH: I think you might already have it. I'll just start with your correspondence first. In your letter to me, on the first page, you say that ASIC 'took steps recently in response to concerns raised with us about AFCA's approach to the lodgement of complaints about mis-sold add-on insurance'. Where did those concerns come from?

Mr Longo: I vividly remember the commission meeting where we looked at this issue very closely. I'll invite Commissioner Kirkland, who spent a lot of time engaging with AFCA and with third parties on this very issue.

CHAIR: The committee tables the letter from David Locke of AFCA.

Mr Kirkland: I believe we first became aware of these concerns through correspondence. Certainly, I first became aware of these concerns through correspondence from a law firm representing a firm known as Claimo, which I understand to be a business that submits complaints to AFCA on behalf of some consumers.

Senator DEAN SMITH: When was that first raised with AFCA?

Mr Kirkland: My understanding is that was in December 2024.

Senator DEAN SMITH: When I read this statement in your letter, I took it to mean that there were a variety of concerns raised with ASIC. Were there others that raised concerns with ASIC about AFCA's approach?

Mr Kirkland: To my knowledge, it was only that law firm. It's possible that the firm that was represented by the lawyers may have also raised some of those concerns directly, but I'm not aware of any other stakeholders raising concerns about that.

Senator DEAN SMITH: Since December 2024, what has ASIC done? How has ASIC engaged with AFCA? How many meetings, for example, and whom have you been speaking with?

Mr Kirkland: We have had some conversations with AFCA. There would be some conversations that would have occurred at officer level that I've not been part of. I've personally been part of three conversations with AFCA—two conversations with the CEO and another meeting attended by a range of ASIC and AFCA staff, including the Deputy Chief Ombudsman from AFCA. Those were meetings where we discussed AFCA's proposed approach to this issue and some changes to its approach that AFCA was considering.

Senator DEAN SMITH: When was the final meeting between ASIC and AFCA which agreed the extension of the date from 4 February to 30 June?

Mr Kirkland: In relation to the latter part of that question, I should say there was never an agreement as such. There's not a requirement on matters such as this for AFCA to seek ASIC's agreement.

Senator DEAN SMITH: But obviously there were discussions and negotiations. Was AFCA considering an extension to the 4 February deadline prior to the correspondence from the law firm in December 2024?

Mr Kirkland: I think you would need to direct that question to AFCA.

Senator DEAN SMITH: Did you have any impression from AFCA that they were considering an extension of the 4 February deadline when you started engaging with them on or around December 2024?

Mr Kirkland: In my dealings with AFCA, the possibility of an extension was first raised in early January 2025. Again, just to ensure I'm being as accurate as possible in responding to the question, I wouldn't characterise those discussions as negotiations because, as I said, there's no requirement for us to reach agreement on these issues.

Senator DEAN SMITH: Your letter makes it quite clear in terms of ASIC's approach. Why is a deadline necessary at all?

Mr Kirkland: This is really a matter for AFCA. AFCA does have rules that already established the notion of a deadline in that, in general, in order for a complaint to be considered by AFCA in relation to any issue the complaint needs to be made within six years of the consumer becoming aware or it being reasonable for the consumer to have become aware of the loss that they've suffered or the harm that's been caused. There is a deadline that's established in the AFCA rules, which I understand to be broadly accepted and supported by consumer groups and industry groups, because it perhaps strikes a balance between offering redress to consumers but also allowing the scheme to operate efficiently, noting that it's industry funded. In this case, it's entirely a matter for AFCA to determine if it was going to apply a particular approach in relation to these types of complaints. It's very clear that it's not intended in the legislation that ASIC would get involved in those sorts of decisions. Although, as I think we said in our correspondence to you, where stakeholders raise significant concerns about AFCA, we'll often have conversations with AFCA to put those concerns to them. It's then a matter for AFCA to consider whether it wants to make changes to its approach.

Senator DEAN SMITH: That's exactly what your letter says to me, correct. Since you received that letter from the law firm in December 2024, what other matters have you discussed with AFCA in the context of the mis-sold add-on insurance? The deadline for lodgement is one element of your discussions?

Mr Kirkland: That is correct. That was an issue that was raised by AFCA, to be fair. We did not ask AFCA to consider a change in deadline. As part of those conversations, they volunteered that was something they were considering. We wanted to understand AFCA's reasons for suggesting that they would not in general consider new complaints in relation to add-on insurance sold before early February 2019 after a certain date in 2025. We wanted to understand AFCA's rationale. In the course of our correspondence with AFCA and our conversations, it became clear there was a broad range of circumstances that AFCA was considering. They had referred publicly to the publication of the financial services royal commission report. But it became clear that there were a broader range of factors on their minds, such as the various work that ASIC had done over time to raise awareness of this issue, including some significant reports we'd released, the campaigns by consumer groups and the degree of media coverage over a number of years. That was one of the sets of issues we discussed with them. If there was a broader rationale for, I guess, not hearing new complaints after a certain period of time, it might be better to articulate that more clearly in the fact sheet that they publish for consumers and for the industry. That was the other key issue that we discussed in those discussions.

Senator DEAN SMITH: You came to an agreement or an understanding around the use of special circumstances? Or did the special circumstances pre-exist as an AFCA consideration?

Mr Kirkland: Once again, I wouldn't characterise it as an agreement. These were issues—

Senator DEAN SMITH: In discussion?

Mr Kirkland: In the course of discussion—AFCA already had provisions in relation to special circumstances in its fact sheet. One of the changes they told us they were considering making was to better explain the special circumstances provisions and the right of consumers to make an argument that there were special circumstances that would mean their complaint should be considered.

Senator DEAN SMITH: Do you think that the balance is appropriately struck between the responsibility for banks which sold the add-on insurance and the consumer's responsibility to bring forward a claim?

Mr Kirkland: That balance is one that we're conscious AFCA has to apply all the time. Ultimately, that's a decision AFCA has to make. It's clearly a decision for AFCA under the legislative framework. We acknowledge where they landed on that. In our dealings with AFCA, we are always conscious that they're trying to strike a similar balance between offering access to redress for consumers but also managing the costs of the AFCA scheme, which are borne by a range of industry participants large and small. At the same time, we're conscious that both AFCA and ASIC at times hear concerns about when AFCA needs to increase its fees to members. AFCA is often having to balance those considerations, and that's something we acknowledge in our dealings with AFCA.

Senator DEAN SMITH: You are aware that—

CHAIR: Sorry, Senator Smith. I am interrupting you, but I'm doing that for some housekeeping in order to say that the committee has decided to release the Productivity Commission.

Senator DEAN SMITH: Thank you. You are conscious that the number of complaints has been rising? In discussions with AFCA, you took an interest in what is their experience in terms of the number of claims that are being made?

Mr Kirkland: Is this in relation to the number of complaints in relation to add-on insurance in particular?

Senator DEAN SMITH: Yes.

Mr Kirkland: I don't have that in front of me, so I can't confirm that for sure, but we certainly did look at the number of complaints as part of our conversations with AFCA. To correct an earlier answer, when you were asking about the range of issues we'd covered in those discussions with AFCA, the other issue that came up was what AFCA might do to publicise the changes that it was considering making to its fact sheet. AFCA said that it was planning to do some more work to make consumers aware of those changes.

Senator DEAN SMITH: Does ASIC have any responsibility in raising consumer awareness around this matter?

Mr Kirkland: It's not something that we would normally do in relation to a matter like this. We would see it as primarily being the role of AFCA to raise awareness of the ability to make complaints, in particular where it's considering making a change to its arrangements.

Senator DEAN SMITH: In your letter to me you identify three dot points. You preface those dot points by saying, 'Following our engagement with AFCA, AFCA advised ASIC that it intended to do' dot points 1 to 3. Is AFCA required to provide you with any reporting of its fulfilment of those agreed outcomes? Are you monitoring AFCA's implementation of those three agreed outcomes?

Mr Kirkland: To answer your question technically, AFCA is not legally required to report on those changes that it determined to make.

Senator DEAN SMITH: They're not formal undertakings, for example?

Mr Kirkland: No, that's right. But we do engage with AFCA regularly at all levels. I would fully anticipate that, as part of those engagements, many of which I'm involved with, we will be asking AFCA for an update on how it's going about those activities.

Senator DEAN SMITH: Between now and 30 June, is there a program of engagement between AFCA and ASIC generally—not necessarily on this particular matter?

Mr Kirkland: We have a series of scheduled meetings that happen on a regular basis at officer level. Although I don't have any scheduled, I would typically meet with the AFCA CEO at least once within that period. At least once a year the ASIC Commission meets with the AFCA board. I would need to check whether that meeting is due to occur within that period.

Senator DEAN SMITH: Would it be correct to characterise the 30 June deadline as locked in?

Mr Kirkland: My understanding is that AFCA has now established a new approach and communicated that through a fact sheet. But as noted earlier in this discussion, that includes a special circumstances provision so consumers have the ability to indicate whether they believe those special circumstances still mean their complaint should be considered after that point.

Senator DEAN SMITH: Is there anything in the AFCA rules that ASIC is aware of that would prohibit a further extension beyond 30 June?

Mr Kirkland: I'm not aware of anything that would prevent AFCA from making further changes to the fact sheet that it's recently revised.

CHAIR: Senator O'Neill.

Senator O'NEILL: I refer to a case that gives demonstration to insider trading and the intersection between public service and information movement within the public service and its potential to be engaged by somebody outside the public service with knowledge to have an impact in the market. I table an article by Helen Vines and court reporter Peter Carlyon, dated 12 March 2015.

CHAIR: The committee tables the document.

Senator O'NEILL: I see Mr Savundra has joined us and this is probably the time when you were the general counsel, if I recall.

Mr Savundra: I think the case you're about to refer to is when I was leading the markets enforcement team at the relevant time—prior to my being the general counsel.

Senator O'NEILL: But you have knowledge of the matter?

Mr Savundra: I do.

Senator O'NEILL: I shall put it this way: two mates at a party in or around 2013 decide they are going to share some information and make some money. There's absolutely nothing wrong with going out, investing and making money so long as you do so in an ethical way that complies with the law and that you don't use

information that should be kept privately for public good, especially if you're a public servant. This deal between these two former schoolmates involved Mr Hill, who was a public servant at the Australian Bureau of Statistics, between August 2013 and May 2014 taking handwritten notes from unpublished labour force, new capital expenditure, retail trade and building approvals data and sending that information to his mate Mr Camay via his mobile phone. Why is this a very good example of how insider trading works? Can you explain the intersection between the public service and the market in this instance?

Mr Savundra: At the time, it was Australia's largest insider trading matter. As Mr Longo mentioned earlier today, in terms of our market supervision we have a number of sources of information where we monitor market activity, particularly suspicious trading. In this particular case, I won't talk about the sources of information that were utilised given their sensitive nature, but due to the size of the profits involved that certainly alerted us to the suspicious trading. Within, I think, 24 hours of the matter coming to our attention, we involved the Australian Federal Police, because we suspected the conduct was ongoing. We partnered with the AFP to use some of their covert powers, which we don't have, in order to investigate the matter. Another reason for involving the Australian Federal Police is that the misconduct involved abuse of public office. Under the Criminal Code, that involves public servants misusing Commonwealth information.

Senator O'NEILL: In the last 48 hours we've been talking about Commonwealth information around a potential intervention in the market to the tune of \$4 billion that involved every major bank. Of course, there's public interest in it. This was two young men. Hopefully, they've seen the error of their ways, their lives have been reformed and they're on the path to a great life here in this country. These two admitted to money laundering, identity theft and insider trading. That was the banker. Mr Hill pleaded guilty to insider trading and misuse of public office. The information they were using was nothing of the scale of \$4 billion as a market intervention. This was labour force data, new capital expenditure data, retail trade data, building approvals data. Mr Camay, as I understand it, was sentenced to seven years and three months in prison—the person who used the information for the biggest financial profit, \$7 million. Mr Hill was jailed for three years. The public servant who shared this information was jailed for three years and three months. It was an effective investigation. It was pretty quick. You picked it up. Earlier, Mr Longo was saying to me that ASIC took responsibility for doing this kind of work. In what year was that?

Mr Savundra: The sentencing, I think, occurred in 2015. From memory, I think the misconduct occurred—

Senator O'NEILL: 2013.

Mr Savundra: 2013.

Senator O'NEILL: When did ASIC pick up the responsibility from the ASX?

Mr Savundra: 2010.

Senator O'NEILL: Prior to 2010, you had no capacity to be involved in this? It was purely the ASX?

Mr Savundra: Frontline market supervision was the responsibility of the ASX. Frontline market supervision was transferred to ASIC in 2010.

Senator O'NEILL: The mechanisms that you talked about that triggered your attention to this—your capacity to engage the AFP—in terms of the responsibility to be able to do that at the time that the GFC was on and the \$4 billion was inside market information, that was absolutely known to Mr Grech and was being shared amongst the Liberal Party. What capacity would the ASX have had to engage the AFP if they had any concerns?

Mr Savundra: I can't respond to that. I'm not aware of that. It would be purely speculation.

Senator O'NEILL: Perhaps we need to write to the ASX and find out what it is they were doing, what techniques they were using and who they were engaging with. It seems extraordinary to me that something of that scale wasn't absolutely on their radar and that they weren't using every tool possible to monitor that. In terms of the interest in Mr Grech, I wonder if the ASX undertook due diligence to look at what happened in 2008-09, around that period of time, given the public documentation around Mr Grech's sharing of APS information? To conclude this line of questioning, is it concerning that the ASX has not taken any action with regard to Mr Grech's publicly documented sharing of confidential government information to unnamed numbers in the Liberal Party? We have an email trail of at least many.

Mr Savundra: I can't comment on those facts; those facts aren't known to me. These events occurred a long time ago. Again, it would be simply speculation to comment in 2025 on what the ASX did or didn't do at that time.

Senator O'NEILL: I think what's interesting, though, in your evidence is you're talking about an event in 2013-14, which is not that long after the GFC, where you had the wherewithal, the capacity and the systems in

place, to make observations. 2008-09 is not that far ahead of that. I am becoming increasingly concerned that, given the public nature of Mr Grech's actions and his distribution of this information, the ASX has not done anything with this and neither has it referred it to you when it became your responsibility. That is of concern to me. Could I just go directly to ASX and new powers? Just this month, in February 2025, ASIC recently made rules requiring the ASX to provide its clearing and settlement services on a transparent and fair basis, with a requirement to publish the comparison of fees against international providers.

My understanding is that this is a power that you have recently acquired and have used for the very first time. It follows on from your concern and concerns expressed by the corporations and financial services committee and this committee around the action of the ASX with regard to failure to deliver the CHESSE program and the upgrade to their technologies. How will the new rules for clearing and settlement services that you've just issued support the development of a strong and innovative financial system? How will these reforms that the government legislation and the rules just issued help to limit the ASX's ability to misuse monopoly power and to deter new entrants?

Mr Longo: I'll give a quick overall response and then I'll probably ask Commissioner Constant to amplify anything I say. The reforms came out of the Council of Financial Regulators recommendations in 2015. They're basically clearing and settlement powers/rules. That legislation was passed last year, along with the market infrastructure reforms, that gave new powers to us and the Reserve Bank. Stepping back for a second, the origin of those two pieces of legislation was well before the whole CHESSE saga that we've been talking about unfolded. These rules are really significant because they're designed and intended to promote competition. The way they will work that, is if there's a dispute between the exchange and a market participant about what's being charged, that can be effectively arbitrated by the ACCC. The ACCC also gets some new powers or a new role, if you like.

This is an area of reform around the activities of the ASX that are really quite new. As a legal system, we haven't really had the powers to intervene on the competition side of things as we have now. I think attitudes have changed as well within the market as to what's expected of ASX. Perhaps I could ask Commissioner Constant to elaborate on what we expect to see happen in the next six to twelve months. My understanding, though, is that the early impact of these rules won't be so great because they're primarily designed to bring down barriers to entry. At the moment, there isn't a lot of competition. There aren't a lot of players. We're hoping these new rules will encourage new players.

Ms Constant: I think Chair Longo has outlined how this works and the background. The only things to add are that probably the initial impact will be the confidence in the opening up of competition. This is a step change in the regulatory environment and oversight of ASX in that regard. We hope that, whether it's participants in markets or people considering innovative other approaches, this encourages them to continue exploring that and bringing those things forth.

Senator O'NEILL: There have already been expressions of interest, haven't there?

Ms Constant: Exactly. There have also been responses. The only other point to make is that there has been consultation, of course, in the lead-in. It's been carefully considered, including industry feedback, which is about striking the right balance between the cost of regulation including, for example, independent assessments, versus really fundamental concepts like interoperability. It is about enabling that competition, the plumbing being able to work and looking toward the future. The way that this has been approached in terms of taking up that consultation and feedback is also really important. That's probably one of the initial impacts and signals.

CHAIR: The committee is now running around 2½ hours behind. The committee has agreed, after a final block of questioning from Senator Pocock, to move to the entire portfolio area that we haven't got to yet, being DISR. We've agreed to move to DISR and release ASIC in 10 minutes.

Senator BARBARA POCOCK: I have some questions about WiseTech. I understand that all of the independent directors resigned on Monday and that Mr White has assumed the position of executive chairman and will now take charge of appointing a chief executive. Does ASIC think it's concerning that a single shareholder and executive can engineer effectively a takeover of a board at the expense of other shareholders?

Mr Longo: It's certainly the case that we're very interested in what's going on at WiseTech and the extraordinary manoeuvres at board level. What I can confirm to the committee for today's purposes is that we have commenced some preliminary inquiries into what's going on there. Whether those inquiries will lead to the commencement of a formal investigation remains to be seen. We can certainly reassure the committee that we're very interested in what's going on in WiseTech at the moment.

Senator BARBARA POCOCK: In terms of Mineral Resources, is ASIC considering any action or do you have any action underway in relation to Mineral Resources or its directors after recent governance issues surfaced there and the recent upset in its profit announcement?

Ms Court: It's a similar answer to the one that Mr Longo just gave in relation to WiseTech. Although, in relation to Mineral Resources, I can confirm that we have commenced a formal investigation in relation to the various issues that have been reported on in relation to that company.

Senator BARBARA POCOCK: When you say 'various issues', can you give us some illumination about what they cover?

Ms Court: Because we're at such an early stage, really where we're up to at the moment is looking at all of the various media reports, receiving information from a range of sources and using our compulsory information gathering powers. As is the normal course, we look at the conduct, get all of the information and gather the facts and the evidence. From there, we will look at the particular contraventions of legislation that may arise. We are really assessing the broad range of reports at the moment.

Senator BARBARA POCOCK: Are these two companies a lesson in why an independent and diverse board brings good governance?

Ms Court: I might just refer back to Mr Longo's discussion with you earlier. I'm not sure I can add to that.

Senator BARBARA POCOCK: Mr Longo is smiling. I'd like to hear why.

Mr Longo: I think Deputy Chief Court's response is entirely appropriate. I'm not sure I've got much to add to what I said earlier. If I may say so, I've been around corporate issues my whole professional life, and there are just so many reasons things go wrong in the boardroom. Clearly there has been some—and I think I've been quoted on this publicly in the last few weeks—personal misbehaviour, personal conduct that's unattractive of a wide nature, and in the boardroom that can lead to trouble. It can lead to governance issues. I think we're seeing a bit of that at the moment. Whether that leads to—and I really want to be objective about this—actionable breaches of the Corporations Act that ASIC can do something about, that's really a different matter. In terms of standards of corporate governance, I think it's really important we maintain the culture of talking about what we really expect of directors in terms of values and standards. I think that's very healthy, and I think ASIC will continue to contribute to that. However, we need to distinguish that from court action where you have to have the evidence and be able to establish contraventions of our Corporations Act; that's a different lens, if I can put it that way. It is obviously very much related, but I want to highlight from an enforcement perspective that going to court is a non-trivial exercise.

Senator BARBARA POCOCK: I would make the point that, having sat through watching the internal culture and business model in PwC and in EY where we saw major internal reviews of culture which drove very poor practice, it's not something that you only find in the corporate sector. Other forms and structures face very similar problems with very significant costs. In relation to your paper yesterday and your concerns about the private market and the way it's working, are any of the concerns about Mr Paul Chiodo and Keystone reflected in that report?

Mr Longo: I think that's a stretch. That is the word that immediately comes to mind. As to the issues we're facing in the Shield Master situation—if you don't mind, I will ask Sarah Court to remind the committee of some of what we already know about the issues we're facing in that matter and related matters, because I think they're very serious for all Australians. In terms of the amounts of money involved and ordinary Australians being talked into doing things that really ought not to have occurred, that really is misconduct. I'll ask Deputy Chair Court to comment.

Ms Court: Given the committee's timing I will give a very quick reminder for the committee. The Shield Master Fund is a registered managed investment scheme. Keystone Asset Management was the responsible entity for Shield. We have extensive concerns relating to the possible mishandling of significant superannuation monies that have been invested into that scheme, and we have taken a large number of investigation actions relating to a range of entities and individuals associated with the scheme. I won't go into the particular entities and the particular individuals this afternoon. Suffice to say we've taken multiple court actions to protect investor funds. We've frozen assets, we've obtained travel restraints, we've had receivers and managers appointed, and we are still at the likely early stages of what is an extensive investigation. We've stood up several teams of investigators to work on these matters. The kinds of figures we're concerned about here—and these have been publicly reported previously—are in the order of \$480 million worth of investor funds and 5,800 investors potentially impacted. So, it's a major issue. Unfortunately, that's not the only matter like this we have on our books at the moment. We've been very keen to get out messages to say to potential investors in relation to their superannuation funds: be very

cautious about transferring your superannuation funds into a self-managed super fund for the purposes of unrealistic property investment returns. These are industrial scale models that we are seeing.

Senator BARBARA POCOCK: Thank you for explaining that. I have a final question. Do you have underway, or have you conducted, any investigations in relation to the business operations of Mr Sanjeev Gupta and his investments in GFG at Whyalla, InfraBuild or the Tahmoor coalmine?

Mr Longo: Obviously, the Whyalla situation is of great interest and is unfolding. As to ASIC's role right now, I will ask Deputy Chair Court to be as specific as we can.

Ms Court: Again, I'll be relatively circumspect. We've been following very closely the situation that has emerged in Whyalla in recent weeks and months. Obviously, it's an issue of enormous importance to the South Australian community. We have certainly made preliminary inquiries in relation to some of the financial reporting. There's a range of entities associated with Mr Gupta's group. We're going to continue to consider those governance issues going forward. I won't put it any higher than that at this stage.

CHAIR: Last question.

Senator BARBARA POCOCK: Are you in contact with international bodies in relation to Mr Gupta's affairs?

Ms Court: I can't answer that with personal knowledge. I certainly know that some of our teams are considering the broad spread of companies that sit both within Australia and more broadly. Whether they are engaging with our overseas counterparts, I'm not sure at this stage.

Senator BARBARA POCOCK: Thank you for all your answers.

CHAIR: That concludes the questions that we have for you, and you go with our thanks.

INDUSTRY, SCIENCE AND RESOURCES PORTFOLIO

In Attendance

Senator Ayres, Assistant Minister for Trade, Assistant Minister for Manufacturing

Department of Industry, Science and Resources

Ms Meghan Quinn PSM, Secretary

Corporate

Mr Neal Mason, Deputy Secretary, Enabling and Business Services Group

Ms Jane Urquhart PSM, Deputy Secretary, Resources and Strategy Group

Analysis & Insights

Ms Michelle Dowdell, Head of Division and Chief Economist

Ms Shevaun Fitzmyers, General Manager, Resource Economics

Ms Kate Penney, General Manager, Economic and Industry Analysis

Mr Bede Jones, General Manager, Data and Evaluation

Ms Crystal Ossolinski, General Manager, Energy Transition and Industry Insights

Business Grants Hub

Ms Sam Chard, Head of Division, Business Grants Hub

Chief Counsel and Integrity

Ms Janean Richards, Chief Counsel and Head of Division

Ms Deborah Miliszewski, General Manager, Public Law and Dispute Resolution

Ms Rachel Besley, General Manager, Corporate and Information Law

Mr James English, Principal Legal Counsel, Corporate and Information Law

Chief Finance Officer

Ms Leanne Yannopoulos, Chief Finance Officer and Head of Division

Ms Joanna Stone, General Manager, External Budgets and Costings

Chief Information Officer

Ms Rebecca Lee, Chief Information Officer and Head of Division

Chief Operating Officer

Ms Casey Millward, Acting Chief Operating Officer and Head of Division

International Trade & National Security

Ms Donna Looney, Head of Division

Strategic Policy

Mr Ray Marcelo, Head of Division

Ms Tegan Johnson, General Manager, Ministerial and Executive Enabling

Outcome 1: Support economic growth, productivity, and job creation for all Australians by investing in science, technology and commercialisation, growing innovative and competitive businesses, industries and regions, and supporting resources.

Program 1.1: Growing innovative and competitive businesses, industries and regions

Mr Troy Sloan, Acting Deputy Secretary, Industry and Commercialisation Group

Anti-Dumping Commission

Mr David Latina, Commissioner

Ms Isolde Lueckenhausen, Deputy Commissioner, Investigations

Ms Esther Harvey, Acting Deputy Commissioner, Strategy and Operations

AusIndustry

Mr David Luchetti, Head of Division

Mr David Chuter, Executive Director, Industry Growth Program

Australian Building Codes Board

Mr Gary Rake, Chief Executive Officer

Commercialisation

Mr Carl Chang, Head of Division, Commercialisation

Mr Matthew Crawshaw, General Manager, Research and Development Tax Incentive Branch

Mrs Mary Jeffries, Executive Director, Office of Industry Innovation & Science Australia

Industry and Manufacturing

Ms Louise Talbot, Acting Head of Division

Ms Ana Markulev, General Manager, Sectoral Manufacturing Branch

Mrs Leah Wojcik, General Manager, Industrial Net Zero Transformation Branch

Sovereign Capability and Supply Chains

Ms Jocelyn Cooper, Acting Head of Division

Ms Jasminder Higgins, General Manager, National Reconstruction Fund Policy and Future Made in Australia Liaison Branch

Whyalla Steelworks Taskforce

Ms Tara Oliver, Head of Division

IP Australia

Mr Michael Schwager, Director-General

Ms Margaret Tregurtha, Deputy Director-General

Mr Doug Pereira, General Manager and Chief Financial Officer

Ms Jodie McAlister, General Manager, Policy and Stakeholder Group

Ms Kelly Sims, General Manager, Governance Group

Ms Justine Hall, General Manager, Customer Experience Group

National Reconstruction Fund Corporation

Mr David Gall, Chief Executive Officer

Dr Mary Manning, Chief Investment Officer

Ms Rebecca Manen, Chief Operating Officer

Program 1.2: Investing in science, technology, and commercialisation

Ms Helen Wilson, Deputy Secretary, Science and Technology

Australian Space Agency

Mr Enrico Palermo, Head of Agency

Mr Christopher De Luis, General Manager, Office of the Space Regulator

National Measurement Institute

Dr Bruce Warrington [by video link]

Questacon

Ms Jo White, Director

Science

Mr Anthony McGregor, Head of Division

Mr James Flick, General Manager, Technology Investment Branch

Ms Michele Graham, General Manager, Quantum Branch

Strategic Examination of Research and Development

Dr Anthony Millgate, Acting Head of Secretariat

Technology and Digital

Mr Anthony Murfett, Head of Division

Mr Daniel Quinn, General Manager, AI Policy

Mr Brett Szmajda, Acting Executive Director, National AI Centre

Australia's Chief Scientist

Professor Tony Haymet PhD FTSE

Commonwealth Scientific and Industrial Research Organisation

Dr Doug Hilton, Chief Executive

Mr Tom Munyard, Chief Operating Officer

Dr Peter Mayfield, Executive Director, Environment, Energy and Resources

Professor Elanor Huntington, Executive Director, Digital, National Facilities and Collections

Dr Jen Taylor, Executive Director, Future Industries

Dr Jack Steele, Executive Project Manager, Government Engagement

Mr Paul Graham, Principal Research Scientist, Energy Economics

Program 1.3: Supporting a strong resources sector

Mr Robert Jeremenko, Acting Deputy Secretary, Resources and Strategy Group

Australian Radioactive Waste Agency

Mr Sam Usher, Chief Executive Officer

Ms Jodie Lindsay, General Manager, Social License and Operational Support

Minerals and Resources

Mr Peter Chesworth, Head of Division, Minerals and Resources

Ms Kym Moore, General Manager, Mining Branch

Ms Samantha Robertson, General Manager, Resources Tax Incentives Branch

Ms Victoria Pullen, General Manager, Critical Minerals Security Branch

Oil and Gas

Mr David Lawrence, Acting Head of Division

Ms Catherine Kesteven, General Manager, Gas Branch

Mr Cliff Weeks, General Manager, Offshore Resources Branch

Ms Norelle Laucher, General Manager, Offshore Strategy Branch

Mr Shane McWhinney, General Manager, Northern Endeavour Branch

Mr William Tan, General Manager, Offshore Decommissioning Directorate

Mr Graeme Waters, General Manager, National Offshore Petroleum Titles Administrator Branch

Geoscience Australia

Ms Melissa Harris PSM, Chief Executive Officer

Dr Andrew Heap, Chief of Minerals, Energy and Groundwater Division

Ms Maree Wilson, Chief of Place and Communities Division

Ms Alison Rose, Chief of Space Division

Mr Trent Rawlings, Chief of Corporate Division

Mr Michael Olive, General Manager and Chief Finance Officer

Mr Charlie Middleton, Acting General Manager, Enabling Services

Mr Simon Edmondson, Acting Chief Information Officer

Dr Jodie Smith, Acting Chief Scientist

National Offshore Petroleum Safety and Environmental Management Authority

Ms Susan McCarrey, Chief Executive Officer

Mr Graham Blair, Deputy Chief Executive Officer, Regulatory Operations

Mr Cameron Grebe, Deputy Chief Executive Officer, Strategic Regulation and Improvement

Program 1.4: Nuclear powered submarine program

Australian Nuclear Science and Technology Organisation

Mr Shaun Jenkinson, Chief Executive Officer

Mr John Edge, Chief Operating Officer

Dr Miles Apperley, Group Executive, Nuclear Safety Security and Stewardship
Department of Industry, Science and Resources

[14:14]

CHAIR: We commence with the Department of Industry, Science and Resources, Corporate, Enabling and Business Services. I remind witnesses that 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 return of answers. I welcome back Senator the Hon. Tim Ayres and welcome the Secretary of the Department, Ms Quinn. Ms Quinn, do you have any remarks that you need to give us before we start?

Ms Quinn: I do. Just briefly, I want to welcome colleagues to the portfolio. Since the last estimates, we've had four new colleagues join in their roles. On 13 January, David Latina was appointed as the Anti-Dumping Commissioner. He brings senior-level government experience and industry engagement in his new role, having worked in the Victorian Department of Jobs, Skills, Industry and Regions; Small Business Victoria; Deloitte; and the Victorian Department of Premier and Cabinet. On 28 January, Professor Tony Haymet was appointed to the Australian Chief Scientist role. Professor Haymet is a distinguished scientist with demonstrated experience in effective advocacy across a number of scientific disciplines. He has held senior roles in the CSIRO, the Scripps Institute of Oceanography in the United States and the Munderoo Foundation in Australia. He has been Chair of the Antarctic Science Foundation, the oceans council of the World Economic Forum and the Australian Academy of Technological Sciences and Engineering Climate Change Working Group. He's authored over 170 peer reviewed publications and is co-founder and co-owner of MRV Systems, a company that manufactures autonomous ocean robots.

Also on 28 January, David Gall commenced as the Chief Executive Officer of the National Reconstruction Fund Corporation. David brings significant experience with a successful 35-year career that spans corporate, commercial and retail banking. He spent 16 years at the National Australia Bank, including as Group Executive for Corporate and Institutional Banking, where he managed the bank's relationship with large corporations, financial institutions and government entities. His contribution to the financial services sector is demonstrated by 10 years on the board of the Financial Services Institute of Australasia, including four years as president.

This week Melissa Harris began in the Chief Executive Officer role for Geoscience Australia. Ms Harris is an accomplished senior executive and a highly experienced public servant. In her most recent role as CEO and Registrar of Titles for Land Use Victoria, she received a Public Service Medal for Outstanding Public Service and Transformation of Geospatial, Planning and Land Administration in Victoria. They will all be available to this committee during these estimates.

CHAIR: We look forward to welcoming those new colleagues when they appear before us later today. We'll proceed straight to questions. Senator McDonald.

Senator McDONALD: Good afternoon. I have some questions for the Business Grants Hub, please, Sam Chard.

Ms Quinn: Certainly. Do you want to start your questions? We've got the deputy here as well.

Senator McDONALD: Terrific. I'd like to ask some questions about the grant to the EDO, and the reference is EDO EJA000002. It is my understanding that there was a \$1,062,000 progress payment due on 30 November 2024. Information discovered via FOI highlights that the Business Grants Hub was awaiting additional information from the EDO before payment. What additional information was requested by the Business Grants Hub prior to this payment?

Ms Chard: We required an independently audited financial report as well as a progress report from EDO, which we assessed prior to agreeing to pay the next instalment payment.

Senator McDONALD: Was the progress report in relation to the specific grants funded program?

Ms Chard: That is correct.

Senator McDONALD: What specifically was the Business Grants Hub trying to satisfy itself of when it asked for the audited financial reports prior to the payment of the milestone?

Ms Chard: Under the review that was undertaken by DCCEEW, there was a requirement. We would typically ask for an audited financial report relating to the grant program at the end of a grant program. In some particular circumstances we ask for those kinds of reports periodically through the life of the grant. As an outcome of the DCCEEW commissioned review into the EDO program, Secretary Fredericks required that there be progress audited reports provided to us to assist us with our assessments. We look at those to determine whether or not the payments that have been made, the eligible expenditure that's been made, is compliant with the grant guidelines.

Senator McDONALD: How did this additional information satisfy the department?

Ms Chard: It satisfied us that EDO had only spent money on items that were eligible, consistent with their milestones under the grant and their requirements under the grant agreement.

Senator McDONALD: Is it now a requirement that the EDO will continue to provide these progress audited reports into the future?

Ms Chard: Yes, that's correct.

Senator McDONALD: Had the EDO previously provided this information but failed to do so for this milestone, prompting the request?

Ms Chard: The information hasn't been previously sought in this way prior to the requirements of the review.

Senator McDONALD: Can you provide the information the EDO provided in writing?

Ms Chard: Sorry?

Senator McDONALD: Can you provide the information that the EDO provided to you to meet the milestone payment?

Ms Chard: I'll need to take that on notice.

Senator McDONALD: When did the Business Grants Hub request the additional information from the EDO?

Ms Chard: Just let me have a look at my dates. I don't have the specific dates. I can tell you when the progress payment was made and that the material was requested between the time of the EDO review being completed and the progress payment, but I don't have with me—I'd have to take on notice—the specific date when we were provided the information from EDO.

Senator McDONALD: What I'm looking for is what date did the Business Grants Hub request the additional information from the EDO; what date did they provide the information; and the date that the progress payment was made? I'm sorry. My question was: has it been made? You've since confirmed that. So, what date was it provided to the EDO? Can you tell me how many more payments are scheduled to be paid?

Ms Chard: Yes. I can tell you that the EDO grant is current up until 30 June 2026. The final reporting and acquittals are due for completion by 30 June 2026, and there are milestone payments to be made periodically up until that time. I don't have with me a schedule of the specific payments against those. I could run you through a set of milestones and when those milestones are due from EDO.

Senator McDONALD: Yes, thank you.

Ms Chard: They were required to establish a recruitment plan and recruit project staff in the Threatened Species Project. They were required to do that by 30 November 2023, and that's been complete. They were required to recruit a program staff member for the First Nations Country and Cultural Heritage Program by 30 November 2023, and that's complete. They were required to develop transparent guidelines for the Threatened Species Project by 30 November 2023, and that is also complete. They were required to undertake an assessment and overhaul of EDO's existing online gateway assessment tool, to fix issues that have been identified and improve user experience by December 2023. They were required to upgrade EDO's existing document management platform and their website gateway linkages. That was due by 31 March 2025, and it's 75 per cent complete. They have a milestone to develop a program outreach schedule and plan for the First Nations Country and Cultural Heritage Program. That's due by the end of March 2025. It's also 75 per cent complete. They are required to deliver, review and conduct client surveys and review project parts against expected outcomes by 30 April 2026. That project element is 35 per cent complete. They're required to evaluate the program of activities funded by the grant by 30 April 2026, and that is 15 per cent complete. They are the set of milestones under the grant agreements that underpin the progress payments.

Senator McDONALD: What is the First Nations Country and Cultural Heritage Program, please?

Ms Chard: I can take that on notice to provide you further information.

Senator McDONALD: Thank you. I'm specifically looking for details of the program.

Ms Chard: Understood.

Senator McDONALD: Are there new or additional restraints or limits on these future payments that the EDO has to satisfy prior to payments as a result of the DCCEEW investigation? So you've identified the audited financial reports. Is there anything additional to that?

Ms Chard: Not in addition to their delivery of the elements or the milestones under the grant program.

Senator McDONALD: How does the Business Grants Hub satisfy itself that the foreign funding arrangements of the EDO do not inappropriately influence its work and how it works?

Ms Chard: We are not specifically aware of foreign income sources for the EDO. We are aware of a loan facility, and we've reviewed the nature of that loan facility, the amount of that loan facility, and are reviewing EDO's financial statements to give ourselves confidence that the EDO is sufficiently liquid to continue delivering the grant. But in this particular grant program we've had no reason to assess the specific source of funding or loans beyond what is publicly disclosed.

Senator McDONALD: Who provided the loan facility?

Ms Chard: We're not aware of who provided the loan facility.

Senator McDONALD: So how do you satisfy yourself that it may not be an overseas entity?

Ms Chard: We haven't satisfied ourselves that it's not an overseas facility because we've seen no reason to assess the sources of their funding under the terms of this particular grant agreement; it's not an element of the guidelines that were agreed by the policy agencies. There are no provisions in that would give us any remit or recourse to assess the source of any foreign revenue.

Senator McDONALD: Is there an agency that would have a role to be assessing foreign influence and funding into an organisation that's receiving a grant from the government if it's not the grants hub?

Ms Chard: Not in this particular case. There are certainly grants where in developing the grant guidelines there's the identified potential for national security risks, and that may prompt a level of due diligence that does assess the source of funding. Those kinds of security risks were not identified as a particular issue in relation to this grant by the policy partner.

Senator McDONALD: Last night, the charities commission highlighted that they were looking into concerns around the influence of foreign funding and Australian charities. Given the nature of the legal case that the EDO was involved with and has since had to make the \$9 million settlement and has required the loan to provide them with liquidity and that we've now identified the gas shortfall issue—and I'll be asking further questions around that shortly—there is a national security and a national interest element to the work that the EDO has been doing. I now think that there is no longer a dotted line but a straight line between the EDO, its financing and the work it's done to delay the Barossa project. Knowing that, have you escalated funding nature or the loan facility of the EDO to an organisation like ASIO or another that would have oversight of foreign influence into funding?

Ms Quinn: I might enter this line of questioning just to clarify. The concerns you're raising are around the activities of EDO and the policy owner of the grants to the EDO. The entity responsible for the guidelines and whether the guidelines are meeting the government's intent is another department. The grants hub and ministers exist—

Senator McDONALD: Who is responsible, then? I'm identifying that there is a link between national security, national energy supply and this organisation, and I'm wondering whom is this being escalated to.

Ms Quinn: My understanding of the legal obligations and the responsibilities of different parties here would be it's the policy owner of the grant guidelines and the intent of the program. If there are any concerns that is no longer serving the purpose it's a policy question. The grants hub clearly does work around making sure that the contracted grant contract is enforced. Whether there's any fraud or any aspect around that, that is what the grants hub does and they would escalate those matters to the policy authority to determine what they wanted to do next. The connection between the EDO's activities, the implications for the market and things like that would need to go to the policy owner of the grant, which is DCCEEW.

Senator McDONALD: This is my last question. What I'm identifying is that the grants hub has assessed that there is a loan facility to ensure the financial stability of the EDO, but you don't know who the loan facility is from; we have no oversight of that at all? It's no good being like the three monkeys. If this part of this department is not asking those questions, who is going to escalate that question?

Ms Quinn: The policy question about whether foreign sources of funding is an issue or not for the EDO and the activities they undertake is the program owner.

Senator BRAGG: How many times did the department brief the minister for industry last year?

Ms Quinn: I'd need a bit more clarity on the question. We brief through different mechanisms, in terms of written advice but also oral discussions and then other sorts of processes. We can take on notice how many pieces of written advice or information were provided.

Senator BRAGG: That would be good. Have you provided any information for members of the House who are not members of the government?

Ms Quinn: Have we provided information to members of the House?

Senator BRAGG: Yes.

Ms Quinn: I'm happy to take that on notice, but it's not usually the way we operate. We provide information to the ministers we serve, and that's the flow of information. We are involved as officials in terms of experts in things such as backbencher briefings on legislation or policy issues. We are often called on to present information to members of the House, but that is always through the direction of the ministers that we serve.

Senator BRAGG: You haven't been asked any particular pieces of advice by the minister for a non-member of the government in the House?

Ms Quinn: We may not know where the end information flows.

Senator BRAGG: But you don't consciously know?

Ms Quinn: Not that I'm aware of certainly personally, but I can't guarantee that's the case given we've got quite a few staff across a large number of different policy issues.

Senator BRAGG: No, I understand. I imagine it's the same answer for members of the Senate?

Ms Quinn: That's right. We provide information to ministers and then ministers use that in the way to do the business of being ministers, which is consulting across the parliament and across the Senate with external stakeholders. We don't always know where the information we provide to ministers goes. They ask for information and policy advice, we provide it and they use it in the operation of their activities. Have there been any meetings with members of the crossbench of either chamber with a departmental official?

Ms Quinn: I am not aware of any, but that doesn't mean it hasn't happened. I'm happy to take it on notice. It's not the sort of thing we would necessarily track on a regular basis.

Senator BRAGG: It would be unusual, though, wouldn't it?

Ms Quinn: I've certainly in my career as a public servant been involved in those sorts of discussions from time to time. I'm not sure it's that unusual. But we don't have necessarily a mechanism. We attend a whole host of meetings with ministers, ministers' officers as well—with a whole range of stakeholders—to provide subject matter expertise. It's a regular part of our support for ministerial actions and decision-making.

Senator BRAGG: Do you want to take it on notice?

Ms Quinn: I'm happy to take it on notice, but I'm not entirely sure how we would verify it. We can have a go.

Senator BRAGG: How many people are in DISR now? Is it 3,300?

Mr Mason: I can give you our ASL numbers as at the end of December, which were 3,443.

Senator BRAGG: It's gone up by a couple of hundred?

Mr Mason: We're currently tracking a couple of hundred above where the end of the estimate was for 2024-25. We expect that will shift as we near towards the next financial year. As you'd be aware, those numbers will fluctuate from time to time based on measures terminating and commencing.

Senator BRAGG: You got 200 more people in the last 12 months; is that right?

Mr Mason: We've got 200 more than the average that we finished 2023-24 on.

Senator BRAGG: What are these additional 200 people doing?

Mr Mason: We've got those staff spread across a range of activities. They'll be working on policy and program activities. We've got a few that are working on core work that results from previously having people in labour hire roles, such as some of our science roles, for example. We've also got folk doing work like grants work, shared service, payroll work et cetera.

Senator BRAGG: Grant work. What is shared service?

Mr Mason: We pay not only public servants working in DISR but also public servants working in 13 other Commonwealth departments. We run their payroll, essentially.

Senator BRAGG: You do?

Mr Mason: We do.

Senator BRAGG: Why?

Mr Mason: Several years ago, then government at the time looked at the opportunity to run hubs to run shared service work, predominantly back office work in payroll, and we've effectively seen a strong demand in that and are able to do that on a cost recovered basis.

Senator BRAGG: These 200 people are working on grants and shared services? What was the other thing?

Mr Mason: A range of our policy and program functions costs.

Senator BRAGG: A range of policy and programs?

Mr Mason: Yes.

Senator BRAGG: Can you give me some examples? It's quite a lot of people.

Mr Mason: Yes. When you spread that across though 25 divisions, we're talking about in some cases changes of 10 or 15 people. It's a large organisation. We've also experienced over a successive number of years a large reduction in our contract workforce. The overall labour that we would be deploying at the moment is probably less than where we were, say, three to four years ago.

Senator BRAGG: What is the main thing you'd say these 200 people have done?

Mr Mason: I'm happy to talk to particular areas under each program.

Senator BRAGG: Why don't you give me an example for the policy programs, grants and shared services? Give me an example for each of those areas.

Mr Mason: In the shared services space we've taken on two more client agencies in the last 12 months. We're paying more public servants. They're essentially running payroll functions. In the case of the areas where we've taken public servants—

Senator BRAGG: Is that a profit centre for you, or did you say it's cost recovery?

Mr Mason: Cost recovery, yes.

Senator BRAGG: You're doing it for overall government efficiency?

Mr Mason: Yes, that's right.

Senator BRAGG: That's a good example. What about in the grants area?

Mr Mason: Certainly in the grants area the same principle would apply. We're running grants for the programs that we run as part of our portfolio and then also grants for a range of other portfolios, as Senator McDonald has just been asking us about. The same principle applies there. We run that on a cost recovered basis. Essentially the cost of what it costs to deliver is what we recover.

Senator BRAGG: What about policy and programs?

Mr Mason: It depends on the particular program that they're running. I'm sure the Senate will ask us a range of questions on programs throughout the course of today. Those individuals do a whole range of things at a policy level. That will be a range of work, thinking through analysis, providing advice to government, providing advice in terms of the future requirements for a particular policy area. In the program space that will be the project management of establishing whatever that program is to execute, project managing the execution of that particular item. We've seen a range of programs announced over the last 12 months by the government, which we're implementing.

Senator BRAGG: I also want to ask you about the resourcing of ministers. These might be questions for the secretary; I'm not sure. Last time I asked you about the ministerial arrangements. Do you recall that?

Ms Quinn: In terms of?

Senator BRAGG: Broadly.

Ms Quinn: Broadly, yes.

Senator BRAGG: Assistant Minister Ayres is helpfully here today. He's no longer the Assistant Minister for Manufacturing; is that right?

Ms Quinn: Correct.

Senator BRAGG: Is he still supported by your department?

Ms Quinn: No, he's not.

Senator BRAGG: Which department supports you? You're in PM&C now, are you?

Senator Ayres: Correct.

Senator BRAGG: Does the department control the paraphernalia and the materials related to Future Made in Australia or is that somewhere else?

Ms Quinn: The Future Made in Australia program is—

Senator BRAGG: Cross-portfolio?

Ms Quinn: Cross-portfolio. We implement elements underneath the high-level portfolio program name. For example, the work on critical minerals, batteries, green metals and some other elements of clean technology. They're just some examples. We have particular programs underneath the overall program of the Future Made in Australia agenda. We also provide major project facilitation agency and a few other elements. The overall direction is the whole-of-government component and then there are parts implemented by the department of energy. There are elements that go to environment and elements to Treasury.

Senator BRAGG: What about the National Reconstruction Fund? Doesn't that sit under your portfolio?

Ms Quinn: The National Reconstruction Fund does sit under the portfolio, yes.

Senator BRAGG: Do you control the logos and paraphernalia in relation to the National Reconstruction Fund, or does that sit with them as their own organisation?

Ms Quinn: They are a separate entity that controls their corporate branding.

Senator BRAGG: That's a question for them. Finally, in relation to Industry Innovation and Science Australia—that's you?

Ms Quinn: Yes.

Senator BRAGG: Not you personally, but do you know about that?

Ms Quinn: Yes. It's an independent body with people who have oversight for program implementation and policy advice.

Senator BRAGG: What exactly does it do? It gives advice to the minister?

Ms Quinn: It does. It has different elements. It is responsible for oversight of various programs. It's responsible for making sure that they are implemented with strong governance mechanisms and processes. They also have an avenue to provide advice to the government through own initiated research and other elements as directed by the Minister for Industry and Science.

Senator BRAGG: Who is the latest chair?

Ms Quinn: We have a new chair starting shortly.

Senator BRAGG: Who is?

Ms Quinn: Peter Rossdeutscher.

Senator BRAGG: Has he been given a statement of expectation?

Ms Quinn: Not at this point, because he has not commenced in the role. But there's an existing statement of expectation—

Senator BRAGG: Does he work on the one that was given to Mr Stevens?

Ms Quinn: That's right. There is one provided to the IISA, and that gets revised and refreshed upon change of leadership or change of government. That will be something that gets actioned shortly.

Senator BRAGG: Has the government sought any advice from this body in relation to small and medium enterprises, especially in light of the large number of recent insolvencies?

Ms Quinn: They did produce a report last year, I believe. I have experts here under the next item who can take you through more details. They produced a report titled the 'the missing middle' that looked at the structure and circumstances facing different entities in the business environment.

Senator BRAGG: Have they been made public?

Ms Quinn: That report has been made public, yes.

Senator BRAGG: Have all the reports done by IISA been published?

Ms Quinn: Not all reports, no.

Senator BRAGG: Some of them have not been published?

Ms Quinn: Correct.

Senator BRAGG: What's the reason for not publishing them all?

Ms Quinn: They provide advice to the government and then it's a government decision about whether it—

Senator BRAGG: The cabinet?

Ms Quinn: It may be cabinet or it may be a ministerial decision, depending on the process taken to form a view about whether it should or shouldn't be released.

Senator BRAGG: How many reports have been kept under wraps?

Ms Quinn: I'd have to take that on notice. Over what time period are you interested in?

Senator BRAGG: We're looking at this recent administration, I guess, so over the last couple of years.

Ms Quinn: I have to check. I'm reasonably certain all of the ones that have been completed under this government have been released, but previous ones were not.

Senator McDONALD: In January 2024 the government announced \$63.2 million for Liberty Steel to support the purchase and installation of electric arc furnace. This is a contribution to the Whyalla Steelworks green steel transformation program, which will enable green steel production and supports Liberty's commitment to carbon neutrality by 2030. This would be funding through the Powering the Regions Fund. My question is: was the \$63 million in the form of a grant, and was this delivered through the Business Grants Hub?

Ms Quinn: That is a policy question for the department of climate change and energy, which is the policy owner of the Powering the Regions Fund. I do understand that it was in the form of a grant.

Senator McDONALD: But my question was: was it delivered through the grant hub?

Ms Quinn: Yes, it's been delivered through the grants hub.

Senator McDONALD: Can I confirm that the grant recipient is Liberty Steel Group owned by GFG?

Mr Mason: As you'd appreciate, we run a lot of grants. I'm not sure we would have necessarily the ownership piece with us here today, but we'll check.

Ms Chard: Apologies. I don't have the specific ownership details with me on that grant.

Senator McDONALD: If you wouldn't mind taking that on notice?

Mr Mason: I think it might be OneSteel, but I'd just need to confirm that.

Senator McDONALD: Can you tell me how much of that \$63 million has been released to the proponent?

Mr Mason: That I think we'd need to take on notice, because it will come to milestone payments et cetera.

Senator McDONALD: Can you tell me what is the status of the project?

Mr Mason: We wouldn't have necessarily brought specific grants with us, noting that at any given time there are thousands that we'd be administering.

Senator McDONALD: If on notice you could provide what is the status of the project as far as the department is aware, what milestones have been met on the work that has been done to advance its purchase and instalment of an electric arc furnace? What milestones were attached to that funding? What information did the proponent give to the department about reaching those milestones? Given the steelworks in question has been put into administration and the South Australian government has deferred its plans for green hydrogen in Whyalla, has the funding for this grant effectively been discontinued? If not, why not? Under the grant agreement, will the proponent be required to pay back any of these funds if the project does not come to fruition? Finally, what due diligence did the government undertake to ensure this would be a prudent use of taxpayer funds? What was the assessment that occurred to recommend funding?

Mr Mason: I think there are a range of questions that are kind of policy and a range of grant hub questions in that. We're happy to come back to you on notice.

CHAIR: I believe that concludes the questions the committee has for corporate. There are no further questions and we release corporate.

[14:53]

CHAIR: The committee welcomes representatives from the Department of Industry, Science and Resources for Program 1.1: Growing innovative and competitive businesses, industries and regions.

Senator BRAGG: I'm going to ask you about the Whyalla issues. When was the government first aware that the South Australian government intended to put OneSteel into administration?

Ms Quinn: We've been engaged quite intensively with the South Australian apparatus since 2016. We've been having two-weekly discussions with their steel taskforce through 2024 monitoring the situation. The first discussion around possible insolvency processes was in early February.

Senator BRAGG: Early February?

Ms Quinn: Yes.

Senator BRAGG: What happened at that point, from your point of view? What did you do then?

Ms Quinn: The South Australian government reached out to the Australian government with a set of proposals to discuss different scenarios going forward. They had formed a view around the viability of the

operations and what implications it had for the South Australian government. They shared their views with the Commonwealth government and Commonwealth officials, and we heard their concerns and their proposals. The Commonwealth government worked through what that might mean for their actions.

Senator BRAGG: Has the government met with Mr Gupta or anyone from GFG?

Ms Quinn: I believe there were some discussions in regard to the grant that was just raised between Commonwealth officials at the grant level with the organisation. Other than that, I'm not aware of any direct conversations with GFG in recent times.

Senator BRAGG: When was that meeting?

Ms Quinn: I'd have to check, because it was a member of my staff who attended a meeting with the Department of Climate Change, Energy, the Environment and Water, who are the grant proposers. I'd have to check the exact timing of it.

Senator BRAGG: Was it this year?

Ms Quinn: Yes, I think so.

Senator BRAGG: Has the minister met with Mr Gupta?

Ms Quinn: Not that I'm aware of.

Senator BRAGG: Has the minister met with any officials from GFG?

Ms Quinn: Not that I'm aware of.

Senator BRAGG: Minister Ayres, have you met with Mr Gupta?

Senator Ayres: No.

Senator BRAGG: Or anyone from GFG?

Ms Quinn: Just to be clear: not in recent times. Of course there have been—

Senator BRAGG: About this issue? Have you met with anyone from GFG?

Senator Ayres: I'll happily take that on notice. Certainly the broader business has other pieces in Australia. I've travelled to at least one of the InfraBuild businesses in Australia. I'm happy to take that on notice.

Senator BRAGG: When was the last briefing done by the department on the GFG operation?

Ms Quinn: We've been providing briefing on a very regular basis.

Senator BRAGG: How many?

Ms Quinn: In recent times, daily. Prior to that, we provided information fairly regularly on the basis of our discussions with the South Australian Steel Task Force.

Senator BRAGG: What's the nature of the briefing? Is it about the viability or the impact of various scenarios? What does it look like?

Ms Quinn: The initial phase all through 2024 was monitoring the circumstances, their plans. We were doing detailed work on the green metals policy program. We were looking at and engaging with green metal proponents across the country. There were some elements in relation to the future opportunities for Australia in that policy space. In terms of the actual operation of the steel mill, et cetera, more recently, post the government's decision and announcement of action joint with the South Australian government, the department of industry is on a joint taskforce with the South Australian government to support the administration and delivery of programs on the ground to support the Whyalla community.

Senator BRAGG: There's a taskforce or a working group now, is there?

Ms Quinn: There is a taskforce in the department that is working jointly with the South Australian government to support the administration process.

Senator BRAGG: When was that established?

Ms Quinn: The taskforce was formally established on Monday.

Senator BRAGG: Which Monday?

Mr Sloan: I suppose there's a bit of a story here that people have been, as the secretary said, working on Whyalla for a while. People were transitioning across. But this taskforce was stood up I believe on Monday last week formally.

Senator BRAGG: Monday last week?

Mr Sloan: Yes, but before that there had been people working full time on the proposal that South Australia has put forward, and the government has agreed to work with South Australia on.

Senator BRAGG: A taskforce was set up on Monday last week?

Ms Quinn: The work was previously in a part of a program that did other things. Given the nature of the work ahead of us, we've added more resources and are working cooperatively with South Australia.

Senator BRAGG: Sorry? Can you say that again?

Ms Quinn: We've had people working on monitoring the situation in Whyalla, providing advice to government, and engaging with an individual we have on the ground—that's our regional manager—as well through our AusIndustry network. We have had various elements within the department focused on the Whyalla situation. With the government's agreement and announcement with the South Australian government and the South Australian government having put OneSteel into administration and the commitment from both governments to work together to work through the administration and the future for the Whyalla steelworks and the region, we have created a taskforce within industry that will take the point responsibility for the Commonwealth to work with the South Australian government to support administration and provide advice. We will be providing advice to the Commonwealth on its role and future developments.

Senator BRAGG: Is this work solely confined to the steelworks operation?

Ms Quinn: The OneSteel company has various elements within it. It is not just the blast furnace and steelworks. It's also got elements that capture the magnetite and hematite mines and there are also elements connected to the port and other infrastructure. We're focused on supporting the administration of the OneSteel entity. That's the main focus for now.

Senator BRAGG: What about the rest of GFG?

Ms Quinn: There are other components that clearly are interlinked. Senator Ayres mentioned InfraBuild, which takes a lot of feedstock from the process in Whyalla. The administrator is looking at what the implications are for the OneSteel entity. But the other elements are not in administration and they are working through their usual processes.

Senator BRAGG: What do you mean by 'usual processes'?

Ms Quinn: They've got boards, CEOs—

Senator BRAGG: They're going concerns?

Ms Quinn: They've got governance structures that support them. They will be working through as they were before the administration.

Senator BRAGG: There's no body of work you're doing in the department to monitor this?

Ms Quinn: We monitor quite a lot of things—things coming through the door, people asking us if there are particular concerns about areas. We are interested in and monitoring what's happening to some of those other entities. At this point, they're structurally separate from the Whyalla steelworks and the OneSteel enterprise. They're not part of the administration. Clearly we are monitoring what's happening to those other entities.

Senator BRAGG: Let's talk about the announcement from last Thursday, 20 February. Do the \$50 million in creditor assistance payments go to the creditors?

Ms Quinn: You're talking about the announced support on the ground?

Senator BRAGG: The immediate on-ground support of \$100 million; is that right?

Ms Quinn: Yes.

Senator BRAGG: That's broken up into a couple of different segments?

Ms Quinn: That's correct.

Senator BRAGG: Can you explain the creditor assistance payments? Are they paid directly to the creditors?

Ms Quinn: It's being administered by the South Australian government. At this stage people can provide their information to the South Australian government and they'll make the assessment. We are working with them on that. They've got two different mechanisms that they've opened for people to put expressions of interest in. Some of it is around grants if entities have had a significant impact on their business as a result of uncertainty or lack of other payments in the system. Another is related to creditors who might be owed money and need support in light of the lack of payments and uncertainty.

Mr Sloan: The \$50 million fund is for creditors under certain criteria, which as the secretary said is being administered by the South Australian government. Then there's \$3 million in support grants for those businesses that the secretary talked about that may have had a loss of revenue due to economic circumstances in Whyalla.

Senator BRAGG: Is the investing in the steelworks \$1.9 billion the total Commonwealth contribution in the investment?

Ms Quinn: The Commonwealth has three phases in terms of its contribution envisaged over time. As I've mentioned, it's early days in the process. But there are on-the-ground supports, which we've talked to, creditor assistance payments, infrastructure upgrades and issues to do with jobs matching et cetera. There's a set of on-the-ground supports. Then there's stabilising the steelworks through the administration process, or supporting the administration process to allow the administrator to maintain the ongoing operations of the steelworks while it works through evaluating the options going forward. Then there's a commitment to investing in the steelworks going forward through funding under the green iron fund for the Commonwealth and potentially other vehicles, depending on what the administrator finds and evaluates as the best way forward to continue the operations of the steelworks and to move it towards a more sustainable future, including green iron and steel options.

Senator BRAGG: The \$1.9 billion is—

Ms Quinn: That \$1.9 billion covers both the South Australian and the Commonwealth commitment.

Senator BRAGG: How much of that is Commonwealth?

Ms Quinn: The Commonwealth is working through how much that is.

Senator BRAGG: Not sure yet?

Ms Quinn: It's going to depend on the exact composition and requirements once the administrator works through what's the best future for the entity.

Senator BRAGG: The Commonwealth contribution will be somewhere between zero and \$1.9 billion?

Ms Quinn: For the investing in the future, yes. They've been very clear that at least up to \$500 million is available from the green iron fund.

Senator BRAGG: It will be between \$500 million and \$1.9 billion?

Ms Quinn: Yes, given current information.

Senator BRAGG: What sort of investment is it? When I say 'investment', I'm assuming that it's taking equity in the business?

Ms Quinn: There are different options and it's going to depend on the entity that takes the vehicle forward. That's all to be worked through as part of the administration process.

Mr Sloan: The green iron fund is a grant. That \$500 million will be a grant.

Senator BRAGG: A gift?

Mr Sloan: As the secretary said, and as I think Department of Finance talked about at their estimates, the makeup depends on what comes out the other side of administration. It can be equity, debt or a grant or a mixture.

Senator BRAGG: So \$500 million comes out of the green iron fund and that's a gift; we're giving that away?

Senator Ayres: There are two points about this one. I think there was extensive evidence given in Finance about some of these questions. I'm very happy for officials to deal with all of that, of course. Saying it's a gift might in certain circles in the eastern suburbs be a clever thing to say. It is not a gift.

Senator BRAGG: It's a grant?

Senator Ayres: This is a very significant intervention mobilised by wanting to ensure that Australia has the steelmaking capability it needs for the future. Smart alec observations about gifts aren't very helpful.

Senator BRAGG: That's a very mature response from you and consistent with your general approach.

Senator Ayres: 'Gift' is a pejorative that in this case when we're talking about hardworking blue-collar Australians is really insulting for South Australians.

Senator BRAGG: I don't think it's insulting.

CHAIR: Senator Bragg and Minister, the committee earlier had a meeting where some agreements were made about conduct. There's a behaviour code. We're all trying to adhere to it. We're also due for a break in a couple of minutes. I propose to take the break now.

Proceedings suspended from 15:09 to 15:22

CHAIR: The committee resumes with DISR outcome 1, program 1.1. And I give the call to Senator Allman-Payne.

Senator ALLMAN-PAYNE: I would like to ask questions regarding the research and development tax incentive. I'm just wondering whether you have an update on the legality of applications from various companies. At previous estimates I mentioned Strike, Blue and Galilee. I understand that you can't discuss individual applicants, but I'm wondering what update can you provide me on the legality and validity of applications.

Mr Sloan: I might get my colleague Mr Crawshaw to answer that.

Mr Crawshaw: I think that my predecessor did indicate that we can't disclose the nature of companies' participation in the program and their activities and/or compliance activities in respect of that. But what I can give you some comfort about is that the resources exclusion, which was the issue that was raised previously, is something that factors into our risk-based compliance activities in the R&DTI program, and that's all that I can say at the moment. As I said, I can't talk about their activities and compliance matters.

Senator ALLMAN-PAYNE: I understand that the department is prohibited under legislation from disclosing information relating to companies' claims under the R&D offset where doing so would constitute a breach of confidence. It doesn't seem to me, however, that this prohibition could reasonably prevent the department from describing in general terms its compliance processes, nor from answering questions about hypothetical scenarios. So could you please explain whether or not the department has actually looked into compliance by petroleum exploration companies with the provisions of the Income Tax Assessment Act, which exclude petroleum exploration eligibility for the R&D offset.

Ms Quinn: You are correct. At a very high level we are able to talk to the processes of administering the program. As you know, there is the entry into the program where eligibility is assessed by the department against the legislation based on the material that's provided, and there is an assurance process around that entry where we ask questions and we validate them based on our intelligence of high-risk areas and priority areas. And then there is the assessment at the end where they put claims into the Tax Office around their activities, and the Tax Office also have insurance and fraud and other components that they run through their system. So there is entry and exit, or entry and then payment, and then often these companies stay in the program because they are doing ongoing proposals, so we use information across years to do the assessment process. So in general the department looks at the profile of companies within the R&DTI, we do an assessment of where we think there are high-priority sectors, risks based on fraud, intelligence and any other intelligence from other sources, and then we do more in-depth looks at those areas. We did take on board the information that was provided and the concern expressed by the Senate in looking at the eligibility requirements around the areas that were raised before, and we did undertake extra due diligence assessments at that time.

Senator ALLMAN-PAYNE: Has the department conducted a review of the scheme itself?

Ms Quinn: We have an evaluation program across all our programs, and we have looked at the evaluation of the R&DTI as part of our regular assessments and provide that advice to governments, either as part of just the ongoing efficiency or as part of the policy process. The R&DTI is also one of the areas that's overseen by the Industry Innovation and Science Australia committee, which was raised earlier by Senator Bragg. It has oversight to look at the efficient and effective administration of the program, and so there is a whole series of different types of evaluations that are done. The last big external review of the scheme was done quite a few years back, which was referred to as, colloquially—unfortunately, I'm not sure I know all the names—the 3F report, which was done by Ferris and someone else and someone else. We can take that on notice. But that was the last public process on the evaluation of the RDTI program.

Senator ALLMAN-PAYNE: Considering the fairly significant conflicts that appear to be occurring based on information that we are seeing on companies' websites, is it time to do another significant public review of the scheme?

Ms Quinn: That would be a matter for government in terms of the public process, in terms of the ability of the scheme. It does come up from time to time. In terms of our administration we are always looking at ongoing ability. It is one area, for example, where we are looking to use new technologies such as artificial intelligence to be able to speed up our compliance and fraud checks, because there is a great deal of data involved, and it is an area we are investing in to be able to get more quickly to the areas of concern. So, on the administration side and compliance, it is an area we are always focused on. In terms of the policy framing, that's a matter for the government consideration of overall effectiveness and evaluation of the R&DTI.

Senator ALLMAN-PAYNE: I do remain concerned about how the department is ensuring that the rules around eligibility for this really lucrative R&D offset are being followed. So that I can get some clarity on what is

legal versus what's illegal, if a company drills and fracks an exploration well to provide valuable technical information regarding hydrocarbon composition and content and rock mechanical properties, and the data will inform the company about the likely recoverable volumes of hydrocarbons, in that instance if a company were to claim an R&DTI for the development of new fracture stimulation techniques to extract hydrocarbons in relation to the well, is that likely to be eligible?

Mr Crawshaw: I really couldn't offer a view on particular circumstances. We have a process for doing an examination as part of our compliance activities to really drill into eligibility questions. I could alternatively answer your question in another way to give you a general sense of how we are interpreting the current exclusion and how we apply that generally in the program without talking specifically about any companies or R&D activities, if that's helpful.

Senator ALLMAN-PAYNE: Well, before you do, I note that that example that I gave, under our understanding, is unlawful and isn't allowed under the legislation. I have a second, similar example that's unlawful. Yet the reason I put that to you is that both of those—that hypothetical that I gave and another one that I won't for the sake of time—were based on public statements from real companies about claims that they have successfully made that are quite obviously based on activities designed to determine the size and quality of petroleum deposits. So that's where the concern comes from. If those situations are unlawful and companies are still making public statements that they are getting money for doing those things, surely it follows that those companies have unlawfully accessed money under the R&D scheme. It relies on applicants self-assessing their eligibility, and from what I'm hearing the department isn't necessarily actually assessing those applications.

Ms Quinn: I'm happy to take it on notice, and we're very happy to receive information from you, Senator, about concerns you have for us to feed into our compliance and our approach to R&DTI. It is difficult for us to talk about individual cases, because the devil is always in the detail on these things, but we are very happy to receive the information—you've put some on the record today, but if you've got other information we are happy to receive it—and we will feed it into our processes in terms of evaluation.

Senator ALLMAN-PAYNE: Are you able to explain how these companies are able to successfully make these claims when under the Income Tax Assessment Act the offset is explicitly not available for 'exploring or drilling' for petroleum for the purpose of 'discovering deposits', 'determining more precisely the location of deposits' or 'determining the size or quality of deposits'?

Ms Quinn: Without having the ability to go through all the details and look at the case law on this matter, of which there is—

Mr Sloan: And what was actually claimed, Senator? We don't know what they've claimed for exactly, and we'd have to go and look at that.

Ms Quinn: Yes.

Senator ALLMAN-PAYNE: If you can give me more information on notice, that would be good, and, if we have any more information to give to you, we will. Has any oil and gas company self-assessed and received a benefit under the R&DTI for petroleum exploration that involves any exploration, prospecting or drilling activities which aim to find deposits or establish the prospective character of deposits?

Ms Quinn: We would have to take that on notice as well.

Senator ALLMAN-PAYNE: If you could provide that on notice, that would be great. Also on notice, if you could, I would like a list of companies wholly or partially involved in oil and/or gas production or exploration that have self-assessed under this program and the benefit accrued by each company as a result.

Mr Sloan: That number you said?

Senator ALLMAN-PAYNE: I beg your pardon?

Mr Sloan: You said 'number'. I just want to confirm.

Senator ALLMAN-PAYNE: No, if you could provide a list of the companies.

Mr Sloan: From confidentiality, I don't think we can provide a list of companies.

Senator ALLMAN-PAYNE: Well, can you take that on notice and come back to us on whether you can provide the names, and if not—

Mr Sloan: My understanding of the legislation is that we can't.

Senator ALLMAN-PAYNE: If not, at least the number of companies that are involved in oil or gas production that have self-assessed.

Mr Sloan: We will look at it, yes.

Senator ALLMAN-PAYNE: Great. That's all.

CHAIR: I will go back to the deputy chair.

Senator BRAGG: I think where we were was that I was being accused of being some sort of dreadful person from a part of Sydney for talking about grants or gifts which are taxpayer funds, and I think that's where we were before we had the recent break. So \$500 million goes as a contribution to who exactly?

Ms Quinn: I just want to be clear: it's the Green Iron Investment Fund. You asked me before, and I inadvertently dropped off the word 'investment'. So it's the Green Iron Investment Fund, and the government announced that up to \$1 billion is available in this fund. At least \$500 million will be open to proponents around Australia for existing facilities and greenfield projects to apply through a competitive process, and up to \$500 million has been earmarked to support the Whyalla steelworks' long-term transformation, subject to appropriate due diligence and negotiations with possible future buyers of the steelworks. Importantly, it's a co-investment—co-funding. It's focused on eligible upfront capital costs associated with establishing a commercial green iron facility.

Senator BRAGG: Sorry, I thought you said it was a grant.

Ms Quinn: It's a co-funded grant program, so it's—

Senator BRAGG: So it's a grant. It's not an investment. A grant is not an investment. A grant is giving away taxpayer funds.

Ms Quinn: It's the Green Iron Investment Fund, where the government provides co-funding for eligible upfront capital costs associated with commercial green iron facilities.

Senator BRAGG: Does the government take an equity stake in return for its money?

Ms Quinn: Not under this fund, no.

Senator BRAGG: So what does the government get in return, other than the societal benefit?

Ms Quinn: The transformation of those facilities into commercial green iron facilities.

Senator BRAGG: Okay, so there's a societal benefit and potentially an economic benefit to industry, but the taxpayer gives the money and there's no return to the taxpayer.

Senator Ayres: No, Senator Bragg. I don't know what 'societal benefit' means. I assume you mean the social and economic benefit of good jobs in a regional community. I understand Mr Dutton said he backed all of this. I'm sure he wouldn't have done it. When the coalition was in government, there wasn't much action on the Whyalla steelworks. The sets of national interest principles that sit underneath the Albanese government's judgement about this, of course, go to sustaining good jobs in that very important regional community. In addition, of course, it is, I would have thought, self-evident that Australia needs steelmaking capability. I would have thought it's self-evident, in the world that we are entering, that industrial capability is critical for our economic resilience and our strategic positioning in the world in which we live, much of which contains uncertainty about Australia's future position, security and prosperity. There are, I would have thought, some pretty obvious rationales that sit underneath this, and—

Senator BRAGG: Thank you.

Senator Ayres: I'm not sure what 'societal' means, but—

Senator BRAGG: I appreciate your geopolitical analysis—thorough as always. My question was not about that. My question was about how the contribution will work, and the evidence, I believe, is that it will be a contribution to the business.

Senator Ayres: If I can just say something and then pass over to the secretary, there are some broad parameters for that at this stage.

Senator BRAGG: What are they?

Senator Ayres: And the secretary can answer questions about those in more—

Senator BRAGG: Sure.

Senator Ayres: You're absolutely entitled to ask about those.

Senator BRAGG: Thank you.

Senator Ayres: Of course, some of the answers may not be as precise because the administration has only just commenced.

Senator BRAGG: That's okay. I understand that.

Senator Ayres: That work is still to be undertaken.

Senator BRAGG: Yes.

Senator Ayres: Discoveries will be made about the viability or otherwise of particular components of the steelworks themselves and the associated businesses that fall within the administration.

Senator BRAGG: Yes, I understand that.

Senator Ayres: And, of course, that will enliven discussions about guidelines and whether it's a grant or whether it's an investment model. All of that still has to be undertaken, and I don't want—

Senator BRAGG: I understand that. I understand that you've got to build the plane and fly it simultaneously and it's hard. All I'm trying to do is ascertain what's the information as at today.

Senator Ayres: Yes.

Senator BRAGG: So do you have a sense of what the conditions might be?

Ms Quinn: The \$2.4 billion is the whole package between the South Australian and Commonwealth governments. I have talked about the \$100 million in on-the-ground support, around \$400 million for stabilising the steelworks, which includes the operation through administration, and then \$1.9 billion for the future—

Senator BRAGG: Which includes the \$500 million, right?

Ms Quinn: Which includes the \$500 million.

Senator BRAGG: So the Commonwealth contribution is somewhere between \$500 million and \$1.9 billion?

Ms Quinn: Correct.

Senator BRAGG: And what are the conditions that you think might be applicable?

Ms Quinn: That will depend on the precise nature, but under the Green Iron Investment fund, for example, as I mentioned, that is around capital support for capital equipment to produce a green iron facility, so that's a capital support program. There could be other requirements for capital support. Most of what the government does in transforming industry is around upfront capital support. That's the main economic argument for government involvement, and that's consistent with longstanding policies within government over multiple governments.

Senator BRAGG: When do you think you'll know what the final number will be?

Ms Quinn: It's hard to say that. The administrator has only just been appointed. We have done quite a lot of work thinking about opportunities for green iron and steel in Australia through policy advice to government, so we are in a good place in terms of the opportunity set, but it's going to depend on private sector actors and the eventual owner of the works, and that is in the hands of the administrator.

Senator BRAGG: So is it possible that there's a scenario where the \$500 million goes through the green steel fund—is it the green steel fund?

Ms Quinn: Green Iron Investment Fund.

Senator BRAGG: Green iron fund—sorry. Is it possible that then the balance of that contribution of up to \$1.9 billion could be a mix of equity and grants?

Ms Quinn: And/or guarantees. That's correct.

Senator BRAGG: Or guarantees—okay. But your sense is that the bulk of that would go upfront?

Ms Quinn: It would be focused on the capital transformation required, because that is the public policy case for supporting the transformation from existing capability to future capability. There are operational expenses in the administration component. But the intention for this is that a new owner enters and they have a business model and strategy that, once supported through transition, is an ongoing concern. So most of the arguments for public policy are on capital investment, as opposed to anything to do with operating expenses.

Senator BRAGG: Have you met with any of the prospective private sector operators in this space?

Ms Quinn: There are a set of prospective people interested in green iron and steel opportunities in Australia. The department has met with all those people interested as part of our work on the green metals package. The department have met with almost everyone, I think, interested in those opportunities now and in the future for Australia.

Senator BRAGG: So what's happening with this hydro electrolyser? There's a proposal to build a hydrogen electrolyser, a power plant?

Ms Quinn: I think you're talking about the South Australian program.

Senator BRAGG: Yes.

Ms Quinn: So you'd be best to direct those questions to—

Senator BRAGG: So you don't know about that.

Ms Quinn: Only at a high level.

Senator BRAGG: Is it going to go ahead, do you think?

Ms Quinn: As I understand it, the South Australian government has put that program on pause as it focuses its attention on supporting the transformation of Whyalla. That's based on public pronouncements of the South Australian government. For any further details, you would have to ask the South Australian government.

Senator BRAGG: Okay. What measures will be taken to protect the taxpayer funds here?

Ms Quinn: The same mechanisms that we apply to all considerations of government funding in this portfolio and across other agencies. All money is subjected to cost-benefit analysis, detailed commercial terms and appropriate risk based assessments going through cabinet processes. That has been the process to date for the consideration of the government support, jointly with the South Australian government, to support the Whyalla region, and I imagine that will continue. So the program under the Green Iron Investment Fund will be a process through guidelines that are approved under the government's guidelines. It will go through an assessment process, an evaluation and contract negotiations—all the usual things we go through.

Senator BRAGG: So that will include the total package?

Ms Quinn: All elements are subject to those sorts of considerations.

Senator BRAGG: At one point in the future, would you imagine that all the elements would be publicly known, including the cash contributions?

Ms Quinn: I imagine so. They are under all the other arrangements we have now, so all grant agreements are published.

Senator BRAGG: But they're not all grants, are they? Aren't you working towards trying to have this more towards—I mean, isn't the best way to protect the taxpayer's investment to have a mix of options here, like, as you say, some equity and maybe guarantees?

Ms Quinn: I didn't quite get to finish.

Senator BRAGG: Sorry.

Ms Quinn: Any grant funding or program funding is published through the usual mechanisms. Any other commercial loan or guarantee or equity is also published through transparency mechanisms, depending on the entity that might be on the other side of that approach, whether it's the government, whether it's institutions such as Export Finance Australia or the National Reconstruction Fund or other entities. All of government funding is public and transparent in terms of the high-level commercial arrangements. Specific details are not always available for commercial reasons, as we have discussed in other contexts.

Senator BRAGG: Can I just ask you a dumb question: is there a link between the proposed South Australian hydrogen electrolyser and the rehabilitation of the steelworks?

Ms Quinn: For full transformation to a green facility, there is a requirement to have low-emission energy. And so that is part of the component and the opportunity—

Senator BRAGG: So it is linked.

Ms Quinn: for Australia. And also full transformation to getting green hydrogen into steel making is part of the expected transition on the technological front. So there is absolutely a connection between renewable energy and also hydrogen into the process of actual steel making. So that is the way forward. Exactly when and how is partly a technological question and it's also a funding question.

Senator BRAGG: So if the South Australian government isn't going to proceed with its plan, does that mean that this is going to be in peril?

Ms Quinn: The South Australian and Commonwealth governments are both committed to the transformation of the steelworks, so that will envisage a whole set of steps, joint with the owner of the steelworks. It requires appropriate input such as using magnetite iron ore rather than hematite iron ore. It requires the use of energy, which may or may not require public infrastructure. It requires the operation of new capital such as electric arc furnaces and direct iron reduction facilities. So all of that, and then obviously port and infrastructure to distribute the products at the end. There is a commitment to look at that whole transformation field. The South Australian government has at the moment quite rightly focused on the immediate, but I don't believe they have made any statements about the eventual outcome of the focus on hydrogen.

Senator BRAGG: So you are not sure whether they are going to proceed or not?

Ms Quinn: It's a matter for the South Australian government.

Senator BRAGG: But isn't it linked to the Commonwealth's potential investment?

Ms Quinn: Depending on the technological pathway and the choices available to the company, there will at different times be different options. So we're back in the world of assessing the options, depending on the technology, that the eventual owner of the company would like to implement, which would be part of the process and development of the Green Iron Investment Fund working with proponents where they come forward with option sets and the government then evaluates them for a cost-benefit analysis process.

Senator BRAGG: Okay. I think I'm done with that.

Senator Ayres: Senator Bragg, just on that point, I think one can and should separate out—the proposal that was envisaged in terms of generation capability in that region is one thing. The future energy sources for within the steelworks is another, and I would not assume from the decision that the South Australian government has taken in relation to the first part of that, that does not engage hydrogen production within the steelworks facility itself. But that is of course all subject to that very significant body of work that's in front of the two governments and the proponents.

Senator BRAGG: I might just change tack now. I have a few more things to get through, so do you want to—

CHAIR: I just have one follow-up question on Whyalla, and then I think it would be appropriate to go to Senator Pocock. I just wanted to circle back to the immediate on the ground support for Whyalla. I think we all know that, when large-scale industrial facilities like this fail, there is not just a cost to the people who work directly at that facility or to the owner of that particular business; there are

also potential impacts in the supply chain. There is usually businesses and contractors who are supplying that facility who are impacted as well. And we know that, for example, we've got a lot of experience around that when the car industry closed down in Australia, in Victoria and in South Australia. It wasn't just the thousands and thousands of jobs in those actual industrial facilities; it was many, many, many more thousands of jobs in the supply chain and businesses as well. So I'm wondering: is it the case here that there are businesses, contractors, workers in the supply chain who would be affected if the Whyalla steelworks failed, and does the sort of on the ground support extend to supporting the supply chain as well?

Ms Quinn: So there is the direct employees of the company that's been put into administration. There are the other entities that rely on the OneSteel corporation within South Australia and elsewhere that may or may not be affected. There are the local community through provision of services. There is an issue that quite a few creditors have not been paid in recent times. That was part of the advice given to both governments for their case to step in and for the South Australian Government to invoke administration, their concern about the uncertainty and the ongoing financial strain on the region workers and the supply chains, and there are companies that are in that supply chain who had been expressing their concern publicly and privately about the operations of the OneSteel entity. The process of administration is the administrator calls a creditors' meeting for all those people who have got existing kind of debts owed by the entity. That first meeting is on Monday. That is an opportunity for the administrator to group up what the situation is in terms of the way into administration and what the current situation is. Clearly for the operation of the facility you need people who are currently providing services to continue to provide services, and so that's the job of the administrator, to make sure they have got the confidence to supply the services you need, such as the oxygen and the workers to do it. So there's a focus to the administrator.

One of the consequences of companies not having been paid is addressed through the on the ground support package, particularly for the smaller entities. And I mentioned earlier there is \$100 million at the moment that's being provided through both the South Australian and the Commonwealth Government with different components, depending on our expertise, to support local businesses, workers and the community. Some of that goes directly to provide assistance to creditors, where they have an opportunity, if they've got debts, they can provide that information through an online portal. They will be assessed and support will be provided. They can apply for interim payments of up to 50 per cent, and there are various caps and concerns.

I mentioned before that there will be support for local businesses who might be experiencing a downturn in turnover. There is also support through labour market assistance that the Commonwealth provides areas. So there is a focus on supporting both those entities crucial to the operation of the steelworks, because it would be catastrophic if the steelworks was to close at this point, because restarting it and rebuilding the supply chains is a much harder task. So that is the job of the administrator; that is why the Commonwealth and the South Australian

government are supporting that process, and then there is the support for the wider community and other entities outside the direct steelworks.

CHAIR: So it's a critical time for that community in the sense that if those creditors who are small businesses in some cases in the area are also sort of left to fail, the consequence is that they probably, just to paraphrase or try to paraphrase what you said, that if they sort of shut down now, it's difficult to stand them back up again later, but we don't have the capacity to wait it out. So is that part of the reason why it's so urgent to get in there and provide that certainty and stability going forward?

Ms Quinn: So it is the case that the arrangements in this part of South Australia, from the mine to the various components of the steelworks to the port facilities, has a highly skilled, capable workforce and a specialised supply chain that supports the steelworks, and it's important that is one of its comparative advantages relative to other parts of Australia or other parts of the world, so the importance of keeping it whole and having a transformation plan for it to be viable in the future. The assessment from the Australian government based on all the work that has been done across government on the comparative advantages in the transition to a net zero future is that Australia has a great opportunity in green iron in particular because of our ability to have renewable energy, our resource base, but also in parts of Australia our expert workforce and capability to be able to produce green iron at lower emissions and provide that to other parts of the world, thereby reducing global emissions, and that would benefit kind of the whole supply chain. So keeping that expertise and dedicated supply chains is important. It is disruptive, clearly, when a major employer is put into administration. We are working with the South Australian government; they are on the ground. As I mentioned, we have got AusIndustry members on the ground to provide as much information as we can to local proponents, and more of that will continue, as I said, starting with the creditors' meeting and the administrator on Monday.

Mr Sloan: I'd also add that while there's a focus on the \$100 million, don't underestimate the \$384 million provided for the administrator to keep the company running. So that will obviously have on-the-ground impacts for both employees, knowing that there is someone running the organisation that will keep the money flowing, and also those suppliers now supply into the business being run by the administration. They have confidence that they will get paid for the work that they do going forward. I think that's very important to maintain the supply chain. So while we focus on, and rightly so, the \$100 million on the ground, I would not underestimate the \$384 million and the impact that is having on the ground and the supplies into that business.

CHAIR: Yes, absolutely. Thank you. Senator Pocock.

Senator BARBARA POCOCK: Thank you, Chair, and thanks for your answers so far. Just on Whyalla, how big is the team that you have working on this issue?

Ms Quinn: So we are sort of adding expertise as we need to go along, but I'll—

Mr Sloan: We have got 19 working on it at the moment. But the secretary has certainly made clear to me that it's a priority and we will have the resources we need.

Senator BARBARA POCOCK: And from other departments?

Ms Quinn: We are drawing on expertise, particularly the Department of Finance and also the department of energy as needed. We've got staff, but we will also have funding for expert commercial and legal advice, which we will need over time. Some of that will come through the administrator, who will be working through those arrangements. They will also need to have expertise to be able to do the government side of kind of support going forward similar to the South Australians.

Senator BARBARA POCOCK: You mentioned there were AusIndustry people on the ground. How many?

Ms Quinn: We've got one person in the region, and the South Australian government has put a local coordinator—I'm not sure they're exact, but they have put a person there as well. We'll assess that as the situation goes forward. A lot of the on-the-ground direct support is the South Australian government, and we are supporting behind them. But we are joint in our task force in assessing this, and there is a commitment from both sides through various arrangements to do so.

Senator BARBARA POCOCK: Have you made a budget estimate of what KordaMentha will cost?

Ms Quinn: We're working through the funding agreement with the administrator, so that's not been finalised at this point.

Senator BARBARA POCOCK: This is their second rodeo in Whyalla—it was very profitable last time—and you can't give us an estimate. My memory is not very good, but I thought it was around \$16 million.

Ms Quinn: The process last time did go over 17 months. It was a longer process. We are hoping it's a more efficient process this time, partly because of the expertise but also because of the focus that we have on the

opportunities. So we have a lot more information and a lot more focus. But it's difficult to be certain at this point because there are a whole set of steps to go. We will have a close eye on making sure that funds are expended appropriately and efficiently, and we've got a very sharp focus on trying to resolve this as quickly as possible. But the most important thing is that there's a good outcome for the people of Whyalla.

Senator Ayres: I should just add, too, Senator, that, while it was the South Australian government that undertook the administration action, of course there's a joint approach on these questions which will go to costs broadly. Secondly, KordaMentha's first engagement with this was not a government led process. It was an entirely commercial process.

Senator BARBARA POCOCK: Yes, I understand. It's very different.

Senator Ayres: So it'll mean it's a different arrangement.

Senator BARBARA POCOCK: Has your team been looking at general employment in the upper Spencer Gulf?

Ms Quinn: We have had a focus for some time on the upper Spencer Gulf. It's one of the priority areas of the net zero transformation agency, and so we have been monitoring the situation as one of the regions. We run an eye over quite a few different regions that are facing industrial transformation.

Senator BARBARA POCOCK: I understand there are 1,100 direct jobs at the steelworks and a multiplier maybe of three out from that. The public sector is also very important in the upper Spencer Gulf. If we look at the public sector across our country, which I think is around 185,000 federal public servants, and I think South Australia has a share of something like seven per cent of that—it's a relatively small number up in the region but still a significant group of employees. If we applied a cut of 36,000 across the public sector, as Mr Dutton has said he intends to do, that would be, by my calculations, around 2,500 direct jobs to go. Is it the case that that would be something like two and a quarter times more than you'd expect to lose directly from a Whyalla closure if that ever happened?

Ms Quinn: There are quite a few steps in that question. Our understanding is that there are about 1,100 direct workers related to the OneSteel administration. In terms of the possibility of Public Service cuts, that is very much going to depend on where those cuts are over what time horizons.

Senator BARBARA POCOCK: Yes. The point is we actually don't know, but, if it were applied evenly according to the proportion of existing employment—

Senator Ayres: Across states, you mean, Senator.

Senator BARBARA POCOCK: by general region, as distinguished by state, then it would have a much greater impact on our state than the immediate closure of Whyalla, which is a very alarming thought to me. But I want to come back to Whyalla. What work is being done in relation specifically to the electric arc furnace?

Ms Quinn: I mentioned the three phases. There's the on-the-ground support, the administration and the future transformation. The steps in transforming the works are going to require analysis—the electric arc furnace, which is a direct-reduced-iron plant; then casting and rolling mills; and then issues to do with energy supply. So that would be part of that engagement through the—

Senator BARBARA POCOCK: I know that, but how is it to be powered? Given that hydrogen is deferred, in the language, as I understand it, of the state government, how is it powered?

Ms Quinn: That is all to be worked through as part of the discussions with the proponent.

Senator Ayres: Again, I'm reluctant to venture too much into territory that will be the subject of the administrator working out some of these capabilities and then potential proponents working out what it is that they are. But, having offered that qualification, electric arc furnaces have particular purposes. These two technologies are not mutually exclusive for—

Senator BARBARA POCOCK: Which two technologies?

Senator Ayres: Hydrogen and the electric arc furnaces.

Senator BARBARA POCOCK: I'm not talking about hydrogen. I can see that's a fair way off. I understand that.

Senator Ayres: But there's a parallel process, yes.

Senator BARBARA POCOCK: I'm wondering where the power is coming from for an electric arc furnace. We don't know.

Senator Ayres: If we can tell you any more on notice, Senator Pocock, we will.

Senator BARBARA POCOCK: Thank you. That would be great.

Senator Ayres: But the direction of travel here is investors in iron making and steel who are looking at Australia in particular because of our characteristics in terms of energy.

Senator BARBARA POCOCK: Lots of sunshine.

Senator Ayres: Lots of sunshine and lots of wind, yes.

Senator BARBARA POCOCK: I want to go to the funding arrangement, and let's start with the Green Iron Investment Fund. It's a lot of money, isn't it? As I recollect, Mr Gupta spent something like \$700 million to actually buy the plant in 2016-2018. Here we are looking at spending up to \$500 million.

Ms Quinn: Well, \$1.9 billion for the transformation.

Senator BARBARA POCOCK: Sorry, \$1.9 billion. But, within the green iron fund, it's up to \$500 million. Is that right?

Ms Quinn: That's right, for Whyalla, and then there's another \$500 million available for proponents elsewhere in the country.

Senator BARBARA POCOCK: Elsewhere in the country—yes, for greenfields or other renovations of steel facilities. So that's a lot of money, which I fully support. I totally agree with the sovereign steel protection and that we need that industry. But why are you not, Minister, considering an equity stake in exchange for such a massive investment? And that's just one part of the investment, of course—\$1.9 billion in total.

Senator Ayres: I think that we dealt with some of these questions when Senator Bragg was asking questions. There are—

Senator BARBARA POCOCK: I was here when those—

Senator Ayres: I'll get the secretary to talk about the structure of what's been determined thus far. But there is still some way to travel in terms of what the guidelines are going to be and what the structure of that is going to be. We are a bit constrained not because there are things that we know at the moment that we don't want to tell you but because there is some more work to do.

Senator BARBARA POCOCK: Let me just rephrase my question, if I may. You are not excluding the possibility of an equity investment. Is that what I'm to understand from what you're saying?

Ms Quinn: We are not excluding equity or loans or guarantees or grant funding. Everything is in play through different mechanisms, and we have been looking at all those different mechanisms in terms of the advice we provide government, and the government has used different mechanisms and different parts of the ecosystem based on advice about risks, trade-offs and opportunities. This is partly in response to the needs of the industry as well. So equity is not off the table.

Senator BARBARA POCOCK: I guess as a South Australian, and for any South Australians paying attention—and we certainly are—we have put millions as a country into Whyalla. We put millions into the car industry and we put billions into Qantas, and we've got nothing. We've got no public stake at the table in those very critical investments. So I think South Australians are watching closely and wanting to know how we can make sure we aren't back here in five years talking to another Gupta equivalent, without any equity.

But I want to go to the other funds that are available, potentially, to get a better understanding. We've got \$500 million possibly from the Green Iron Investment Fund, which may or may not be equity but is actually investment in capital equipment. Is there a role here for the Future Made in Australia funding in addition?

Ms Quinn: Possibly. The government has different vehicles, such as the National Reconstruction Fund and Export Finance Australia, both of which can take equity loans and guarantees in Australia, and Export Finance Australia can also connect in to export markets. There are other elements in terms of innovation funding, for example, which might be possible for parts of the system.

Senator BARBARA POCOCK: What was the name of that one?

Ms Quinn: Under the Future Made in Australia there's an innovation fund. And the government, outside those vehicles, makes direct investments through grants, investments and equity. So there are multiple tools with different trade-offs, and that will all be worked through in coming time.

Senator BARBARA POCOCK: I totally take on board that this is a very movable feast, depending on who is at the table. But it sounds like the possible buckets are Future Made in Australia, Export Finance Australia equity loans and guarantees, the National Reconstruction Fund and, of course, the green iron fund, which you've talked about. Are there any other buckets that I don't know about that might be—

Ms Quinn: There are different buckets and considerations on the energy side—the energy infrastructure and components there. And, if I were to be complete in terms of government support, sometimes there are focuses on labour market, capability building, training and skills et cetera.

Senator BARBARA POCOCK: I can see there is a \$6 million investment in that already on the table. You've mentioned that there are a number of potential partners, commercial private partners, in the mix. Minister, how confident are you, based on discussions to date, that there will be a partner successfully brought into the ongoing future?

Senator Ayres: I don't think it would be wise for me to speculate on the discussions at this stage, which are at a very early stage. I emphasise it was just a few days ago that the administration commenced. There is a lot of interest in Australia for the reasons that I indicated before. We have in this region a very significant magnetite deposit. There is a very strong case for this region in terms of its port and infrastructure capabilities, with the labour force and supply chain and the industrial capability that sit around that, and of course there's its proximity to untapped but large solar and other energy reserves. So I anticipate, for those reasons, that there will be very significant interest, but I don't want to speculate further than that at this stage because I want to protect the process and allow the teams in there to do their work.

Senator BARBARA POCOCK: I want to ask you whether the government has considered at all the possibility that there will be no successful agreement made with a private partner. Are you willing to have a go at answering that?

Senator Ayres: Again, this is my opinion. I think that's very unlikely.

Senator BARBARA POCOCK: Okay.

Senator Ayres: But on the basis of what—

Senator BARBARA POCOCK: You're feeling optimistic.

Senator Ayres: What the government is anticipating and what I think the South Australian government is anticipating is that this will be a jewel in the crown of Southern Hemisphere steelmaking and iron making, and we'd anticipate a very high level of interest. This is mobilised by all of the public policy rationales that you've pointed to. But what we would want to see is a highly capable steelmaking firm that is guided by the national-interest objectives that the government has established here. We don't want to see and the people of Whyalla don't want to see a repeat of the last decade.

Senator BARBARA POCOCK: Just shifting away from Whyalla, does the government have any plans in relation to a similar national strategy around the production and manufacture of wind towers?

Senator Ayres: You would have seen recently that the Prime Minister, in the Illawarra, pointed to precisely that question and was very clear that we have the capability in Australia to make exactly the steel plate that is made into wind towers themselves. It is also used to make, for example, large-scale solar torque tubes that at this very moment are being installed in solar projects in regional Queensland, New South Wales and Victoria.

Last week I was at a facility in Western Sydney which is using BlueScope plate steel to make anchor cages and bases at very high volumes for domestic wind tower installations. The Prime Minister was, I think, very direct about the ambition to make sure that Australian steel is incorporated into these projects. In particular with wind towers, one of the advantages of wind tower construction here is that it leads to a much greater incorporation of the supply chain into the process. That is—

Senator BARBARA POCOCK: Circular economy.

Senator Ayres: all of the internal electrical and mechanical gear that goes into wind towers is then done by local firms. We had a decade of disinvestment in renewable energy capability or, in fact, in any energy generation at all. We now have volume that is around 800 wind towers a year through to 2040. That is what the industry says. So we are a government that has the policy settings to deliver volume and a determination to strengthen local content in the wind and solar transmission sectors. That is what leads to investment in large-scale local fabrication, which is what is required.

Senator BARBARA POCOCK: Not to mention savings on carbon when we don't have to—

Senator Ayres: There are all sorts of other advantages too. Wind towers supplied by one or two overseas markets that may or may not be reliable arriving at ports is very disruptive in terms of getting them from one place to the other. There are all sorts of challenges and reasons why this portfolio minister, the other portfolio ministers, the Prime Minister and the government more broadly are interested in this question. I just point out gently that it will require the re-election of an Albanese Labor government to delivery the kind of industry strategy—

Senator BARBARA POCOCK: I don't like to cut you off, but I'm going to get an evil eye to move along.

Senator Ayres: The chair softened a bit when I said that, though!

Senator BARBARA POCOCK: My last question is around a much smaller matter but still significant to me. It's around about a particular contract within the department. One of the key findings of the finance and public administration inquiry into consulting was that there is rampant use of land-and-expand tactics in consulting firms, where the firm underquotes in the first instance and then contracts and extends the contract over time. The finance minister's first biannual consultancy spending report showed that the department has a contract with King & Wood Mallesons which has been amended, I think, 11 times. What's this contract for? I'm after some information that goes beyond 'legal services'. Why has it been varied 11 times?

Ms Quinn: The majority of that was part of the due diligence process and contractual negotiation with the PsiQuantum computer company. That matter has been reviewed by the ANAO specifically in terms of the processes around that contract. The ANAO called it out in their annual statement around performance and found no concerns with that.

Senator BARBARA POCOCK: No concerns?

Ms Quinn: No. It is partly because of the nature of that project, which was a series of work that was done in providing advice to government in subsequent discussions. It was a commercial negotiation and a series of discussions with government. We started the process and stepped it through and, as we needed to, we adjusted the terms of the contract.

Senator BARBARA POCOCK: So ANAO have followed that contract from its initial \$282,000 through to \$3.6 million—

Ms Quinn: Correct.

Senator BARBARA POCOCK: and have no concerns about it?

Ms Quinn: Given the nature of the project and the work that was done and the due diligence around it.

Senator BARBARA POCOCK: Could that work have been done in house now, as you reflect?

Ms Quinn: No. Some of it was very specific transactional legal advice that we would always draw on the private market to do given the nature of the technical work. It's work that's done more often in the private sector. We don't do it very often in the public sector. We would always draw on the best advice. We have used other private companies for other projects. I imagine we would always draw on them because it's what they do best and it's cheaper.

Senator BARBARA POCOCK: Thanks for your answers.

Senator BRAGG: So Mr Oliver? Or is it Ms Oliver?

Ms Quinn: Do you want to ask your question and we'll make sure we have got the right witness for you?

Senator BRAGG: Is that alright?

Ms Quinn: It depends on the question.

Senator BRAGG: It is about manufacturing insolvencies. Is that someone else?

Ms Quinn: Yes.

Senator BRAGG: Sorry.

Ms Quinn: That's okay.

Senator BRAGG: How presumptuous of me.

Ms Quinn: Ms Oliver is working on the Whyalla matter, so we have a new acting division head of the manufacturing industry division, Louise Talbot, who has joined me.

Senator BRAGG: Which industries or subdivisions within the manufacturing sector have been most impacted by the recent spike in insolvencies?

Ms Talbot: We do have some data on that. I will just have to find it. We do monitor this matter and we do have some data around that. According to ASIC on manufacturing insolvencies 578 sector external administrations commenced in 2023-24. In the first half of 2024-25 there were a further 330 insolvencies. You're after the sectors most impacted—is that right?

Senator BRAGG: Yes.

Mr Sloan: Just while Ms Talbot finds that, I'd say that, for example, in 2023-24 manufacturing administrations were 5.2 per cent of all companies going into administration. For this part of the 2024-25 year

they're 4.4 per cent. In 2023-24 they were 5.8 per cent. So we are seeing that that number as a percentage of total administrations has come down over the last few years.

Ms Dowdell: We don't have the subsector breakdown on hand at the moment, but we will be able to get that to you later today.

Senator BRAGG: Okay.

Ms Quinn: I will note that, of the sectors that we monitor, construction has had more insolvencies than manufacturing.

Senator BRAGG: Can I ask you on notice, then, for that information and any data you have on state and territory breakdowns.

Ms Quinn: We would be drawing on the ASIC database to provide that information, but we're happy to take it on notice.

Senator Ayres: We'll get you what we can. In the broad, at a net level, there are 2,000 more manufacturing firms since the Albanese government was elected. There are 40,000 more manufacturing workers than when we took office. But, of course, closures have occurred. Each one of those has had an impact. But we will get you on notice a state-by-state breakdown, if that assists.

Senator BRAGG: Finally. I want to ask you about the building codes. Can I talk to you about that?

Ms Quinn: You can. We have also got the expert on building codes here.

Senator BRAGG: Who's that?

Ms Quinn: Mr Gary Rake.

Senator BRAGG: How are you going?

Mr Rake: Good.

Senator BRAGG: When was the last—

Senator Ayres: He will take that on notice, too.

Senator BRAGG: More obfuscation. When did the last round of the NCC get done?

Mr Rake: The last update to the code was finalised in 2022 and has been commencing across the country from January 2023 onwards. So it varies state by state.

Senator BRAGG: Are there any proposals that the department or the Australian Building Codes Board is considering at the moment to change in the latest iteration?

Mr Rake: Yes, we are working on an update to the code that went to public consultation in May last year. We consulted for a two-month period. Perhaps it might help if I give a little bit of background on the update cycle for the code.

Senator BRAGG: Sure.

Mr Rake: The first thing I'd say is that the Australian Building Codes Board is a partnership between the Commonwealth and the states and territories. It's an area where the constitutional power to regulate buildings is held by the states and territories. The Commonwealth brings all of those bodies together to create a national code. The aim of that is to try and promote national efficiency and productivity so that things like designs, materials, labour and skilled people can be transferred across the country. Over the last decade, the code has been updated on a three-year cycle. And so, having worked on a 2022 update, the next schedule was for 2025. We consulted on that last year, and it's currently ready for consideration by building ministers.

Senator BRAGG: What sort of analysis have you done on what the cost impact on a average house or apartment could be from changing it?

Mr Rake: The work we have done for next edition of the code is primarily focused on improving commercial energy efficiency. There are only a small number of proposals that are focused on the residential sector. We have put all of those to consultation, including cost analysis. The most significant and interesting of those is a proposal to try and reduce the rate of water leaks in apartment buildings. The modelled cost of that would be an increase of \$900 per apartment and avoid an average loss of between \$2,500 and \$10,000 per apartment in defect damage.

Senator BRAGG: So the main change on the residential side is in relation to water treatment in apartments?

Mr Rake: That's the main change proposed for the next edition, which is still to be considered by building ministers.

Senator BRAGG: That's it?

Mr Rake: That's it for residential. We receive proposals for change from across industry, across the sector and across the community. We receive several hundred per update cycle. There are a range of small changes in the code, but the one that I point out as being one that carries a cost, and we think a large benefit for the community, a large confidence boost for apartment buyers, is the one to do with waterproofing.

Senator BRAGG: Are you considering anything that would reduce the cost of building?

Mr Rake: We always look at better ways to help industry understand and apply the code. That is a key part of our work. We have an education program that develops material that we supply to the industry groups like Master Builders and HIA. We develop consistent education material and provide it to them free of charge for them to run out as seminars with their members. We have also got a proposal underway to look at supports for modular and prefabricated building technologies. We think that that can help contain the cost of housing.

Senator BRAGG: Would that be a separate code?

Mr Rake: It wouldn't be a separate code. It would be a smoother compliance pathway. So it would be a faster and easier pathway for those trusted manufacturers.

Senator BRAGG: Where is the prefab stuff up to?

Mr Rake: We published a handbook in November last year that explains how to navigate the current rules within the NCC, and we've had good feedback from domestic manufacturers about the clarity there. We are working on a new scheme. It's in its very early stages, but the aim is to have something up and running within a couple of years to really power that up.

Senator BRAGG: Is there much difference between each state and territory when you look at the overall cost of building a house which is compliant with the code?

Mr Rake: The cost can vary from jurisdiction to jurisdiction based on materials, rates, the style of housing they build and the sort of soil. In terms of the regulation, the vast majority of the National Construction Code is consistently adopted across the country. There are variations from state to state that will depend on their local environment, their local community and their economic needs. But the vast majority is consistently applied.

Senator BRAGG: As it stands, you are considering one change that would have a greater cost. But are you considering anything in detail that would reduce the cost?

Ms Quinn: Just to be clear, Mr Rake talked about how it might have a greater upfront cost but on average would reduce the cost to apartment owners who are subject to leaks and water damage.

Senator BRAGG: I understand that.

Ms Quinn: So on a net present value calculation, an average building owner would be better off.

Senator BRAGG: But we're in, as you know, a period in which houses are very expensive to build—they're uncommercial in many cases—which is why there has been a massive collapse in housing supply. That's one of the reasons, sadly, under this government.

Ms Quinn: Anything that reduces the potential cost is good.

Senator BRAGG: I agree.

Ms Quinn: Insurance costs have gone up, and a lot of that's because of the remediation needed to be done as a result of water damage et cetera. So anything that improves waterproofing will potentially reduce insurance costs going forward.

Senator Ayres: We do have a view that—this is, as I understand it, on a three-year cycle. I understand the argument that you're making about the housing policy settings more broadly, but there is a very substantial amount of home building and apartment building that is in the pipeline for the economy. The intersection of the code and questions like the price of building a home is one question. Of course it should be agile and respond to those sorts of propositions. The questions that go to the other costs that I think the secretary has referred to, in terms of water in apartment buildings—of course it has to be agile in terms of safety questions as well. We've seen what's happened in other jurisdictions when governments have hit the brake on responding to changes in technology and the regulatory environment. The Grenfell apartment disaster was absolutely associated with the Thatcher government refusing to engage in proper regulation of this sector, including building codes, and we have, in some states, apartment buildings that are not habitable at the moment because of that.

This is not the only question. But keeping an agile approach to the National Construction Code is something we do see as having intersection with those issues of quality and safety. That's why I was surprised to see your leader announce a 10-year freeze, which is not consistent with a modern economy coming to grips with all of the

innovations, not just modular housing but including modular housing and modular design, that are likely to have a big effect on access to housing and the cost of housing.

Senator BRAGG: Thanks for your political speech. Mr Rake, what sort of engagement have you been having with builders, people who actually build houses, in the development of future codes?

Mr Rake: We engage with builders, builder representative groups, across the country through their state and territory organisations and through their national body. I most recently met with Master Builders—my head's a little bit fuzzy on it—last week or the week before. They have a national regulatory committee. You asked about changes or projects we have on foot. As part of our consultations—I mentioned that we receive up to several hundred proposals for change each cycle—I have openly asked for ideas that could help make the construction of housing faster and easier and help contain costs.

Senator BRAGG: Good.

Mr Rake: We're very keen to see those. Just this week I met with a group of architects and builders, a very small group, who have got an idea they'd like to bring forward that could support faster and easier redevelopment of medium-density, low-rise development in existing suburbs. We're very keen to work on those. It's part of the partnership that we have.

Senator BRAGG: You are the CEO of the Building Codes Board. Is that right?

Mr Rake: I'm the CEO of the Building Codes Board. I'm appointed as a senior executive of the Department of Industry, Science and Resources and then I work to support the board. The board comprises 18 members, including representatives of industry.

Senator BRAGG: And the states?

Mr Rake: And the states and territories.

Senator BRAGG: How many times have you met with Minister O'Neil, who's the Minister for Housing?

Mr Rake: My accountability is through the board, and the board is accountable to building ministers. I haven't met with Minister O'Neil.

Senator BRAGG: You haven't met with her. Has her department or office asked you for ideas for how you could cut the cost of construction of new houses?

Mr Rake: We work with our colleagues across government, and that includes the other agencies that have an interest in housing, including the housing team within the Treasury.

Senator BRAGG: It's a very specific question. Have you been asked to put forward ideas that would help cut the cost of construction during this housing crisis?

Mr Rake: No.

Ms Quinn: As part of general operation of—

Senator BRAGG: It sounds like a no.

Ms Quinn: We're happy to take it on notice because there's the building board and there's also the department that does most of the policy work linking to other components of the government. The government has announced a series of housing policies, all of which have been worked through the usual processes of government consideration, and we would have provided input on those housing policies as they were worked up. So there are different parts of the department that work on that, and it has been a focus.

Senator BRAGG: Let's see what you come back with. It sounds like a no, but let's see what you come back with. Thanks.

CHAIR: Thank you very much, Ms Quinn, for that final answer there. So that concludes the questions the committee has for DISR outcome 1, program 1.1. Thank you for answering our questions.

Proceedings suspended from 16:36 to 16:39

National Reconstruction Fund Corporation

CHAIR: The committee resumes, and we welcome representatives of the National Reconstruction Fund Corporation. We welcome you, in particular, Mr Gall. Congratulations on your appointment and your first appearance, at least in this role, before our committee. I see that you have an opening statement for us. Would you like to take us through it, or would you like to just table it?

Mr Gall: Chair, I would like to take you through it, if that's okay with the committee.

CHAIR: Yes, we are amenable. Please proceed.

Mr Gall: I begin by acknowledging the Ngunnawal people, the traditional owners of the land on which we meet today. I'd like to pay my respect to their elders past, present and emerging. Thank you for the opportunity to appear before you today as Chief Executive Officer of the National Reconstruction Fund Corporation. Indeed, it's an honour to lead the NRFC at this important moment in our journey. Since stepping into this role I've been impressed by the quality, the dedication and the expertise of our team. The NRFC was created with a bold and ambitious purpose: to transform and diversify Australia's manufacturing capability. That mission has attracted colleagues with deep experience and a shared commitment to drive meaningful change. Their work has been critical in building strong foundations, ensuring we're well positioned to deliver on our mandate.

I also want to acknowledge Rebecca Manen, who provided steady leadership as acting CEO before returning to her role as chief operating officer.

The NRFC has made significant progress in a short period. Since November we've announced seven investments, committing around \$400 million across several priority areas. These investments are catalysing private capital, supporting emerging industries and strengthening Australia's manufacturing capabilities. They do reflect the NRFC's role in shaping the future of manufacturing and industrial innovation in this country. Our seven priority areas provide focus to drive transformation in the economy. The pipeline of opportunities we're seeing across these areas is strong and well diversified, and I'm excited about the potential for the NRFC to help scale and commercialise.

While much work lies ahead, what gives me the greatest confidence is the strength of the team and the clarity of the purpose that drives this organisation. We welcome the committee's questions.

CHAIR: Thank you very much, Mr Gall. I'd also like to echo, on behalf of the committee, your thanks for Ms Manen as well. She made appearances in an acting capacity here during the establishment of the corporation, and we appreciate that work as well. So thank you. I'll go straight to Senator Stewart.

Senator STEWART: Thank you for appearing. Congratulations on your appointment, and thank you for your time in the role as well. I'll get to the seven priorities areas in a second. Can you remind the committee what the National Reconstruction Fund's function is. That's an easy question to start off for you.

Mr Gall: The function or the purpose, if you like, of the National Reconstruction Fund is to help transform and diversify industry in Australia. We talk about manufacturing, and indeed it is about manufacturing, but manufacturing is a capability which occurs right across the value chain. So it might be products and improvements in product manufacture. It could be improvements in the manufacturing and the way, indeed, services are delivered through the businesses that we're able to support financially as well.

Senator STEWART: Can you step us through, in a bit more detail, how it is that you support industry? I always think about these things in—how might I explain to my mum what the National Reconstruction Fund does? She doesn't understand the jargon. How do we explain to the average person on the street what this actually means and why it's good for you to be doing the job that you're doing?

Mr Gall: I think the way I'd answer that question is to start at the highest level. Our priority areas—and I'll get to what those are in a moment—support businesses in those priority areas that are looking to invest, looking to transform their industries in a way that sees manufacturing actually realise a potential for these businesses. These are going to be businesses at all stages, from a very early stage right through to significant substantial businesses that, with the right funding at the right time, can really commercialise their products or services in a way that I think means Australia can be actually world class at delivering those products and services. So the first thing to know is that we're about money; we invest. We invest equity in the businesses, right through to debt and/or guarantees for those businesses to support their growth. So think of it as investing in shares. Think about it as therefore every Australian actually owning shares in the company.

Senator STEWART: We've been talking a lot about shares in the last few days in this committee, so it seems like an appropriate reference.

Mr Gall: Okay. There you go. It's what might be junior debt or subdebt, which means it's higher risk than the most senior, secured debt, but there will be an appropriate risk-return calculation and consideration for that, right through to helping the acquisition of new manufacturing plants, new manufacturing techniques et cetera. So clearly we do it within our seven industry sectors but by investing and/or lending money to specific businesses that form part of those sectors.

Senator STEWART: I'd be keen to understand through some examples. Have you got any examples, off the top of your mind, that you can speak to?

Mr Gall: Of the—sorry, Senator.

Senator STEWART: Of a business that might be at the start-up phase through to a larger-scale businesses and what that looks like.

Mr Gall: Yes, I can. What has been interesting when I've looked through the pipeline of transactions—that is, the businesses that have approached us through a variety of channels—is that we have seen, importantly, representation of all seven priority areas that form part of our mandate. So that is pleasing. Examples include businesses, for instance, in medical science. The most recent example—and it was an investment that was announced very late last month—is Harrison.ai. There's an example of a business that is established, that already employs quite a number of people, but that has options in front of it as to where it chooses to expand and grow in Australia. I think the NRF 'cornerstoning' the next phase of expansion capital into that business and then crowding in other equity participants to, again, add to the government's money, the NRF's money, that has gone to that investment has enabled Harrison.ai to continue that expansion here in Australia.

To your question: that's probably an example of a business that, I would say, is already established but at a stage where they're about to go through the rapidly scaling phase. And there will be good, well-paid additional jobs that will come with that over time too.

Senator STEWART: You know we love to hear about good, well-paid, secure jobs on our side of the parliament. You've talked about the seven priority areas a couple of times. Can you just talk us through what those are.

Mr Gall: The first is around renewables and low-emissions technology. Don't expect the NRF to be funding where plenty of finance exists—funding, say, a wind farm or a solar facility—but we will be funding businesses that are, say, manufacturing components or looking to enhance supply chains of componentry that then go into renewables or low-emissions technology. It's about that broader ecosystem, not just about, say, a piece of infrastructure.

The next is enabling capabilities. Good examples of some of those enabling capabilities, which will expand right across the different industry segments, are areas like artificial intelligence, areas like quantum and, indeed, capabilities like robotics as well. We have made a few investments now, and announced those, that are very much focused at developing out those enabling capabilities.

The third is defence capability. Again, it's working with not just the government but private enterprises, including small businesses, that are trying to break into the whole defence industry and the opportunities that sit in and around it.

There's transport. It can cross quite nicely with lower emissions and renewables in the transport sector as well. Resources is about value-add. It is about what more we can do in Australia about taking the raw commodities, the raw resources, and doing value-added processing here in Australia as well. And we are seeing opportunities in and around that.

Senator STEWART: Lots of that gets sent offshore at the moment, doesn't it? So it's about adding here.

Mr Gall: And I think the opportunity there is to do a lot more of the processing in select areas, where it makes sense, onshore here, and we will compete globally as well. We want to do that in a way that gives these organisations global competitiveness.

Agriculture, forestry and fisheries are value-add. I think we're already seeing some great examples there. Again, rather than shipping it offshore in its soft commodity primary form, it's about doing further value-add here, for both domestic and international markets.

The final one is medical science. Again, we're seeing a lot of opportunities in and around that—great Australian innovation that's going to need support to properly scale and properly commercialise in a decent timeframe.

Senator STEWART: Thank you. I understand you've made seven investments to date.

Mr Gall: That's correct.

Senator STEWART: Do you know how many jobs these investments will create?

Mr Gall: Yes. I'm going to get—if it's okay, Senator—Dr Manning to be more precise in the answer to that question. I think there will be direct jobs in the businesses that we've invested in. They all operate in a broader ecosystem as well. So there are additional jobs, some that materialise early on and some that will materialise over time. One thing that I want to make sure the NRF, as an organisation, is able to help Australia with is to understand a bit more about that broader impact. We do have a small team, but there are some members of the team that are very focused on going around and understanding the broader impact that's occurring as well. But Dr Manning can speak more particularly on the jobs associated with the investments that we have made.

Senator STEWART: I'm interested in the direct jobs, but even if you've got information on what the broader impact is, I'd be really appreciative.

Dr Manning: To date we have made seven investments. As part of our act and legislation there is a section, section 17, which specifically says we need to have regard to creating jobs—not just jobs specifically but high-skilled jobs. There is also a part of section 17 that talks about regional development. So within our—

Senator STEWART: Great assessment of the act!

Dr Manning: Within our investment process, for every investment we look at, we do consider those aspects of the investment. Maybe I can give you some examples from the seven investments that we've made thus far.

Senator STEWART: Please.

Dr Manning: The first is Arafura. This is a \$200 million investment commitment in a rare earths company. The site is located north of Alice Springs, and the logistics hub will be in Alice Springs. It is expected that during the construction phase over 600 jobs will be created, and then, in a steady state, it will be approximately 300 jobs. The mine at the Arafura site has a 38-year mine life. The other point there is that obviously these are regional jobs, and we're looking forward to that outcome.

Another example I can give you is Quantum Brilliance. This was a \$13 million investment in a quantum company. They currently have 80 employees, and the company expect that by 2026 they will have 140 employees there building a quantum foundry in Victoria.

Another example that I can point to is our investment in Russell Mineral Equipment. It is a \$40 million investment in a company that is based in Toowoomba—so, again, regional jobs. They have 450 employees currently. To the point earlier that some jobs are direct, some jobs are indirect, some are new jobs and some are maintaining jobs, RME is an example where our investment will maintain these jobs in Australia, in Toowoomba, and, as that company grows and scales further on, we expect additional job creation there.

Those are three examples. I'm happy to answer questions about additional investments if you'd wish.

Senator STEWART: It would be great if you could talk me through the seven investments. You've got to three so far.

Dr Manning: The third one is Myriota. Myriota is a company that's based in Adelaide in South Australia. It's a sensing company, which fits under the enabling capabilities priority sector that David mentioned before. They currently have 80 employees. This was series B funding—so the second raise in terms of venture capital—and they have anticipated that the series B will lead to up to a hundred direct and indirect jobs. So those are jobs added not just to Myriota's workforce but throughout their supply chain.

Another investment is Vault, which is a \$22.5 million investment in a cloud company. They currently have 55 employees, and our investment is expected to create jobs over time. Again, these are very highly skilled jobs, and it's important to keep them in Australia.

The last investment that I will mention is Harrison.ai, which David also mentioned. They currently have 200 employees. Our investment will help continue development of their AI, creating high-skilled software jobs and AI-related jobs in Australia.

Senator STEWART: I'm interested in whether there is a First Nations lens that you apply to what you do. Through an inquiry of a committee that I chair we talked about the challenges that First Nations businesses face, particularly when they're in the start-up phase or when they're trying to expand. You talked in your evidence earlier about supporting businesses trying to break into the market. The inquiry heard that First Nations businesses in particular experience a whole bunch of extra barriers because they are Aboriginal businesses. I'm keen to understand what it is you might be doing in this space to get rid of some of the bias that exists towards First Nations businesses.

Mr Gall: I might kick off. Rebecca, if there's anything you'd like to say on it, please feel free. We are hugely conscious of the element of our mandate in and around section 17, which talks to underrepresented groups in the community. As part of that, we absolutely want to be able to find and work with Indigenous groups, where, I think, the NRF can make a difference to their growth and the commercialisation of their business. Indeed, I would be hopeful that we can also help to introduce them to a broader network of investors to accelerate that growth as well. I think there are a number of ways we're going about that at this point in time. Certainly, with a number of what I will call collaboration groups out there—like the banks and others—what I want us to be able to do is work closely with the parts of their organisation that are also focused at Indigenous business, to see how we can help and promote some of those opportunities as well. Rebecca, you might just elaborate further, if that's alright.

Ms Manen: I think we consider our First Nations businesses in a number of ways at the NRFC. The first of those, of course, is through our investment process. Dr Manning indicated earlier the number of factors that we must have regard to when making investments, and certainly the representation of First Nations peoples is part of that consideration. It is an important part of our investment process.

In addition to that, we have kicked off a process of consultation with First Nations stakeholders. We're really keen to make sure that we understand exactly who we should be engaging with in broadening our network, and doing that in a really respectful and deliberate way to make sure that we can understand some things you just mentioned—around what the barriers are and how, as an organisation, we might work to address those, either through our own processes or through outreach or partnerships and connections that we can make. As part of that work, we're talking to other specialist investment vehicles and investors to learn from them about what they are doing. We know that a lot of work has already been undertaken in this space, so we're keen to learn as much as we can, as a relatively new organisation.

Finally, we're considering our own operations, not just the investment process but how we operate as an organisation and how we make sure that we are, for example, recruiting and thinking about diversity as we're recruiting people into the NRFC.

Senator STEWART: Practising what you preach. Thank you very much. If you need assistance in that, I'm happy to be of help.

Ms Manen: Thank you.

Senator STEWART: Thanks, Chair.

CHAIR: Deputy Chair.

Senator BRAGG: Congratulations, Mr Gall, on your appointment. What are we actually reconstructing from?

Mr Gall: Thank you, Senator Bragg, for the question. In our name we have the term 'reconstruction fund'. I think we've been very clear in our purpose, what we're actually here for, what we're doing and the purpose. In terms of the name 'reconstruction fund', that was certainly provided to us once the bill went through parliament. We have been given the name 'reconstruction', but what we have done is taken and explained through all of our documentation the priority areas that we are focused on and what we are here for.

Senator BRAGG: Do you have a policy about remaining politically neutral?

Mr Gall: We see ourselves as a corporation. I report to the board of the corporation. I would say, yes, absolutely, we're politically neutral from that perspective. But we've got a very clear purpose, and we're going about executing that purpose.

Senator BRAGG: Great. Who at the corporation is responsible for maintaining impartiality?

Mr Gall: The governance of the organisation is such that there is an independent board. It comes under the NRFC Act. The board are, I think, very clear about their mandate, and I and the management team are very clear that, on all things NRFC, we report to the board.

Senator BRAGG: Would the department work with your corporation to provide a minister's office with a media release or a draft media release? Would that ever happen? Would that be appropriate?

Mr Gall: I would have to potentially take that on notice. But I—

Ms Quinn: From the department's perspective, yes, we do engage with the NRFC when there are announcements to be made. Information is provided subject to the governance arrangements. We have arrangements in place with the National Reconstruction Fund, as we do with other entities in the portfolio, and so information would be provided. We have communications staff within the department that support the minister's announcements.

Senator BRAGG: Is it an independent corporation?

Ms Quinn: Just as the CSIRO is independent as well. So it is a corporation that performs the functions as set out in the legislation. It is part of the portfolio. It's a Commonwealth entity. It provides information for press releases, like all other entities of its type across the government.

Senator BRAGG: So it would consult or it might consult the minister's office before an announcement is made?

Ms Quinn: Yes.

Senator BRAGG: It would? Okay. Do you think that—

Senator Ayres: It is not really consulting if it happens afterwards, Senator.

Senator BRAGG: Well it's an independent body. It is an independent body that can make up its own investments.

Senator Ayres: The proposition is too silly for words. The CFC, which your side of politics opposes and said would be a disaster—but you were heaping praise on it recently. The National Reconstruction Fund, which you opposed every step of the way—

Senator BRAGG: What are we reconstructing from?

Senator Ayres: The CSIRO—well, I will come to your interest in the etymology of the word 'reconstruction'. I don't know whether this is sort of a grammar school or an estimates committee. Of course the government makes announcements. The government is the government, Senator.

Senator BRAGG: But this is an independent corporation, is it not?

Senator Ayres: And when an institution—

Senator BRAGG: Is this independent or not?

CHAIR: Senator Bragg.

Senator Ayres: that is set up for the purposes that it's been set up for—

Senator BRAGG: You never pulled—

CHAIR: Senator Bragg, if you keep intervening I will suspend the committee, as I said I would when we had a private meeting and when it became extremely necessary to have a discussion in that private meeting about behaviours.

Senator BRAGG: What I would say in response, Chair, is that you rarely rein in the minister when he makes political speeches. The clerk made it very clear that estimates is not for political speeches.

Senator DAVEY: I move that we suspend.

CHAIR: I'm not going to have that commentary on my chairing either, Senator Bragg. So I suspend.

Senator BRAGG: Very happy to do that.

Proceedings suspended from 17:05 to 17:10

CHAIR: The committee resumes. I'm going to ask the secretariat to print a letter that has been provided to chairs during this estimates rounds from the Parliamentary Workplace Support Service. The letter states, 'Over the course of the current Senate estimates hearings, the PWSS has observed behaviour by a small number of senators which is not respectful, courteous or aligned with the behaviour codes recently endorsed by the parliament.' It refers to the Behaviour Code for Australian Parliamentarians, setting out expectations on behaviour and how people should engage with each other in the course of the work that we all do. I note that I read out in the opening statement the behaviours that the code requires of all of us.

I don't think anyone watching this committee over the last couple of days would think that senators in this committee are complying with these behaviours or with the behaviour code. I remind senators of their obligations under the Behaviour Code for Australian Parliamentarians to treat witnesses with dignity, courtesy, fairness and respect. That is an instruction that all chairs are giving as part of the Parliamentary Workplace Support Service's work to try to improve standards here on the committee.

I will table this letter. I will circulate it to committee members and ask that we all recommit not just to the behaviour code but also to agreements that have been made to deal with very difficult matters that have arisen over the last couple of days in our private meetings as well.

In relation to the minister's responses and the deputy chair's concerns around the minister's responses, the minister has the right to answer questions. A senator may not like the answer that is given by the minister, but the minister is being relevant to the questions that are being asked. So the minister should be heard in silence when he is giving his answers. I will just say again that, if there are interjections again, I will do what I said I was going to do before in previous discussions and what I have done in this latest iteration as well—I will suspend the committee. So I think where we are now at is that a question was asked and the minister was responding to that question. If you have not concluded, the minister has the call.

Senator Ayres: I think I might—

Senator BRAGG: Sorry, point of order. I'd like to either respond to that now or I'm happy to call a private meeting.

CHAIR: I'm happy to have another private meeting.

Senator BRAGG: That's what we will do, then. Let's have a private meeting.

Proceedings suspended from 17:14 to 17:18

CHAIR: Minister.

Senator SHOEBRIDGE: What was the question?

Senator Ayres: The question was asked half an hour ago. I recall the question, and I started dealing with the first part of it, but I think I will ask the secretary to use less colloquial and more precise language than I do to describe the position of the National Reconstruction Fund and its relationship with the activities of the department more broadly and the government.

In terms of the etymology of the word 'reconstruction', economic complexity is not the only measure of how fair or successful or resilient or safe an economy is, but it's not a bad start. According to the Harvard economic complexity index, the Australian economy in 1996 when the Howard government was elected was 65 in the world. The most recent measure from 2022 puts us at 102 in the world. There was a very substantial decline over the decade prior to 2022 when Australia declined seven positions on that index. We have been in a downward spiral on those questions. That has implications for our future growth because economic growth will be less if we don't arrest that decline. It has significant implications for household incomes. It has significant implications for our security in both hard and soft terms, and it has particular implications for productivity in the economy and a range of other measures, in which I would have thought you would have had some interest.

So, in terms of reconstruction, apart from, of course, the significant events of the last decade, including the global financial crisis, the COVID pandemic, the changing geopolitical environment, this government was elected with a view that we needed to focus not just on the interests of Australians now, but also on building Australia's future. If you're interested in the history of that term—and you've asked the question twice, so I suppose you want an answer—that is the relationship between the naming of this Commonwealth corporation and the policy objective that the government is seeking to secure.

Senator BRAGG: Fabulous. Is the corporation helping with preparation for question time?

Ms Quinn: I might just position the corporation in the governance structure. The National Reconstruction Fund Corporation is a corporate Commonwealth entity for the purposes of the Public Governance, Performance and Accountability Act. You asked about connections for decisions. Under the PGPA Act, one of the requirements is that ministers are kept informed of significant decisions.

Senator BRAGG: Okay.

Ms Quinn: Investments by the corporation are judged to be significant decisions. As I mentioned, with other corporate Commonwealth entities within the portfolio—ANSTO and CSIRO being two of those—significant decisions are communicated to the shareholder ministers.

Senator BRAGG: And that would include assisting with question time preparation?

Ms Quinn: Information may be requested of the department. We may request it of our portfolio entities. All of that support is done with the department. You mentioned the independence of the NRFC. The act is very clear about the corporate governance structures. The board is appointed by the government and the board appoints the CEO and other significant staff. Investment decisions are made at arm's length from the government. But that is not the same as saying that all of its functions are entirely independent of the government, because it is governed by the PGPA Act. Accountability requires that it be accountable to parliament—thus their attendance at estimates. They're required to provide information on their operation through budget processes and on their significant decisions. That's how it's positioned in a governance sense. In some cases it's independent; in other cases it is not.

Senator BRAGG: Is supporting question time preparations a part of that?

Ms Quinn: We do provide information to ministers and the government on its operation. For example, if the minister was asked in parliament a question about the funding of the NRF then the expectation is that he would answer, because it's a corporate Commonwealth entity. So there is information provided to ministers for question time, yes.

Senator BRAGG: Who's the face of the NRF? Is there a face of the NRF—the CEO?

Mr Gall: The two spokespeople, if you like, for the NRF are me, as the CEO, and the chairman, Martijn Wilder.

Senator BRAGG: Okay. Who makes the final calls on announcements in relation to investments? Is that something you do in conjunction with the minister's office, or do you make that judgement yourself?

Mr Gall: In terms of announcements, we're very much working with the counterparty or the company that we're investing in. They're going to have a significant say in terms of the timing of the announcement, and the

announcement will be made when the various parties to the announcement are actually ready to do that. You can imagine, there are lead times, there's a lot of documentation that has to be completed et cetera, and in our experience so far there have been a number of instances where there are other investors—private investment money coming in as well—and it's a matter of coordinating with that. We have been fortunate—and the portfolio companies have been fortunate as well—in having the minister attend announcements. Obviously the minister needs to find out before the announcement to be able to attend the announcement.

Senator BRAGG: Are you aware of a circumstance where, before the first investment of the corporation, the media outlet @AuManufacturing may have breached the embargo?

Mr Gall: Given that was before my time, I'll just get Rebecca Manen to answer that question.

Ms Manen: I don't recall, no.

Senator BRAGG: Do you want to take it on notice to look into it?

Ms Manen: I'm happy to look into it.

Senator BRAGG: What will happen in the caretaker period?

Ms Manen: During the caretaker period, the NRFC will observe the caretaker conventions.

Senator BRAGG: What will that mean for you in a day-to-day sense, around investments in particular?

Ms Manen: The caretaker conventions, as I understand them, allow for business as usual to continue. From the NRFC's point of view, we would continue to work with investee companies in undertaking due diligence and considering proposals that are with the corporation for assessment.

Senator BRAGG: Okay. That's all, thanks.

CHAIR: Senator Shoebridge.

Senator SHOEBRIDGE: Thanks for your attendance today and the work you're doing. I do have some questions in relation to an acquisition. Was it a \$32 million capital acquisition in Harrison.ai? Was that the amount?

Mr Gall: Yes, that is the amount.

Senator SHOEBRIDGE: What was the nature of the investment?

Mr Gall: I'll get Dr Manning to answer that specifically, as the CIO.

Dr Manning: It was an equity investment in Harrison.ai in a series C equity raise.

Senator SHOEBRIDGE: Is it publicly listed?

Dr Manning: It's not publicly listed; it's a private company.

Senator SHOEBRIDGE: What is our equity stake in the entity?

Dr Manning: Those terms are commercial-in-confidence. If we disclose our percentage stake then people can backsolve to other factors which are commercial-in-confidence.

Senator SHOEBRIDGE: Part of the investment guidance for the National Reconstruction Fund Corporation requires an analysis of compliance with legislative and regulatory requirements. Do you agree with that?

Dr Manning: Yes.

Senator SHOEBRIDGE: And, when a proposal advances and due diligence is done, the guidelines also require assessing the proposed investment in detail including 'project, financial, legal, technical, environmental, social and governance (ESG) risks'.

Dr Manning: Yes.

Senator SHOEBRIDGE: Was that done for Harrison.ai?

Dr Manning: Yes, it was.

Senator SHOEBRIDGE: Did the fund undertake an investigation of the circumstances in which Harrison.ai obtained Australian patient data to train its models?

Dr Manning: I will start by giving a brief overview of the investment process and where different analyses fit in our investment process.

Senator SHOEBRIDGE: Provided you come back to answer my question, I don't mind that digression.

Dr Manning: Yes. The first step is to screen investment proposals for whether they are eligible and aligned with our act and our mandate. The second step is about due diligence, and there are three separate stages to due diligence: an initial assessment, a phase 1 due diligence and a phase 2 due diligence process. Throughout that, we

look at all aspects of the company which you just mentioned: financial, technical, environmental, social and governance. We are confident in the analysis that we did in Harrison.ai, and we are confident in our investment.

Senator SHOEBRIDGE: Did you undertake an investigation of the circumstances in which Harrison.ai obtained Australian patient data to train its AI models?

Dr Manning: We did look at environmental, social and governance issues as part of the due diligence, and we are comfortable with our findings and comfortable with the investment.

Senator SHOEBRIDGE: Well, as part of that, did you review the evidence that shows that Harrison.ai's chest X-ray model, for example, was trained on data taken from Australian patients by an organisation called I-MED, those patients did not give consent for their medical data to be used to train AI, many of them were public patients, and many of them had the X-rays taken and the searches done while they could not give consent because they were unconscious in a public hospital? Did you look at those risk factors when you invested in Harrison.ai?

Dr Manning: As I said, we looked at the environmental, social and governance factors, including data privacy, and we are comfortable with our findings.

Senator SHOEBRIDGE: You say you're comfortable with your findings. You're comfortable with the fact that I-MED is the subject of an open investigation by the Privacy Commissioner because of the factors that I just put to you?

Dr Manning: We are comfortable in the due diligence that we did on Harrison.ai and the investment that we've made.

Senator SHOEBRIDGE: You see, I'm asking you a very specific question, and it's quite frustrating when you won't address that question. Were you aware of the investigation by the Privacy Commissioner into the circumstances in which I-MED obtained some of the most deeply personal medical information about Australian patients when you made the acquisition of Harrison.ai?

Dr Manning: We looked at all of the governance factors associated with Harrison.ai, including data privacy and patient data. and we are comfortable with the processes that Harrison.ai have in place and are comfortable with our investment.

Senator SHOEBRIDGE: Mr Gall, as the chief executive officer, was it brought to your attention at the time you and the board determined to spend \$32 million of public money on Harrison.ai that the core data that was used to train the Harrison.ai model came from Australian patients without their consent and in circumstances where the privacy regulator is undertaking an urgent investigation into the company? Was that brought to your attention?

Mr Gall: When the approval was put in place and the due diligence was done on Harrison.ai, that was before my time as CEO. But, when I did start at the organisation, the fact that there were concerns around privacy issues and that they had been considered through our due diligence process was brought to my attention. That's after the fact.

Senator SHOEBRIDGE: Have you sought a review of whether it's appropriate to continue to have such a large stake of public money in a company where there are such very real concerns that Australians' private records—and here we're talking about deeply private matters, such as chest X-rays and radiological records—were taken without their consent and fed into Harrison.ai's AI model? Do you think that's an appropriate investment by the public?

Mr Gall: I think there were two questions in there. The first question was around what we are actually doing in an ongoing way. To answer that question first: as with all of our portfolio companies, we will continue to monitor to look for issues and look for ways that we can make sure that we're, obviously, supporting the investment that the Australian population, Australian taxpayers, have made in these businesses. There is an ongoing building of what we call an asset management function, to enable us to continually review any issues with the companies that we've invested in.

Senator SHOEBRIDGE: Have you reached out to the Privacy Commissioner to understand the nature of her investigation and the concerns that are live with the Privacy Commissioner, to evaluate whether or not this is an appropriate continuing investment?

Mr Gall: I would need to take that on notice. I don't know the answer to that question.

Senator SHOEBRIDGE: Don't you think you should?

Mr Gall: I think that, through the way we've built our function, issues of significance would get raised through the appropriate committees that are looking at each of our investments.

Senator SHOEBRIDGE: This investment was announced on 29 January 2025. Was that when the deal concluded, or had the deal concluded earlier than that?

Dr Manning: As we mentioned before, once a deal is signed by the counterparties then a deal can be announced, so the deal was signed very shortly before. At that time, we were comfortable that Harrison.ai had fully complied with Australian privacy laws. We came to that conclusion before investing.

Senator SHOEBRIDGE: As at 29 January, the investigation of I-MED by the Privacy Commissioner was a matter on the public record. It was a matter on the public record that Harrison.ai had refused to respond to media inquiries about their acquisition and about the privacy concerns. Was that brought to your attention?

Mr Gall: No, it wasn't, but I will say that was my second day at the organisation as well, and I wouldn't have necessarily expected it to have been brought to my attention at that point.

Senator SHOEBRIDGE: Do you know if the fact of the Privacy Commissioner's investigation of I-MED and the circumstances within which I-MED fed that material into the Harrison.ai model was clearly raised with the board?

Mr Gall: I'd have to defer to my colleagues on that.

Dr Manning: As I started by saying, we have three phases to the due diligence process—the initial assessment, the phase 1 and the phase 2 due diligence. As part of those deep dive due diligences, aspects around data privacy were assessed in those papers.

Senator SHOEBRIDGE: Yes, but my question was: was the board briefed about the live privacy investigation by Australia's Privacy Commissioner of I-MED, given that I-MED had fed that material, without patient consent, into the Harrison.ai model? Was the board briefed of those facts?

Dr Manning: The final paper, the investment paper, does go to the board. ESG—environmental, social and governance, including data privacy issues—that we undertake during the due diligence process is part of those papers.

Senator SHOEBRIDGE: Mr Gall, I'm going to ask you if you can provide any clarity on whether or not the board was advised of the ongoing privacy investigation by the Privacy Commissioner of I-MED, given that we know that I-MED fed patient data into the Harrison.ai model without patient consent. Do you know if the board was briefed on that before the acquisition?

Mr Gall: I don't know if the board was briefed on that, but the reason I don't know is that I wasn't there at the time.

Senator SHOEBRIDGE: Will you take it on notice and advise the committee of whether or not the board was briefed?

Mr Gall: Yes, I'm happy to take that on notice.

Senator SHOEBRIDGE: Does anyone at the table know if the board was actually briefed about that?

Senator Ayres: I think he said he'll take it on notice.

Dr Manning: Yes. As I mentioned, the phase 1 and phase 2 due diligence papers cover ESG aspects, including data privacy. We did a fulsome review, and that would have been covered in the governance part in phase 1 and phase 2 due diligence.

Senator SHOEBRIDGE: Well, you see, I'm hearing a lot of imperfect language—'would have' and general statements about ESG. I'm asking a very specific question—if the fact of the Privacy Commissioner's ongoing investigation of I-MED was clearly and unambiguously brought to the board's attention before \$32 million of public money was invested in Harrison.ai.

Dr Manning: Data privacy issues were covered in the final phase 2 paper, which does go to the board.

Senator SHOEBRIDGE: Mr Gall, I'd ask you to take that on notice.

Mr Gall: Let's take that on notice and we'll answer your question.

Senator SHOEBRIDGE: Were you also aware that, in regard to Harrison.ai's chest X-ray data, an academic paper published by Harrison.ai staff claims that its chest X-ray model was trained on Stanford chest X-ray data, which, according to the university, is not permitted for commercial use. Was the board advised of that?

Mr Gall: There will be lots of very detailed elements that I think will have clearly gone into the due diligence process, but, again, our process would have looked at those. But it would have looked also at the overall opportunity that Harrison.ai has as well, and, on balance and properly recognising the risks, issues and opportunity here, the decision was made to continue, obviously. One of the things I have done is looked at our

investment process and I do think it's a thorough and a good process. We need to keep ensuring that it is entirely fit for purpose, but, from what I've seen and from what Mary and her very professional team have taken me through, I think we have a good investment process in place today.

Senator SHOEBRIDGE: Before I raised this with you now, were you aware of the fact that the Privacy Commissioner had an ongoing live review into I-MED, and that I-MED had fed that data, the subject of that review, into the Harrison.ai model? Were you aware of that before I raised it with you today, Mr Gall?

Mr Gall: I wasn't aware of the Privacy Commissioner issue with I-MED.

Senator SHOEBRIDGE: How can you be satisfied with the thoroughness of the investigations done by your team when the first time you find out about it is not from your team but from me in a Senate estimates hearing? How can you be satisfied with the thoroughness?

Senator Ayres: With respect, he has undertaken to take it on notice. I've conducted a quick look myself at what's publicly available, which was no doubt the same information as has been provided to you. In September, there was at least one media article which says that the Office of the Australian Information Commissioner—the article says that the Privacy Commissioner is engaging with I-MED. It's not clear to me whether that's an investigation that relates to this company as well. I don't think you have asserted that it is. I think you're asserting that the investigation's in relation to I-MED providing data. I think it's reasonable, given that the CEO was recently appointed, for him to take those questions on notice. I don't think that's an unreasonable position to take.

Senator SHOEBRIDGE: I'm not, in any way, cavilling with the CEO taking certain aspects on notice, but you heard the CEO say that he was very satisfied with the rigour of the investment, the investigations for investment—

Senator Ayres: I heard him say two things. I heard him say that he was very satisfied, and I heard him qualify that, as I would expect him to, by saying they are a new organisation. They will continue to—I can't remember the exact words he used—evolve their approach.

Senator SHOEBRIDGE: You then heard the CEO say that this was the first time that this potentially significant issue about a \$32 million investment had been brought to his attention—

Senator Ayres: You said 'potentially significant', and he's taken it on notice.

Senator SHOEBRIDGE: Do you think it's significant, Minister?

Senator Ayres: I think I have only heard your assertions and read what's available to me on the wrong side of the paywall, or an article on the internet. I don't form views that quickly.

Senator SHOEBRIDGE: I can't speak for your Google search. These concerns are real.

Senator Ayres: You say so, but he's taken it on notice, and that's utterly reasonable.

Senator SHOEBRIDGE: Mr Gall, will you be undertaking or causing to be undertaken a review of the potential risks to the Commonwealth and the circumstances in which the \$32 million investment was made? Are you aware of the ongoing Privacy Commissioner review?

Mr Gall: Consistent with my offer to take that on notice and come back to you, I will make sure we do that.

Senator SHOEBRIDGE: Are you aware that one of the key investment factors that the fund is required to take into account is not acting in a way that is likely to cause damage to the Commonwealth's reputation? Do you think if the concerns raised about I-MED acquiring patient data—radiological data—without their consent and feeding them into Harrison.ai are made true that clearly that might impact on your obligation to not act in a way that causes damage to the Commonwealth's reputation?

Senator Ayres: I don't think that's a question anybody could reasonably answer, Senator Shoebridge, and you know it. An assertion has been made—

Senator SHOEBRIDGE: I'll phrase it differently—

Senator Ayres: It is the subject of an investigation. Let's see where all that goes. There is a temporal question here about who knew what when and whether the fund was approaching this completely correctly. You are free to interrogate that. The fund has said they will come back to you on notice about those questions, but it's pretty difficult to answer a question about something that may or may not happen in the future.

Senator SHOEBRIDGE: We have had the temporal question answered broadly. You answered part of it in a three-minute Google search, knowing that there were clearly articles—

Senator Ayres: It was an article.

Senator SHOEBRIDGE: Let me finish.

Senator Ayres: It was an article.

Senator SHOEBRIDGE: There were articles written about this on the public record in September. Yet the fund made the acquisition a few days before 29 January this year. So the temporal question has been answered, hasn't it?

Senator Ayres: No, it has not—

Senator SHOEBRIDGE: It seems to have been answered.

Senator Ayres: There are series of assertions that you've made and a series of assertions that are in an article. The chief investment officer has said that these are the matters they deal with during the due diligence process, but they have taken that on notice. I think there are very sound reasons, given the imponderable nature of some of the assertions that are made, for these things to be taken on notice, and they have been.

Senator SHOEBRIDGE: I will just read into the record what has come from the Office of the Australian Information Commissioner, which is the office within which the Privacy Commissioner sits. It said in September that they were making 'preliminary inquiries' at that stage into I-MED and that companies 'must have a clearly expressed and up-to-date policy about their management of personal information, take reasonable steps to notify individuals of how their personal information is used, and can only use and disclose personal information for the primary purpose for which it was collected.' The spokesperson went on to say that the data collected could be used for a 'reasonably expected' secondary purpose but that 'given the unique characteristics of AI technology, the significant harms that may arise from its use and the level of community concern around the use of AI, in many cases it will be difficult to establish that such a secondary use was within reasonable expectations'. Mr Gall, that was all available to the board and your organisation months before the investment was made. Was that brought to the attention of the board? I assume you'll take it on notice, and I think that's appropriate.

Senator Ayres: Well, he has to. You're reading from something somewhere—

Senator SHOEBRIDGE: I assume that you'll take it on notice. But were those concerns of the Privacy Commissioner directly taken to the board?

Mr Gall: Again, we will make sure we address that when we come back on notice with that question.

CHAIR: Does that conclude questions for the National Reconstruction Fund Corporation? Senator Cox.

Senator COX: I want to ask some questions in relation to the investment in Nolans mines and Arafura. I don't know if that's you, Dr Manning. I just wanted some clarity, like Senator Shoebridge. Was that an equity investment?

Dr Manning: It is an investment commitment of \$200 million in an equity-like instrument.

Senator COX: What's the equity stake that we have?

Dr Manning: This particular instrument is a convertible note. That's why it's called 'equity-like' or a 'hybrid'. At certain times during investment's life, it looks more like a debt instrument, so a note, and then obviously, once a convertible note converts, it is equity.

Senator COX: Just to confirm, this is on top of the \$840 million that was given to Arafura Rare Earths's metal project in March 2024. Is that correct?

Dr Manning: This is a convertible note, which is from the National Reconstruction Fund and which is separate from funding from other entities, including other Commonwealth entities.

Senator COX: The government have already given \$840 million. I know that the National Reconstruction Fund Corporation has given the \$200 million, but, previously, there was \$840 million given to Arafura Rare Earths; is that correct? Minister? Someone from the department? Ms Quinn?

Ms Quinn: I haven't got my team that look after the exact numbers here, so I'm happy to take it on notice, or, when the critical minerals team are here, they can provide that information.

Senator COX: In relation to the share of the \$200 million for the National Reconstruction Fund, it has been closed by your chair, Mr Wilder, that the money would go into helping Arafura build its rare earths refining capacity and infrastructure. Can you explain what that means to the folks that are listening out there tonight?

Dr Manning: This is an investment, and it's \$200 million. The current site and the ore body is approximately 138km north of Alice Spring, but it is currently an ore body. There are two phases to the project. One is the construction, and then, after its construction—

Senator COX: Construction of the mine?

Dr Manning: No, construction of the infrastructure and the processing facility for the mine. That is the use of funds from our investment—to develop this project over its life cycle.

Senator COX: So it's essentially to get it up and running. And it's in two phases, did you say?

Dr Manning: There are multiple phases, but one is obviously to get the project up and running, and then there are various phases in the flow chart of Arafura for the processing, and then there's also another phase in terms of getting those products to market.

Senator COX: How was this amount arrived at? Who did the numbers for it?

Dr Manning: The investment team did the numbers, but—

Senator COX: Your investment team?

Dr Manning: The investment team at the National Reconstruction Fund. Perhaps I could give some background in terms of how these projects work. Obviously, there is a mix between debt and equity, and the debt financing had been largely agreed before. Arafura is a publicly listed company, so there is a lot of information on the ASX in terms of the timing of the debt financing being concluded. But, in a project like this, it makes sense to have a mixture of debt and equity. We have made the \$200 million equity commitment, and then there are still additional equity commitments that need to be raised in the market from strategic investors, from other institutional investors and from retail investors in order to have the complete amount of money that is required for this project to kick off.

Senator COX: I'm sure Ms Rinehart won't have any problem in raising any of that money. I see the ASX have been notified in relation to the securing of some of that investment. Is there any return on this investment for the public?

Dr Manning: Yes, there is.

Senator COX: Do we know how much?

Dr Manning: There is, on the ASX, the disclosure in terms of the part of the convertible note, when it's a note. In terms of the overall return, it would depend, at the time when the note converts into equity, on the share price of Arafura's shares at that time.

Senator COX: Was the NRFC aware of the environmental breach that Arafura had declared in their 2024 annual report, and did they take any of this into consideration when they made a \$200 million investment, on the back of \$840 million, to one of the richest women in Australia, who has shares in this? Did you take into consideration that they considered the risk to cultural heritage to be low, that their EPs were not complete and that we are talking about self-monitoring of groundwater in that location, all so we can tip money into there? Did NRFC actually do their due diligence? Did you talk to DCCEEW and other parts of the government to see very clearly that this assessment should not have been rushed through and that you should have made sure? Because they were actually fined for that. Was that something that the National Reconstruction Fund Corporation actually knew about?

Dr Manning: Yes, as part of our due diligence, as I mentioned in the previous line of questioning, we have robust environmental, social and governance analysis. I believe that—

Senator COX: Dr Manning, the NRFC feels quite secure—

CHAIR: Senator Cox, consistent with everything, I'll let Dr Manning conclude her answer and then I'll come back to you.

Dr Manning: Yes, the NRFC reviewed the EPBC Act fine, which I believe was approximately \$16,000. We are satisfied that Arafura took the corrective actions, and we are comfortable with this going forward.

Senator COX: Dr Manning, they called it an administrative error. I don't think they took the correct action in relation to ensuring that their paperwork was completed. They had plan in place, and I'm pretty sure that people living in a high water-stressed area like Alice Springs in Central Australia, where we already have a multitude of water licences that have been handed out by the Northern Territory government, would have a very different view. Do you agree?

Dr Manning: We did the analysis, as I mentioned, and we think that they have taken the corrective action. We did on-the-ground technical due diligence, and we are comfortable with our investment commitment to Arafura.

Senator COX: Did you talk to any of the local traditional owner groups about this?

Dr Manning: I would have to take that on notice.

Senator COX: Given that Arafura have declared they would employ a 20 per cent workforce to work at Nolans mine, has there been any due diligence around the actual capability for that to happen, given that the

federal government is tipping money into Alice Springs as part of their Central Australia agenda? Is there any capacity? We know the constant failure of employment targets from RAPs across this country. First Nations people don't want to work for mining companies. I don't know if that's a newsflash for anyone here, but they don't. They see it as destruction of their country. Do they have the capability to be able to achieve that target?

Dr Manning: As part of our phase 2 due diligence, we do an impact assessment. Part of the impact assessment looks at the section 17 aspects of our act, one of which is creating economic opportunities for historically disadvantaged people, including women, people with disabilities and First Nations people. That analysis was undertaken as part of our phase 2 due diligence.

Senator COX: Does that include a vulnerability index?

Dr Manning: I would have to take that notice. It is not a metric that we typically would use in our phase 2 due diligence.

Senator COX: Thank you, Dr Manning.

CHAIR: That concludes the questions the committee has for the National Reconstruction Fund Corporation. Thank you very much, Mr Gall and team, for appearing and answering our questions. You go with our thanks.

Proceedings suspended from 17:58 to 18:46

CHAIR: The committee resumes with Department of Industry, Science and Resources outcome 1, program 1.2, which includes Australia's chief scientist. We'd like to congratulate you, Professor, on your appointment. We look forward to your appearances at the committee going forward. We thank you for the work that you've done and that you will do in the role. If there are no remarks here, Ms Quinn, we'll proceed straight to questions for outcome 1, program 1.2. I'll go to Senator Chandler.

Senator CHANDLER: Thanks, everyone, for coming along this evening. My first questions tonight will go to PsiQuantum, which I don't think will be of surprise to anyone. Is it the Australian government's position that its contract with PsiQuantum will result in Australia building the world's first quantum computer in Brisbane?

Ms Quinn: That is the intent. PsiQuantum has been supported by funding from the Australian government to progress their development of a quantum computer. They have set out their intentions, and we look forward to supporting them.

Senator CHANDLER: What date does the government expect that computer will be operational?

Ms Quinn: This is a matter for PsiQuantum, as a company with multiple investments and technological milestones to progress. They have indicated in their publications that they expect the facility that they're building in Queensland to be up and running towards the end of 2027.

Senator CHANDLER: You say that's a matter for PsiQuantum. It's the Australian government's funding, though.

Ms Quinn: Partly funded, and it's funded by a whole series of other funders as well. The Australian government is part of the funding—the Commonwealth government and the Queensland government, but then other private entities. They are a company; they work through their technical milestones. Quantum technology is a new field, so nobody can be absolutely definitive about when things will become available because there's a sequence of steps that they need to work through. They've given their intention, and exactly when it happens will depend on them meeting their technological milestones.

Senator CHANDLER: Sorry, refresh my memory: what is the total dollar figure of federal government funding that has been expended on an intention to build a quantum computer?

Ms Wilson: The Australian government has invested \$463.3 million.

Senator CHANDLER: I'm correct in saying it's about the same in terms of contribution from the Queensland state government as well, which is how we get to close to a billion dollars?

Ms Wilson: That's right.

Senator CHANDLER: What is the current status of the project?

Ms Quinn: The status of the project is that they're working through the steps they need to do to be able to—

Senator CHANDLER: Ms Quinn, when you say 'they', do you mean PsiQuantum?

Ms Quinn: Yes. Sorry. The company is working through its investment plans and its technological milestones. They're working through all the steps that they need to do along their journey to putting together their technology. They have opened a head office in Brisbane, they have made agreements with Queensland universities in terms of technological sharing and capability, and they have opened a testing facility at Griffith

University to start testing the components of the computer. Those are all steps along the way. They're in the process of working through all the approval processes for the facility.

Senator CHANDLER: We'll get to those approval processes. You say they're working through technological milestones. Have they met any of those milestones yet?

Ms Quinn: They have met the technological milestones. Through their lifespan as a company, they've had a series of technical milestones, and it's my understanding they've met all of those technical milestones through their processes.

Senator CHANDLER: Sorry, are they milestones that the department has required PsiQuantum to reach as part of your agreement with them?

Ms Quinn: Some of those were prior to the Commonwealth investment in the arrangements. We were able to ascertain what their milestones were and whether they'd met them and things like that through the due diligence process. In terms of the subsequent steps, I'd have to check where we're up to on the technical milestones.

Ms H Wilson: They are keeping us up to date, as you would expect, with all their latest developments. I also note the US DARPA recently made an announcement about its assessment of PsiQuantum and where the US DARPA feels that PsiQuantum is up to. I draw your attention, Senator, to an announcement that PsiQuantum has made today. There was an article in the journal *Nature*.

Senator CHANDLER: I'm aware.

Ms H Wilson: We're in regular contact with the company, and we work with our colleagues in the United States through DARPA as they also undertake assessments of where PsiQuantum are up to on their technical milestones.

Senator CHANDLER: To be very clear, have any milestones been achieved since the funding was announced on 30 April last year?

Ms H Wilson: In terms of technical milestones?

Senator CHANDLER: Yes.

Ms H Wilson: I'll take that on notice. Some of that will be commercial-in-confidence, so I'll take that on notice.

Senator CHANDLER: Okay. Where are we at with the planning approvals process for the project? I had a conversation with Infrastructure one day this week—I couldn't tell you exactly when, given it's Thursday night. They will need to receive a planning approval from Brisbane Airport, given that's where we're building this computer, and they said that they hadn't received anything from Brisbane Airport yet. What is your department's understanding of where the planning application process is at?

Ms H Wilson: You're absolutely correct. It's the department of infrastructure that administers that legislation and that process. We certainly have been in what I would say are preliminary conversations with both PsiQuantum and the infrastructure department as they go through that process. We talk to PsiQuantum and we talk to our infrastructure colleagues to make sure PsiQuantum are aware of exactly how the process works. There are preliminary conversations that we've had.

Senator CHANDLER: You don't have any conversations with the airport itself—

Ms H Wilson: No.

Senator CHANDLER: because it's technically Infrastructure's part to manage that.

Ms H Wilson: The department of infrastructure administers it. You're absolutely correct.

Ms Quinn: We do understand there's been exchange of information. The act that the department of infrastructure goes under has a sequence and series of titles. For example, the word 'draft' means something specific in the legislation. But there has been exchange of information to facilitate the subsequent processes, like there is with other entities.

Senator CHANDLER: My understanding is that we're not even at the formal draft application stage with Infrastructure at the moment.

Ms Quinn: We're not at the formal draft as it is in the legislation, but there has been exchange of information.

Senator CHANDLER: Is it the department's understanding that it will be PsiQuantum submitting a planning application as well, or is it purely—

Ms Quinn: It's Brisbane Airport who deal with the department of infrastructure process. PsiQuantum works with Brisbane Airport; Brisbane Airport work with them, because they're the ones that are regulated.

Senator CHANDLER: Has there been any request at this point in time from your department to expedite any element of that planning application process?

Ms Quinn: We've provided information about how the process works, but, under the act, it's entirely the department of infrastructure's regulatory duties.

Senator CHANDLER: There's been no direction from the minister or anything like that?

Ms Quinn: We have no regulatory oversight of the process, so it's not something that would ever come up.

Senator CHANDLER: When are you expecting the sod turn to occur on the PsiQuantum project?

Ms H Wilson: PsiQuantum have said on their website that they're expecting to break ground in 2025.

Senator CHANDLER: So that's this year—2025?

Ms H Wilson: Yes.

Senator CHANDLER: It's my understanding that the planning application process that Infrastructure administers takes at least a six-to-nine-month—but more realistically, a 12-plus-month—period. Do you think they're on track to turn sod in 2025 if we haven't even got the application process formally underway yet?

Ms Quinn: That's a matter for the department of infrastructure and Brisbane Airport. They have a sequence of processes that can be done consecutively; they don't always have to stack up. It depends on the nature. I don't have a professional view on the veracity or the timing. PsiQuantum is investing a great deal of effort in it. They've got people working on it, doing the process and doing everything we can see that they need to do. They are in a regulatory process. It'll go through in the usual course of events.

Ms H Wilson: It's one of the reasons, I might add, that PsiQuantum has been in these preliminarily early conversations with the department. It's so that they can be in a position to not only meet the statutory timeframes but really make sure that they're providing the right information that's required.

Senator CHANDLER: Has PsiQuantum conveyed to you any expectation of when the planning application will be submitted?

Ms H Wilson: I'll take that on notice because, again, it is the department of infrastructure's process. They certainly haven't indicated to me, but I will take that on notice and check with some of the staff.

Senator CHANDLER: I might rephrase the question to see if I get a slightly different answer because I am interested in this. Does the department have an understanding of when the planning application will be submitted?

Ms H Wilson: Yes, we have a what I would call a good understanding of how this should play out over the next week, the next two weeks and the next months, but I don't have an exact date. I will take it on notice.

Senator CHANDLER: I am a little concerned. I know that PsiQuantum have said in media reports that they think the first construction work will take place before July this year which seems consistent with that 2025 milestone that you referenced. How is that going to be possible if Infrastructure's aviation group hasn't received the application yet?

Ms Quinn: As I understand it, each submission is unique. They have a series of steps they go through. I don't believe they've given a specific timeframe. Brisbane Airport, I believe, is very experienced at dealing with the process. I imagine they know exactly what they need to submit. PsiQuantum is working closely with them. They will go through the process.

Senator CHANDLER: What exactly is happening at the site in Brisbane Airport at this point in time—apart from planes taking off, I'll accept that—in relation to the quantum computer?

Ms Quinn: I thought it would be in relation to it. I'm not that close to the on-the-ground components. We may or may not know either. At this point, what we're doing is making sure that people understand the processes. We don't have a regulatory role in this process, so we're not the lead on anything to do with that. We are engaging with the company for other elements of our relationship with them but, on this, the relationship is from PsiQuantum to the Brisbane Airport Corporation and from them to the regulatory process. We may or may not know all the intricate details about what they're doing because it's not something that we are required to know, and it might be inappropriate for us to know elements that are not related to our functions.

Senator CHANDLER: But do you have any concerns that there's a chance that the approval won't be granted for possibly nine months? That doesn't stack up with getting sod turned in 2025.

Ms Quinn: The project has a whole series of processes. They're working through them. They are moving on other aspects of the arrangements in terms of technological MIUs, working with the ecosystem of quantum scientists to be able to build that capability. They are operating on several different fronts, all of which need to come together to be able to set up the facility and operate the technological achievements that they're talking

about. We are monitoring what they're doing. The sequence and timing is important, as in any project. But, at this stage, they're working through the processes.

Senator CHANDLER: A lot of stars are going to have to align though to start sod-turning on this by mid-2025.

Ms Quinn: I am not an expert in planning processes; I don't have a personal opinion.

Senator CHANDLER: I'm sure you're aware of some of PsiQuantum's other work worldwide in this space. You wouldn't have given them the contract otherwise. Are you aware of the quantum computer that they are building in Chicago?

Ms Quinn: Yes; we are aware of the arrangements.

Senator CHANDLER: Has your department received a briefing from PsiQuantum regarding that project?

Ms Quinn: Yes. We have had discussions with them about what their intentions are and the support they're receiving, not just from the United States, but we do receive information, as an investor, on their plans.

Senator CHANDLER: When did you first receive a briefing from PsiQuantum on the Chicago Project?

Ms Quinn: We might have to take that on notice and go back, because it was at the time that they had struck the deal with several entities. We would have received the information at that time.

Senator CHANDLER: Minister, has the minister you are representing received a briefing from PsiQuantum regarding the Chicago project?

Senator Ayres: Having heard what the department said, I'll just take that question on notice as well.

Senator CHANDLER: Has PsiQuantum briefed the department on the status of that Chicago project or the milestones that that project is progressing through?

Ms H Wilson: I meet regularly, approximately once a month, with very senior PsiQuantum staff in the United States. I recall that we last had a conversation about Chicago probably six weeks to two months ago, but I'll take it on notice and get the exact date. In those monthly catchups that I have, we cover a range of topics, and Chicago has come up.

Senator CHANDLER: Has PsiQuantum briefed you on what approvals have been granted for the Chicago project and what the timeframes are for the commencement and completion of the Chicago project?

Ms H Wilson: Not in detail, no.

Senator CHANDLER: It's been publicly reported that planning approval was given for the Chicago project by the Chicago Planning Commission on 22 November last year, and by the relevant city council for the quantum park on 13 December last year. Are you aware of those approvals?

Ms H Wilson: Yes; I've seen the media report.

Senator CHANDLER: I was about to say, were you aware of them because of the media reporting or because PsiQuantum told you about them, but I think you've answered that. When do you understand PsiQuantum will begin building their computer in Chicago?

Ms H Wilson: I will take that on notice. Again, when you say 'building a computer', apologies, it gets a little technical. PsiQuantum have been clear—they will build the world's first fault-tolerant quantum computer in Brisbane by the end of 2027, but there are various other ways they can do testing and what they call beta, so I'm going to take that on notice, because I haven't met with them in the last month, so I haven't got the most up to date information.

Senator CHANDLER: What's the department's understanding of what PsiQuantum is building in Chicago?

Ms H Wilson: I will take that on notice, because again, as I said, things have probably moved since I last met with them, but they are certainly building the world's first fault-tolerant quantum computer in Brisbane by the end of 2027. I will ask staff to get me the more technical information that we last received from PsiQuantum in relation to the computer that they will build in Chicago.

Senator CHANDLER: But can you confirm they are building a quantum computer in Chicago?

Ms H Wilson: I will take that on notice because it does get quite technical quite quickly. If you give me some time, I will get the staff to step out exactly what the difference is, but it has to do with size, scale, compute and the way they characterise it. I do not want to mischaracterise what PsiQuantum are doing in Chicago.

Senator CHANDLER: If they're not building a computer, what are they building?

Ms Quinn: We've taken the question on notice and we're happy to provide what we can within the constraints of commercial confidentiality.

Senator CHANDLER: Is there a chance that we can get clarity on that question tonight?

Ms H Wilson: We will do our best.

Senator CHANDLER: If that's the case, I may move forward to a slightly different topic and come back to the Chicago question later. My understanding is that you've launched a review into your probity activity in relation to this contract; is that correct?

Ms Quinn: No, if this is in relation to what is on AusTender, we are doing a lessons-learned exercise, as we do for all major projects we undertake, which is focused on what we have done and the processes within the department so that we learn lessons for other projects that we may undertake in the future. We do this for all kinds of projects. It's not specifically looking at probity; it's looking at our arrangements through the course of the due diligence and finalisation of the decisions of government.

Senator CHANDLER: Is that review looking at only the due diligence and the finalisation of the contract or is it looking further back than that to the procurement of the vendor?

Ms H Wilson: I am responsible for the internal review. I would characterise it more as the department trying to capture what I would call best practice and lessons learned in how we undertook the project. We're not reviewing any contracts or procurement per se—we're looking at how we as a department, with our obligations under the Public Governance, Performance and Accountability Act, provide the best advice to government. We're looking at how we, internally, as a department, get the right staff and undertake the due diligence. It is an internal way for us to learn lessons and capture some of that best practice.

Senator CHANDLER: When was it decided that you would undertake this review?

Ms Quinn: We have a standard practice when we are doing a major project that we'll have an evaluation review at the end of it. That's part of the project cycle. At the start the intention was always to do an internal review, as we do on every other major project.

Senator CHANDLER: Let me ask it a different way: when did you start doing this review?

Ms H Wilson: I can confirm we contracted McGrathNicol to do the work in October 2024.

Ms Quinn: But we would've made a decision to do that back at the very start of the project—not that particular procurement, we would have waited until the project was at a sufficient stage to able to review and assess.

Senator CHANDLER: What was the sufficient stage? How do you know you're at the sufficient stage where you could initiate the review? What's the trigger?

Ms Quinn: It was following the government's final decision.

Senator CHANDLER: To award the contract to PsiQuantum?

Ms H Wilson: To invest in PsiQuantum.

Ms Quinn: To invest in PsiQuantum.

Senator CHANDLER: That was 30 April last year, though; am I right? October 2024 is six months after that.

Ms Quinn: There are various steps that we go through. We were originally going to do this work through our internal auditors as part of our audit program, because it's part of our regular work, but there was a conflict issue, so we needed to go out for other people to do the work.

Senator CHANDLER: What was the conflict issue?

Ms Quinn: I can take it on notice but our internal auditors were doing work associated with the PsiQuantum company—

Senator CHANDLER: As in, your internal auditor was contracted to work for the PsiQuantum company or your internal auditor was looking at another project somewhere in government that involved PsiQuantum?

Ms Quinn: The internal auditor had commercial links with PsiQuantum elsewhere in their entity, so we didn't use them. We went out to an external provider. Otherwise, we would have used our internal auditing processes.

Senator CHANDLER: Who is your internal auditor?

Ms H Wilson: McGrathNicol.

Ms Quinn: No, our internal—

Ms H Wilson: Sorry, I beg your pardon.

Senator CHANDLER: I was going to say that conflict was not well managed if that's the case.

Ms Quinn: I don't want to misspeak, so I'll check.

Senator CHANDLER: Ms Quinn, while you're checking that, can you also check when your internal auditor was last appointed.

Ms Quinn: I can ask for that to see whether someone can provide that information.

Senator CHANDLER: You had to go out to market for the review because your internal auditor couldn't do it. How long did it take you to go to market?

Ms Quinn: I'm not sure.

Ms H Wilson: I'll take that on notice.

Senator CHANDLER: It seems interesting to me that the decision to invest was made at the end of April 2024 but—

Ms Quinn: There were still sequences and steps in terms of finalising. Things don't stop on a dime. We're in an ongoing relationship. This was scheduled in with other work et cetera. There's no mystery from my perspective on the sequence of the timing. Would we have liked it a bit earlier? Yes, because we would have started it a bit earlier if we hadn't had to go out to market.

Senator CHANDLER: When do you expect McGrathNicol will complete this review?

Ms H Wilson: I will take that on notice. I don't have a copy of the procurement in front of me, but it shouldn't take too long. Again, I would note that, as Ms Quinn, the secretary, has indicated, we've continued to capture some of the lessons learnt in best practice the whole way through. We're already feeding that into McGrathNicol's process.

Senator CHANDLER: I know that you obviously haven't dealt with an investment similar to this before, but, usually speaking, for a project of this size and complexity, how long would you expect the lessons learnt review to take?

Ms H Wilson: Not having done a lessons learnt of a project like this, I'm reluctant to provide an opinion, but, as I said, I'm confident that, the whole way through, we have been capturing best practice and we have had internal conversations about the lessons we have learnt along the way. So I don't expect it to take months and months and months, but I'll take it on notice.

Senator CHANDLER: On notice as well, if we would be able to have the terms of reference for the review, that would be useful. I would also be interested to know—again, if you could provide this information tonight, that would be ideal—what the fees are to McGrathNicol to undertake this review.

Ms H Wilson: I can give you the contract value now if that helps.

Senator CHANDLER: Wonderful. Let's do that.

Ms H Wilson: It is \$109,890.

Ms Quinn: We have two providers in terms of our internal audit. KPMG is one, and they renewed their contract in 2023. We're just getting the second one. We have different auditors for different purposes. I'm just waiting for the second one to come.

Senator CHANDLER: We might come back to that as well. I'm interested to know, if you have two internal auditors, why the other one—the one that wasn't conflicted with PsiQuantum—couldn't do this project.

Ms Quinn: It could well have been just to do with workload.

Senator CHANDLER: Sure. Moving on to another element of the project, non-disclosure agreements, there have been a few of those signed in relation to this project, the procurement process that you went through and the EOI process that you went through. Is that correct?

Ms Quinn: The expression of interest process did have non-disclosure agreements, yes. That's a fairly standard practice.

Senator CHANDLER: It's my understanding that PsiQuantum signed an NDA as well. Is that correct?

Ms Quinn: They did, yes.

Senator CHANDLER: Did they sign that NDA at the same time that the EOI applicants signed one, or did they sign it earlier?

Ms Quinn: I think they might have done it earlier.

Ms H Wilson: They did it earlier. I'll get you the dates.

Ms Quinn: We have two auditors because we have a panel arrangement to ensure we don't have capture.

Senator CHANDLER: If you've got a panel arrangement of internal auditors, I'm sure it would have been relatively easy to figure out the conflict issue with one and go with the other, though. Isn't that one of the points of having the panels?

Ms Quinn: We went through the process of finding the best way to get this service. We can take on notice the ins and outs of all the processes. But there was a discussion with our internal audit process—our auditors—and assessment about the best way forward and then there was approach to market and then we received it. We were very conscious about ensuring that we followed actual and perceived conflicts, as we do in all the things we're doing.

Senator CHANDLER: Back to the EOI process then: PsiQuantum sign an NDA early. Do you have a date for that?

Ms H Wilson: I'm getting it for you.

Senator CHANDLER: And then the EOI applicants had to sign NDAs in relation to that process as well. Do you have a date for that?

Ms H Wilson: I will get that to you.

Senator CHANDLER: Would it be fair to say that PsiQuantum signed—I think we've discussed this—their NDA before the EOI applicants assigned theirs?

Ms Quinn: Yes.

Senator CHANDLER: Is it the same NDA?

Ms Quinn: I don't think so—

Ms H Wilson: No.

Ms Quinn: because there were different attributes. The people who were providing the information through the expressions of interest had one related to the expression of interest. The one that we had with PsiQuantum that we also signed as the Commonwealth would have been potentially broader, covering other aspects.

Senator CHANDLER: Why is that the case?

Ms Quinn: The expression of interest was asking a set of questions and the due diligence process that we undertook over time with PsiQuantum was answering those questions and other questions. It was a sequence and series of discussions.

Senator CHANDLER: Sorry: let's say there are 10 questions that you want PsiQuantum to answer, and of those 10 you've said you want the EOI applicants to answer five. I'm using those numbers for ease of expression. Why bother going out to the EOI process for those five questions if PsiQuantum is apparently looking at them anyway?

Ms Quinn: The EOI process was designed to test the market for the capability to produce the capability that the government was interested in investing in. That process was designed through whole-of-government processes, building on the standard process for expression of interest, so we went through that process. It was designed in concert with the technical advisory panel, the interdepartmental committee, including our Department of Finance colleagues, who look after these processes in conjunction for other portfolios. So, we designed that process with that in mind—to test the market—and that's what we did.

Senator CHANDLER: Why then was PsiQuantum doing more than what was asked of the EOI applicants before a decision had been taken?

Ms Quinn: In the sequence and steps of the process, PsiQuantum had approached the government going back quite a number of years, I think, before. So there was a set of information provided. We were in a process. The subsequent breadth of the discussion with PsiQuantum was broader than the expression of interest process, because it covered all sorts of additional information as you get to the commercial negotiation aspects of any deal. The expression of interest process covered the expression of interest. If any of those companies had been selected to go forward, they would have had to sign, as you would in any commercial negotiation, an additional NDA to cover the commercial negotiation phase. So, there was a sequence of events through this process over many months, so we did not require the expression of interest companies to have the same breadth of coverage, because it would be onerous on them, to start with, in terms of their processes. And if they'd been selected to go forward in a subsequent process then we would renegotiate with them—purely on a regulatory burden basis.

Senator CHANDLER: Just so I'm very clear here, were you undertaking commercial negotiations with PsiQuantum before your EOI process?

Ms Quinn: No, but we were in discussions about their capability, the proposals and doing due diligence processes. But no decision had been taken. There was a proposal that the government was considering. No decisions had been taken. The decision was to go out to the market and test the availability of others, as we would do in any situation like this. As has been said at previous estimates, there was a proposal brought to the government. The government did many stages of due diligence as part of that—and based on the quantum strategy as well, which the government was reviewing as it was going through. So, they were interested in evaluating what capability there was in the Australian and international market to deliver the sorts of investments the government was interested in. There were all these steps. One of them was to test the market more broadly than what PsiQuantum was offering.

Senator CHANDLER: But seemingly you were testing the market on only a small portion of what you'd already been—

Ms Quinn: No, that's not the correct interpretation of what I said. You asked about the breadth of the nondisclosure agreement, and that was targeted at the EOI, so that it wasn't onerous on the companies in terms of their being able to participate in the expression of interest. We hadn't narrowed the scope or anything. The scope of the EOI as we've published the EOI publicly—that was the intention. The government wished to see that information, and that's what we sought through the EOI process, and that was evaluated through subsequent due diligence processes from a technical perspective and a capability perspective, and then subsequent decisions were taken by government.

CHAIR: Perhaps I could just intervene for a moment and say that we were due to go to the next portfolio, which is Resources, about three hours ago, and this has been a half-hour block of questions that you're engaged in. How much more time do you think you need?

Senator CHANDLER: I definitely need some more time, but if you want to move—

CHAIR: About 10 or 15 minutes?

Senator CHANDLER: A bit more than that, but I am trying—

CHAIR: You're conscious of time.

Senator CHANDLER: Yes, I'm absolutely conscious of time.

CHAIR: Thank you, Senator Chandler.

Ms Quinn: Could I just close out the auditor question that you asked?

Senator CHANDLER: Yes.

Ms Quinn: KPMG do our internal audit, and EY do our management initiated reviews. That's the split of responsibilities.

Senator CHANDLER: Okay. Thank you for that. I will endeavour to be efficient, Chair, because I recognise that you've got other things to do, and I've got other colleagues who would like to ask questions later on in the program. On the NDA, was the NDA that PsiQuantum signed a standard NDA?

Ms H Wilson: I can confirm that the NDA that PsiQuantum signed was on 21 March 2023. And due to the commercial-in-confidence nature of some of the things in the NDA—I will take it on notice—I wouldn't characterise it necessarily as 'standard'. But I will take it on notice.

Senator CHANDLER: Okay. But it is different to the NDA that the EOI applicants—

Ms Quinn: We've previously provided these timelines on notice. But we did a stage 1 due diligence with PsiQuantum, joint with the Queensland government, in February to May 2023.

Senator CHANDLER: Yes.

Ms H Wilson: And perhaps I could confirm, too—just so we've got it on the record, although I think we've done this before—that in terms of the EOI process we invited 21 companies to participate on 11 August 2023, and the EOI closed on 11 September 2023.

Senator CHANDLER: Why would the NDA be commercial-in-confidence, when you weren't undertaking commercial negotiations with PsiQuantum?

Ms H Wilson: I didn't say it was commercial-in-confidence; I said that due to some of the commercial-in-confidence discussions I wouldn't characterise it as a 'standard' NDA. But I've taken on notice to get back to you in terms of the type of NDA they signed.

Senator CHANDLER: Okay. Are you able to table a copy of the NDA that PsiQuantum signed?

Ms Quinn: I'm happy to take it on notice. I think it was requested through the order for the production of documents. I'm happy to take it on notice and confirm the status of that document.

Senator CHANDLER: Did that NDA preclude PsiQuantum from talking to any investors if they might have been in the process of negotiating with the government?

Ms Quinn: We're happy to take that on notice. We did have arrangements to ensure the confidentiality of our discussions, but we also had arrangements, if they needed to talk to particular investors, that we would have visibility and awareness of that and agreement prior to them doing so. I'm happy to see what we can share with that. Usually there is a safe space to share information between parties and mutual agreement if other parties are to be informed of various matters. For example, we were asking them what they were doing with other investors just like we asked other people. The purpose of the NDA is to protect the discussions, the commercial nature and the technical milestones of companies so that they can have protection of their IP and decision-making. It is consistent with Corporations Act obligations and government transparency obligations as well.

Senator CHANDLER: Did the department ever have any concerns that PsiQuantum wasn't complying with the NDA?

Ms Quinn: I've been asked this question before, and it did not to my knowledge.

Senator CHANDLER: There was a \$91.2 million accounting loss reported for the financial year ending 30 June 2024 on the national interest account associated with the PsiQuantum deal, correct?

Ms Quinn: That's a question for Export Finance Australia—

Senator CHANDLER: And they are probably appearing right now. Hopefully, one of my colleagues will hear the question and go and ask them. When was the last time the government was briefed regarding PsiQuantum's progression to build the quantum computer?

Ms Quinn: We clearly received information overnight on the latest developments, but, as Ms Wilson said, we regularly engage and talk to them at least once a month. That's the main avenue through which we get updates.

Senator CHANDLER: On notice, would you be able to provide to the committee the dates on which you have had briefings with PsiQuantum since the last estimates?

Ms H Wilson: Certainly.

Senator CHANDLER: Thank you. What is the status of PsiQuantum's technology progression? Have they made any technological advances since the announcement that they will be building a quantum computer?

Ms H Wilson: Certainly there was their announcement overnight, which, as you've said, you've seen. We're happy to go into the detail of the announcement overnight. I repeat that we are monitoring how DARPA in United States is continuing to work with PsiQuantum in terms of monitoring their technology milestones.

Senator CHANDLER: In terms of its engagement with the department, does PsiQuantum need to prove and demonstrate technology milestones before building can commence of the quantum computer?

Ms Quinn: There are milestones they have to meet across a range of different factors, including governance, funding, and technological and regulatory approvals. There's a whole sequence of steps and gates that they need to go through in terms of the reason the release of various elements of the funding. That's all been negotiated with support for the company and their development milestones but also protection for Australian taxpayers.

Senator CHANDLER: My understanding from a brief chat with Finance earlier in the week—and, I suspect, concurrently with EFA at the moment—is that there have been no payments made against the PsiQuantum—if I call them 'investment vehicles', I hope you know what I'm referring to. I mean the two loans in the equity note.

Ms Quinn: There are three different components, and I do believe that one of them has been made.

Ms H Wilson: The convertible note has been made; the others haven't.

Senator CHANDLER: Oh, okay. That's news. What milestone was met to convert the note?

Ms Quinn: The note hasn't been converted. The funding for the convertible note has been provided, but it hasn't converted to equity yet.

Senator CHANDLER: Right—then that was consistent with my understanding. So there will be a milestone that needs to be met for that equity note to be converted, but that hasn't yet happened?

Ms H Wilson: Correct.

Senator CHANDLER: Can you tell the committee what the milestone is to convert the equity note?

Ms Quinn: I believe that's covered by the commercial confidentiality requirements.

Senator CHANDLER: Do you have any expectation of when the loans are expected to be drawn down or when the equity note converts?

Ms Quinn: It's got a conditions precedent. So it's not on a timing; it's on a certain activity that will be undertaken.

Senator CHANDLER: Raising capital?

Ms Quinn: There is a funding element to it, but there are others as well.

Senator CHANDLER: Are you able to tell the committee what those elements are?

Ms Quinn: In the broad sense, I've already mentioned them: governance arrangements, arrangements around national security deed elements, arrangements around regulatory steps and then funding elements. There are a set of mitigations put into the contracts to ensure protection of risks and mitigation of downsides, so there are a whole sequence of different elements.

Senator CHANDLER: Do you have any expectation of when capital raising will occur from PsiQuantum?

Ms H Wilson: They're in the middle of Series E capital raise, which is so far proving to be quite successful to my understanding.

Senator CHANDLER: Is there a timeframe on that?

Ms Quinn: It's a commercial decision for the board of PsiQuantum.

Senator CHANDLER: At last estimates, we learned that an independent technology assessor will be appointed to assess PsiQuantum's technology development for loans to be drawn down. Is that correct?

Ms Quinn: Yes, we do have various assurance mechanisms in the system to verify the milestones.

Senator CHANDLER: Has the independent technology assessor or adviser been appointed yet?

Ms H Wilson: We have a range of experts that we draw on, depending on exactly the technical milestone they may be looking at. We draw on those experts as we need to. I'm just checking whether we've made that exact appointment, but we continue to work with a range of experts as we monitor PsiQuantum's development in their technical milestones.

Senator CHANDLER: When you say, 'a range of experts', are they experts within the department—APS staff—or are they external to the department?

Ms H Wilson: And I can confirm they have been appointed. They're a range of people; there are some people within government, but I'll just confirm exactly where and who the others are.

Senator CHANDLER: When were they appointed? You've got a panel of assessors. Is that what you're basically saying?

Ms H Wilson: We have a range of people that we can draw on from within government and outside, as necessary, depending on what we're assessing and what we need to look at.

Ms Quinn: The term 'panel' has a particular meaning within government procurement. We don't have a panel as a procurement panel.

Senator CHANDLER: No. Sure. Has this group of assessors conducted an assessment yet on the PsiQuantum work?

Ms H Wilson: They've conducted various assessments all the way through the various phases of due diligence that we've conducted. We've called on them several times through many phases of work.

Senator CHANDLER: Due diligence is one thing. Have they made any assessments in relation to technology?

Ms H Wilson: Yes, they have.

Senator CHANDLER: When did they make those assessments?

Ms H Wilson: I'll take that on notice. Some of that will be commercial-in-confidence, but we'll take it on notice.

Senator CHANDLER: Would it be fair to say, though, that that technological assessment hasn't resulted in passing a milestone, because we still haven't moved any money out in relation to the contract—the investment?

Ms Quinn: We have to be careful that there's no insinuation that they have not met any technical milestones. That is not our view. We want to be very careful about it. This is a commercial company with commercial considerations, and we need to be very conscious of what we say to protect their reputation as well as our obligations to provide accurate information. They have not failed any steps to date.

Senator CHANDLER: There's a difference between failing a step and not passing a step.

Ms Quinn: Neither of those is the case.

Senator CHANDLER: Right. So they haven't been assessed for progression of any steps?

Ms Quinn: They are working through their processes. We've been doing various bits and pieces et cetera, but, in terms of the steps, I don't believe there are any failures or a lack of passing. They're scheduled to come.

Senator CHANDLER: When are they scheduled?

Ms Quinn: That would be commercial-in-confidence, just as the milestones themselves are. Quite a lot of these milestones are conditions precedent because they're sequenced elements. It's a complicated process; it's a complicated deal. It's got different elements that are specifically designed because it is a new technology and a new set of sequences. Some of the arrangements are things like legal obligations, membership of boards and hiring of staff. There's a whole sequence of mitigations in the contracts that we have with them.

Ms H Wilson: It is a question for EFA, but—in the spirit of providing the information that I have—they have appointed an independent technical adviser. I'm just getting the date of the appointment.

Senator CHANDLER: Thank you. Are you allowed—I shouldn't say, 'Are you allowed?' You get to decide that. Could you tell the committee who the adviser is?

Ms H Wilson: That is a matter for EFA, but I'll take that on notice.

CHAIR: I'm going to share the call now.

Senator CHANDLER: Sure. Share away, Chair.

CHAIR: I'll go to Senator Ghosh.

Senator GHOSH: Thank you to the officials. My questions relate to the Strategic Examination of Research and Development and the discussion paper that has been released on that subject. Are you able to answer those questions?

Ms Quinn: You can start, and we can see how we go.

Senator GHOSH: Wonderful. It has been touched upon a bit today, but I want to talk about economic complexity and diversity in the Australian economy. The discussion paper does touch upon this in a number of different places, but what has been found, or what conclusions can we draw, about the current state of the complexity of the Australian economy?

Ms H Wilson: Australia's economic complexity is currently ranked 102nd out of 133 nations and has been on a steady decline since measurements began. That's out of the discussion paper.

Senator GHOSH: Are you able to offer us some insight as to why there is that low level of complexity?

Ms H Wilson: There are a range of structural reasons as to why there's been a decline in our overall R&D. Business investment in R&D has been falling over many years. In fact, it's fallen by more than a third since 2009. Australia is excellent at research—we're very good at research—but we do lag behind other OECD countries when it comes to development and translation, and research collaboration across sectors—between universities and business—is also rather low. So they're some of the structural issues that we're facing at the moment.

Ms Quinn: I will note that the discussion paper has been released by the panel to get other people's views on this issue. There's a general call for submissions, if people have views on what's happening. There's the diagnosis element of the review, and then they'll move towards recommendations.

Senator GHOSH: I appreciate that answer and that this'll be part of the process of the submissions and then the final recommendations and report. Are there any initial comparisons that we can draw, for instance, between Australia and the US, the UK or Singapore in relation to that gap between our research output and translating that into industry or into economic complexity or diversity?

Ms H Wilson: The panel is absolutely looking at the approaches of other countries. For example, they're looking at the United States—as you said—South Korea, Japan, Germany and Israel. So, yes, absolutely, they are looking at how other countries are approaching R&D investment and how to lift R&D investment.

Ms Quinn: The structure of our economy is different. We have a larger share of agriculture and mining relative to some of these other countries, so there are underlying opportunities that we have that other countries don't have. Some of it's also the measurement of the actual index itself. The mining industry is incredibly complex, but that's not how it's judged in the complexity index. A lot of the innovation and application of high-end technology such as robotics and artificial intelligence and a whole sequence of other scientific things is not captured because mining is judged to be low complexity in the construction of the index. It's important that we

look deeply at this issue, that we look at the structure of the Australian economy and not only our capabilities now but also our opportunities in the future and that we think about the mechanisms that work for Australia. We are not South Korea or the United States, so we should be looking for what is going to work in our context. That's the task of the panel through the discussion paper and the submissions.

Ms H Wilson: The whole aim of the examination is to strengthen Australia's overall R&D system and reignite further investment. The panel is assessing the benefits to economic growth and productivity from a more purposeful approach to R&D.

Senator GHOSH: One of the concerns in the Australian economy at the moment is a lack of productivity and productivity improvement; that's been a long-term issue in our economy.

Ms Quinn: Not just the Australian economy; low productivity has been evidenced in other nations as well, so it's not just Australia. There is a global issue of productivity and then there is a domestic lens on it. But low productivity is a problem for Australia's future prosperity.

Senator GHOSH: Is that linked in your mind, and to what extent is that linked, to the lack of business investment in research and development?

Ms Quinn: The evidence is clear that the dollar value of investment in R&D that's commercialised boosts national income. All the evidence is that that is something we should be looking to do. The question is on what arrangements and how to do it for Australia's purpose.

Ms H Wilson: The expert panel has been pretty clear: innovation through adoption is no longer enough. We need to activate R&D as the engine of the economy, and part of that challenge will be lifting business investment.

Senator GHOSH: Are there any insights at this stage as to why that investment has been so low? The benefits of R&D investment over the long term seem to almost speak for themselves both at a firms level and an economy wide level, but why in Australia do we have this sense that there hasn't been that investment?

Ms Quinn: More recently we've had a great deal of investment. There have been various discussions as we've moved through time. Initially the concern was non-mining business investment was booming and non-mining business investment was not, and at that time there was a great deal of discussion about what was causing that. Some of that was to do with the fact that the competitiveness in our mining industry resulted in a \$1.10 USD-AUD exchange rate, which was making it difficult for non-mining sectors to prosper. When the mining investment boom, which significantly added to our productivity and national wealth, moved into the production phase, we then saw lower investment than expected. There were a bunch of discussions around that. Some of that was to do with the risk culture within business—the phrase used was 'scar tissue from the GFC'—and other factors such as that Australian investors were more risk averse than those in other countries. Subsequently we moved into things like COVID and other shocks.

There's been a sequence of shocks and impacts on the Australian economy. The most important thing in terms of thinking about the future is: what are the policy settings and arrangements we need to boost investment and to commercialise the innovation and research that we are actually world-class at? There's a whole sequence of issues such as capable staff, funding business cultures, taxation systems and other regulatory regimes. All those things are to be considered, but part of that is the ecosystem in which research and development and business investment operate. We need more R&D in Australia to produce higher productivity going forward.

Ms H Wilson: I might quote the chair, the lovely Robyn Denholm:

Australia's business culture needs to shift to build an environment in which taking calculated risks is acceptable. There is an onus on company leaders to create space for scientists, engineers, and innovators to experiment, fail, and ultimately succeed.

Ms Quinn: That's a proposition by the chair of the panel. They've invited alternative views or corroborating views with evidence so they can provide advice to the government.

Senator GHOSH: The terms of the discussion paper and the call for submissions seem incredibly broad. I note your point about commercialisation. Is there a framework by which you're going to look at areas where Australia has a comparative advantage, particularly internationally, or is the expectation that that will be driven by the people making the submissions and the commerciality of those relevant areas of investment?

Ms Quinn: In my experience of review panels and processes like this, it's a bit of both. The review panel have been selected for their expertise in this area and their personal knowledge. They are drawing on a secretariat staff drawn from across the public sector and other contributors from academia and elsewhere. They will look at the submissions. They will clearly have to come up with a framework in order to provide advice to government. It's a bit of both in the process. When we're thinking about Australia's comparative advantage, a term I use is, 'We can create our own comparative advantage.' We are a function of our capable people, our natural resources and our

regulatory frameworks. We have some natural resources which create a comparative advantage but we still need regulatory frameworks. They're decisions of governments at all levels.

Ms H Wilson: They're doing a lot of data analysis at the moment but they're absolutely out and about doing the public consultation and speaking to a whole cross-section of industries. They're holding round tables. There have been some online events. There are more round tables and bilaterals scheduled.

Ms Quinn: Just one note on the data the panel have put in the public domain: different parts of the system will see themselves in the review. We've clearly got businesses, academics and government. The statistics show our biggest differential to OECD and other comparative countries is in the business space. The data that's available is the first point. The question is how that is interrelated with other aspects, because they're all connected.

Senator GHOSH: One of my concerns in this space is, when we talk about turning our research foundation into more practical or commercial endeavours, we don't undermine our commitment to basic research. In relation to this R&D strategic examination and the way we set up the system afterwards, how important is basic research in that context and how do we ensure that that it retains its importance or support within the system while also looking to then move into the commercial or more practical aspects of its application?

Ms H Wilson: Part of the terms of reference direct the panel to examine how we can grow our core science and innovation capability. It's something they'll be considering.

Ms Quinn: We should be able to keep our excellence in research as well as move into value-added processes. Other countries have been able to do those two steps. Australia should be able to as well.

Senator GHOSH: Is the review looking at the R&D tax incentive?

Ms Quinn: It's part of the whole ecosystem. It's not necessarily been tasked to look at it in specific intensity but it is part of the system. We will be providing information, as will others, in terms of how it operates and what role it currently occupies within the system, how it's set up and all those things. It's certainly part of their remit.

Senator GHOSH: In addition to tax, what are the other policy incentives that you are, in broadbrush terms, expecting or that you think would at this stage assist in encouraging that R&D investment?

Ms Quinn: There are buckets of issues that the discussion paper goes through. One is funding incentives and arrangements around funding. One is around the risk culture in institutions that undertake commercial and research decisions. Then you go to the commercialisation and business models, and how those are developed within Australia compared to other countries. For example, I mentioned earlier in relation to a question about the structure of Australian business that there's a really interesting report from the IISA about the missing middle. Other countries have more mid-size firms. We have lots of little ones and big ones relative to comparable economies. The structure of business is a factor, the structures of our markets and the opportunities we have—there is a whole sequence of issues. At the end of the day, economic decisions are driven by opportunity and regulations, and the incentives people have.

Senator GHOSH: Do you have a sense of the profile in some of those comparative countries—the US, the UK, South Korea or Singapore—as to where the business R&D investment comes from in those three categories you were talking about, small, medium and larger?

Ms Quinn: The regulatory regime and the relationship between business, government, universities and other entities in the ecosystem are different in all the different countries. There's the characterisation that South Korea has a great deal of government leadership. They have come from a government entity driven cooperative relationship with firms so that the government is very heavily involved. The United States is involved but in a different way. They provide a lot of infrastructure through their National Science and Technology Council, and they have a very strong university sector that attracts talent from the world. So the United States has got the government still heavily involved but in a different way. Japan is more like Korea in terms of the way the government gets involved in decisions. Germany has a different focus again. They have a lot of middle-sized companies that do a lot of their R&D. They're supported through the financial systems such as the Landesbanken in Germany, which are publicly supported financial institutions. They do it through that, but they also have a different arrangement for IP and how they store that. Then you have other smaller countries that do different things, like the Nordic countries and Israel.

Everyone has a slightly different arrangement because it depends on the role of government, the role of business, the taxation structures and the underlying comparative advantages of the countries. It's a complex question. I look forward to the review and all the submissions people will be making to bring it together. It's a question that Australia has looked at before. This review is an opportunity over a reasonable amount of time. It's not being rushed. It's been set out in stages to allow for a really good examination of the fundamental question we need to answer for our productivity future.

CHAIR: Is that a natural place to finish or do you have another question, Senator Ghosh?

Senator GHOSH: I'm interested in this, but that's fine. It's a good place to stop.

CHAIR: It really does sound like an interesting review. Senator Chandler.

Senator CHANDLER: Just to recap on where we were at previously—no loans have been drawn down in relation to PsiQuantum, and the equity note has not been converted. Is that correct?

Ms Quinn: The equity note has been constructed as a loan instrument to start with and then it converts to equity.

Senator CHANDLER: And that has not happened? It has not converted to equity?

Ms Quinn: It hasn't converted, but they have received the money, so it's operating as a loan at the moment. So they have, in that sense, received funding.

Senator CHANDLER: But the other two loans have not been drawn down?

Ms Quinn: Correct.

Senator CHANDLER: Correct. Does the department have any concerns regarding technology risk in relation to PsiQuantum?

Ms Quinn: None that have been brought to my attention, no.

Ms H Wilson: No.

Senator CHANDLER: None that have been brought to your attention? Any within the department?

Ms H Wilson: I doubt it, otherwise people would have brought it to our attention.

Senator CHANDLER: I'll quickly go back to the Chicago question. I know we took a few questions on notice there, and I will look at those answers very carefully. Given the fact that we know that PsiQuantum is building another computer in Chicago, has the department sought any assurances from PsiQuantum that the computer they are building in Brisbane will, in fact, be the world's first quantum computer?

Ms H Wilson: Yes, we have.

Senator CHANDLER: You have sought assurances from PsiQuantum?

Ms H Wilson: We have, yes.

Senator CHANDLER: When did you seek those assurances?

Ms Quinn: That was the agreement between the government and the company.

Senator CHANDLER: Sure, but the Chicago project has popped up.

Ms Quinn: So we have a set of agreements with the company. They were in the United States and are in the United States. They've also had activity in the UK before. We're aware of all those activities. The government's deal with PsiQuantum is, as you said, to build the world's first, and we sought assurances subsequently.

Senator CHANDLER: Was that subsequent to the Chicago build getting approvals at the end of last year?

Ms H Wilson: Yes. We have continued to have regular conversations with them on a whole range of things, including the commitment to build the world's first fault-tolerant quantum computer in Brisbane in 2027.

Senator CHANDLER: I have a couple of questions for the Chief Scientist on this. Could he come to the table, please? I couldn't let you get off scot-free for your first estimates. Professor, have you reviewed PsiQuantum's technology?

Prof. Haymet: Not at all.

Senator CHANDLER: You haven't?

Prof. Haymet: No.

Senator CHANDLER: It's an almost \$1 billion investment from Australian taxpayers. Will you be undertaking an assessment of PsiQuantum's technology?

Prof. Haymet: I'm waiting for my security clearance to come through, and then I can look at the science behind the claims of PsiQuantum.

Senator CHANDLER: Right. That's a bit inconvenient that you have to wait for the security clearance. I'm sorry; I understand why you have to get the security clearance, but it's a bit unfortunate that you're not in that position yet.

Prof. Haymet: There's plenty else to do, Senator.

Senator CHANDLER: I don't doubt that, Professor. Do you have a list of priorities of technology you will be examining, and is PsiQuantum's technology on it?

Prof. Haymet: The way the Chief Scientist works is that there's a work plan negotiated with the minister of the day. I haven't negotiated that work plan with the current minister. He's been very respectful of the fact that there's an election coming up. The things that I'm working on are extremely important. I'm finishing up some work from NSTC, the National Science and Technology Council. They include our study of misinformation and disinformation and also infrastructure—or the research toolkit, as NSTC calls it. So those are my immediate priorities between now and the next government.

Senator CHANDLER: When you get your clearance, will it be a priority for you to review PsiQuantum's technology?

Prof. Haymet: Absolutely. I think the minister described me as a curious person. I'm fascinated both as a scientist and as a taxpayer—

Senator CHANDLER: I can imagine.

Prof. Haymet: about that technology.

Senator Ayres: Senator, I've been described as a curious person too. I should—

Senator CHANDLER: I've never heard you described that way, Senator Ayres.

CHAIR: You're described in many other ways.

Senator Ayres: That's right. I've really opened the door at this late stage. That is true. Welcome, Professor Haymet, to your first estimates, as indicated. There is a work plan that the Chief Scientist develops—

Senator CHANDLER: And we're not there yet, in effect.

Senator Ayres: with the minister. That process, I think, is underway. The last chief scientist did have an exhaustive engagement with this particular piece of work.

Senator CHANDLER: I am aware.

Senator Ayres: So I won't prejudge their work plan, but you'd imagine that there would be a level of engagement that is not about duplicating work that is already done but would be appropriate to a piece of work like this that is of such national significance.

Senator CHANDLER: Recognising that you don't have security clearance yet, have you had an unclassified briefing on PsiQuantum?

Prof. Haymet: No.

Senator CHANDLER: I'll leave it there, Chair.

CHAIR: I understand that that concludes the questions that we have for outcome 1, program 1.2. We thank you all for answering our questions, and thank you, Professor Haymet, for your first appearance at estimates. We'll see you again. Program 1.2 goes with our thanks.

[20:01]

CHAIR: We now welcome outcome 1, program 1.3: supporting a strong resources sector. If there are no opening remarks of any kind, we'll go straight to questions. Senator McDonald.

Senator McDONALD: It's great to see you. It's an exciting part of the day, now that we've gotten rid of all that other boring stuff. I'll be putting in a bid that we move further ahead in the schedule going forward. The chair has not picked up on my brilliant idea to move resources further forward on the agenda.

Ms Quinn: Would you like to change the output, 1.3, and give it a higher number then?

Senator McDONALD: That's exactly right, 1.3A. Anyway, I would like to ask about the east coast gas market. It was reported that, in peak demand periods of last year, the south-west Queensland gas pipeline was operating at 106 per cent. Noting this, would you agree that in the demand period there existed no physical way to get more gas from Queensland down into southern states?

Ms Quinn: That, technically, is a responsibility of the department of energy, who look after the domestic onshore energy market. We read all the reports from the ACCC, AEMO and others, given their shared responsibility. There are, at times, constraints on the movement of gas from Queensland to the southern states. There are a series of storage facilities and other mechanisms to try and smooth out demand through the cycle and there are people looking at those issues to see whether there are alternatives.

Senator McDONALD: Noting that the ACCC forecast southern states to have a shortfall of 16 petajoules in 2025, what options are available in the immediate term to fill this gap?

Ms Quinn: The minister for resources is responsible for evaluation of whether the Australian Domestic Gas Security Mechanism should be triggered or not. That is a process that we go through every quarter, which allows us to assess what's going to happen in terms of the east coast gas market and whether there are any supply issues that require that mechanism to be activated. So far, the market has adjusted such that that mechanism hasn't been invoked.

Senator McDONALD: Does the government have any plans to support infrastructure upgrades or new supply developments?

Ms Quinn: On the infrastructure front, there is a domestic energy market consideration. I am aware that they are going through a process to look at options on that front.

In terms of supply, as I think you know, domestic onshore supply is a state matter. Offshore supply is a matter that this department supports the minister in. There has been an examination of acreage releases, and some of those have progressed in recent times. Not for 2025 but going forward, they will potentially add to supply.

Senator McDONALD: New offshore acreage releases?

Ms Quinn: There have been, yes. I'll get my terminology right, but we are progressing through all the different stages in order to make it available for companies to invest in new fields.

Senator McDONALD: Terrific. At what state are the new offshore acreages at?

Mr Jeremenko: Mr Weeks has the details, but in terms of the last public announcement by the government it was September 2024. From memory, we provided some further detail to you at the last estimates about the actual timings of the various stages of those processes for three releases.

Just to support what the secretary was saying and to your question about the infrastructure, there has been reported some positive messaging and announcements from private companies—APA, in particular—in recent days in terms of plans to increase that capacity. That is one of the areas the ACCC has spoken to as accounting for that possible shortfall in winter as well as, as the secretary mentioned, the storage capacity in Iona. But I'll pass to Mr Weeks.

Mr Weeks: Senator, could you restate the question? There were a couple of different things there.

Senator McDONALD: The secretary said that there were new offshore acreage releases in the pipeline and that there were different stages. I want to ascertain what stage any new offshore acreage releases are at.

Mr Weeks: The way we look at it is that, as a system, there are different parts. You have your acreage release. Prior to that, we receive nominations from industry. As part of that nomination process, we collate that information and provide it to government. Government then decide if they want to do an acreage release. Within the system as well we also have exploration permits and retention leases. Obviously, as they come online, they will move into production. As an ecosystem of all those different types of titles, that's part of the response.

Senator McDONALD: Terrific. What I was specifically getting at was new acreage releases. From the secretary's answer, I inferred that there were new acreage releases that will be happening offshore soonish, and I wonder if you could speak to that please.

Mr Weeks: We had the acreage release last year. I can go through the different components of that.

Ms Quinn: In my mind, I was thinking of the requirement for acreage releases and then subsequent investment to bring supply on. We can go through the numbers about where things are up to. I wasn't thinking about an imminent announcement, or anything like that, of new ones. It takes time, once the release has happened, to get new supply to the market.

Senator McDONALD: If we go to the two from last year, VIC/L35 and VIC/L36, announced by Minister King on 27 September 2024, when did each of those licences first reach the minister's desk?

Mr Weeks: The information I've got is that bidding closed on 3 March 2022, resulting in 10 bids over nine of the areas. Six offers were made and two permits were awarded from the release: T/50P offshore Tasmania to Beach Energy; and WA-554 offshore Western Australia to Woodside Energy. Four offers lapsed and reverted back to vacant acreage. I've got my team online, so I'll try and get that date for you.

Senator McDONALD: I appreciate that. What I'm trying to figure out is how quickly these are being turned around—the date they went to the minister's office and the date they came back out and you got a decision—because I recall that they were released on the same date as the ACCC shortfall report. While you're working on that, Mr Jeremenko, what projects currently under development could address those shortfall warnings?

Mr Jeremenko: There have been some encouraging announcements by Beach Energy in offshore Victoria. There have been two new gas production licences granted in December 2024, which I think was in connection to

your last question, and, once active, they are specifically going to boost supply in the east coast market. Senex Energy is also proposing a \$1 billion expansion to the Surat Basin projects, and the plan is that that will produce up to 60 petajoules each year. That's also east coast—granted, in Queensland—but as I say, there are some encouraging signs in terms of investment and pipeline capacity.

Senator McDONALD: There does seem to be a lack of understanding across Australia that the shortfall is in the southern states, in Victoria particularly. Can I assume that the price of gas developed, for example, in the Beach projects in or offshore of Victoria avoid the transport costs of piping gas from Queensland and will therefore be more affordable?

Mr Jeremenko: A number of factors will influence that price, but, keeping everything else equal, not having the transport costs for those projects that you would have if you were bringing the gas south would obviously be an input into that price, but there are a whole host of factors, including work that's underway on import terminals and the overall supply of gas in the market as a whole.

Senator McDONALD: This is a very broad discussion, isn't it. What I was specifically asking was if the development of supply locally will not incur the costs of moving it, whether it be through an LNG import terminal or through a pipeline?

Mr Jeremenko: Yes, in a very complex way.

Ms Quinn: Whether that results in a lower price or not is a separate question.

Senator McDONALD: Are there options in Victoria to develop new supply?

Mr Weeks: There are 14 current exploration permits in Victoria. I can give you the details if you'd like.

Senator McDONALD: I would appreciate that.

Mr Weeks: I'll start with the permit numbers, so VIC/P43, which is—

Senator McDONALD: If there are 14, I'm going to ask you to write it on a page and provide it, rather than me transcribing it. Thinking of those 14 exploration licences—they're all exploration licences, are they?

Mr Weeks: They are, and 13 of them are active.

Senator McDONALD: Given that they're still exploring, we don't have any idea of how prospective they are yet.

Mr Weeks: That's right, yes.

Senator McDONALD: Are we relying then on onshore exploration permits?

Mr Weeks: Sorry, I don't do onshore.

Senator McDONALD: That's my question. These permits, are they onshore or offshore?

Mr Weeks: Offshore.

Senator McDONALD: Excellent. Considering the pipeline constraints and peak demand periods, what gas storage options are there in Victoria and New South Wales?

Mr Jeremenko: Gas storage is looked after by DCCEEW, so I don't have that detail in front of me. I mentioned the Iona storage. There's certainly work underway. The Victorian parliament has passed some legislation recently to look at some possible different storage options for petroleum. There are a couple that I have at hand, but we could certainly talk to colleagues and get you that detail.

Senator McDONALD: My understanding is that storage was at 13.9 petajoules in November 2024, so they need an additional 11 petajoules of gas at Iona before May for winter storage.

Mr Jeremenko: Correct. The ACCC report pointed that out. It was also pointed out in that report that there were encouraging signs that the level of storage as at that date was higher than was predicted at some point earlier. It's encouraging that there was more in storage to ameliorate any potential winter shortfall in the southern states. But then also, of course, there's the pipeline capacity that will still allow the Queensland gas to be brought south.

Ms Quinn: The ACCCs assessment is that it's tight in 2025. That's their overall assessment.

Senator McDONALD: Is the government looking at options to support the development of new or expanded storage options in Victoria, like the depleted Bass Strait basins?

Ms Quinn: That is a matter for the energy ministers and the department of energy.

Senator McDONALD: I assume you've consulted, though, given that you're responsible for production.

Ms Quinn: We do work with them, but they are the ones that look at energy storage. We look at what's happening offshore. As Mr Jeremenko said, the change in the legislation in Victoria was to allow for potentially more storage through their part of the offshore system. So we certainly worked with them in the development of their legislation to make sure it was consistent with Commonwealth legislation, so that they're potentially working together. In terms of actual advice on storage options in Victoria or elsewhere, that's a policy matter for the minister for energy.

Senator McDONALD: What about depleted offshore Bass Strait basins?

Ms Quinn: If it's in the offshore component then that would fall to us, yes.

Senator McDONALD: What options are there for offshore Bass Strait depleted basins?

Ms Quinn: The first element was the Victorian legislation changes that would allow gas to get from onshore, through their component, into the offshore, and they've passed that legislation. The question then is a commercial matter about who wants to make available or explore those options. From a regulatory perspective, things are in place. It's up to either commercial concerns or those who look after that policy to look at it.

Senator McDONALD: From a regulatory position, there aren't barriers that you foresee for you converting a licence from a production licence to a storage licence in a depleted offshore basin?

Ms Quinn: There would have to be a process to go through on that, and we would step through it, but I don't believe we've received any applications of such a nature.

Mr Jeremenko: There would certainly need to be support, like the secretary was saying. We would need to examine whether there would need to be more regulatory framework around the sort of thing that the Victorian legislation looks like it will now permit. Senator, you've probably spoken as well—we've spoken to GB Energy, who are interested in being involved in that, and have spoken to Victorian colleagues. But at this stage there is no engagement with us, nor is there a need for us to move to enable that to occur, but we're keeping a close eye on that regulatory framework.

Senator McDONALD: Are you doing any work on what the regulatory changes might be in order to facilitate something in offshore waters?

Mr Jeremenko: I would have to check with the team. As I say, they have been in touch with Victorian colleagues, and I imagine some of that discussion would have touched on it. I wouldn't say that there is a large program of work underway, but there may have been some initial discussions.

Senator McDONALD: Thank you. Considering these issues and that the east coast is forecast to have between 77 and 112 petajoules of surplus supply this year—despite the 16 petajoule shortfall in the south—surely the urgency is either upgrading the southern gas infrastructure or developing new southern supply. Would that be reasonable?

Mr Jeremenko: Well, they are two factors that could go to making sure that we do not reach a position, as is forecast, of a shortfall on the east coast in 2028. The other—

Senator McDONALD: Just to be clear: the shortfall in Victoria?

Mr Jeremenko: Yes—'east coast', as the ACCC puts it.

Senator McDONALD: I'm just intrigued because we're talking about a surplus further north and a shortfall in Victoria. It perturbs me that we have an 'Australian' gas crisis, when it's really a Victorian gas crisis that we're trying to solve—getting gas to Victoria. I'm sorry; I interrupted you.

Mr Jeremenko: I was just going to add: the other policy levers that the government has enacted include the code of conduct and the exemptions framework—the ministerial exemptions. As a result of those exemptions granted to six companies, there are some 604 petajoules of extra gas over the next eight years that have been committed to the system, including in years that, according to the ACCC forecasts, were going to be shorter in terms of supply. So that is a positive—a factor, as part of the work that we do, with DCCEEW and with states, to try and really bring to life the challenge that was outlined in the Future Gas Strategy, which is: we will need gas as a transition fuel.

Senator McDONALD: It's positive that you've identified additional gas. We still have the constraint of actually getting it south, don't we? So I look forward to seeing what APA comes forward with, with their \$70 million upgrade announcement to see how much additional gas that will allow for.

The ACCC last night said, 'We've 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.' Is the government aware of this advice?

Mr Jeremenko: I heard the majority of what you just said, Senator, but just the first bit: 'The ACCC said that they have heard', did you say?

Senator McDONALD: Last night, they said: '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.'

Mr Jeremenko: Yes, certainly. Sorry. Absolutely. They have been open about that in their public reporting, in those interim gas inquiry reports, and the ACCC, with DCCEEW, Treasury, we ourselves and other relevant departments will meet regularly to discuss the gas code and gas code exemptions. ACCC reports feed into our consideration in advising Minister King on the heads of agreement and the Domestic Gas Security Mechanism decisions each quarter, so the ACCC is part of that broader conversation.

Ms Quinn: And we brief our ministers—both ministers: the Minister for Industry and Science and the Minister for Resources—on the ACCC reports.

Senator McDONALD: So has the government—and I'm talking about this department—had any engagement with the Victorian or the New South Wales governments about lifting moratoriums?

Ms Quinn: The Minister for Resources has conversations with her counterparts, through the resources ministers' meetings, and the situation in the gas market has been discussed at that forum. In terms of other discussions that the government might have had bilaterally with ministers, I would have to take that on notice.

Senator McDONALD: Minister, can I ask you: what actions has the government taken to address the mandatory moratoriums in the southern states?

Senator Ayres: Certainly, if you look at the Future Gas Strategy, I think it does make it pretty clear that the government's view is that there is going to need to be more supply in the system, and of course that extends to more supply but also to some of the infrastructure questions. We don't do megaphone diplomacy with the states, so I'm not sure what discussions the minister has had directly with her counterparts. She has approved, as you've just been discussing, new exploration permits, including offshore storage capacity. In fact there have been substantially more CCS permits—

Senator McDONALD: Would you mind if I interrupt?

Senator Ayres: Yes, of course.

Senator McDONALD: It is this issue of the state based moratoriums that I'm trying to get to because, as we've just discussed, it's getting into the local pinch points of Victoria and New South Wales.

Senator Ayres: On that question, if there's anything more that we want to say, we'll provide it on notice. We are in government. We are not doing megaphone diplomacy here in terms of the position of the government. That's open to you and others who aren't in government to do. Our position is we want to see more supply. As Mr Jeremenko's outlined, there's a little over 600 petajoules of domestic supply commitments which are being secured now, so there is action on this front. Since we've taken government, we've extended the gas trigger, which the previous government didn't extend. I won't go through the whole list—

Senator McDONALD: No, thank you. I'm looking for additional information.

Senator Ayres: but we're very focused on this question against the backdrop of 10 years of the previous government sitting on its hands.

Senator McDONALD: Of course, predictably.

Senator Ayres: It was predictable; that's true.

Senator McDONALD: Considering that the southern states will be in a 16-petajoule shortfall this year, surely the most urgent and desperate need is to develop new southern supplies? That's what I'm trying to get at—it's not what's happening in the northern states; it is the mandatory restrictions in Victoria, in particular, that are offshoring jobs from that state. The ACCC said they weren't aware of any actions that the federal government had taken to encourage states to lift those mandatory restrictions. The ACCC also flagged their repeated concerns with lengthy approval delays and its impact on the development of new or continued supply. Does this not prove that the government's delay of the North West Shelf extension is contrary to repeated advice from the ACCC?

Ms Quinn: So the—

Senator McDONALD: Sorry, Secretary. I was asking Mr Jeremenko, but continue.

Ms Quinn: The government went through the whole process of the gas strategy to put out for all, including state colleagues. There were discussions around the development of that strategy and the launch of that strategy about the need of more supply in Australia. There are several mechanisms through which the government engages with the states. Minister King has the resources ministers meeting, and Mr Bowen has the energy ministers forum. Both those forums have discussed, as is my understanding, issues related to gas supply as well as other things. We have been working through with the government, and the government has taken action on the areas that it has control of. The matter around environmental approvals is one for our environment colleagues.

Senator McDONALD: The ACCC has also highlighted that diverting additional LNG from Queensland will not be enough to address the structural shortfalls caused by a lack of gas developments in the southern states. This being the case, can you point to any new domestic gas projects that have begun operation in the last three years in Victoria?

Ms Quinn: We've discussed the prospective one from Beach Energy.

Mr Jeremenko: Mr Weeks might have some.

Mr Weeks: At last estimates, you had some questions around Artisan and La Bella fields. We have some information around their contribution to the east coast gas market. Gas from both of those fields in the Otway Basin will restore the Otway Gas Plant to its nameplate capacity of 205 terajoules per day. The supply capacity is equivalent to 15 per cent of Victoria's current total supplies based on AEMO estimates. So the plant is currently operating at 70 per cent of nameplate capacity based on FY25 production of 150 terajoules.

Senator McDONALD: Terrific. When did you say that nameplate capacity would get back to 100 per cent?

Mr Weeks: The first gas from Artisan and La Bella is expected in mid-2026.

Senator McDONALD: Thank you, Mr Weeks—very helpful as always. I'd like to turn to the chief economist. I'd like to ask you about the *Resources and energy quarterly: December 2024*. On page 50 of the REQ, under gas, it states:

Global gas demand increased by around 3% in the first half of 2024 ...

Additionally, figure 6.1 on the same page highlights significantly increasing global LNG demand growth forecasts to 2026. Noting this, can you outline your expectation of the growth and demand for LNG in the next three years.

Ms Dowdell: As the REQ sets out, we do expect demand to grow over the coming years, particularly in the Asia region as we see industrial activity continuing to increase there. We also see the broader industrial decarbonisation around the world contributing to increased demand for gas as more processes switch from coal to gas.

Senator McDONALD: What opportunities does Australia have to fill this increasing demand?

Ms Dowdell: We are currently a trusted trading partner with a number of our Asian counterparts, so there are continued opportunities to have investment from those countries and to meet those demands through a range of expansions in production.

Senator McDONALD: On page 51 it notes that global LNG demand will be driven by Asian demand. Given our lengthy export relationships with Asia I would agree that that seems to be an obvious place for us to be growing our LNG exports. Page 52 also notes the increasing industrial demand for LNG in Japan and Korea driving increasing LNG demand. What opportunity does this provide for Australian exports?

Ms Dowdell: As I said, we have existing relationships with those countries, so there are ongoing opportunities to build on and to be their trusted trading partner. I would note, though, that there are a range of fields around the world that are being developed. There is increasing competition for Australian gas, but there are also opportunities for Australian producers to supply those markets.

Senator McDONALD: Terrific. Considering there's future growth in demand from our trading partners, what engagement did you or your office have on the development of the Future Gas Strategy?

Ms Dowdell: We, along with our policy colleagues, had a range of consultations with producers, industrial consumers, international governments—the governments of Japan and Korea—as well as a number of other commentators and market analysts who have views on future needs and demands.

Ms Quinn: The technical and economic analysis underpinning the report was coordinated by the Office of the Chief Economist.

Senator McDONALD: So these predictions about future LNG demand were factored into the strategy?

Ms Dowdell: They were.

Senator McDONALD: How does this strategy lay out a plan to meet this future demand?

Ms Quinn: That's back to our policy colleagues.

Mr Jeremenko: Certainly, as the strategy makes very clear, the foundational contracts that a number of these international customers and countries have engaged in as a result of huge—and, in the case of Japan, particularly huge—investments in Australia to enable the infrastructure to find and process the LNG are one of the big parts. I also note that our ongoing engagement with international partners, through our posts in the countries as well as through representatives here in Australia, will continue to inform policies that those countries are looking at. I mention that because, as you may know, last week Japan's cabinet endorsed its seventh energy plan, and that reinforced the fact that the demand from Japan in terms of Australian LNG will remain as high as it has been and will remain relatively stable over the next 15 to 20 years mainly because of those long-term contracts. But they also pointed out that, under a risk scenario, if nuclear and renewables do not take up the slack in their energy system that they plan, the amount of LNG they will need out to 2040 may actually increase by some 10 per cent. The message is we continue engagement with international partners on the government's clear plan to have gas as part of the system out to net zero 2050, which Japan also has. That certainly helps to encourage that to continue.

CHAIR: Thank you, Mr Jeremenko. The committee is scheduled to take a break. During the break, the committee will meet and see if we can provide any advice to some of those waiting in the rooms behind about whether they are needed or not.

Proceedings suspended from 20:36 to 20:47

CHAIR: As the committee resumes with DISR outcome 1, program 1.3, resources, the committee advises that we can release Geoscience Australia and we can also release the CSIRO. You go with our thanks.

Senator GHOSH: Thank you once again to the witnesses for being here. My questions relate to the production tax credits and our critical minerals policies. Has the department modelled how many jobs can be created in Australia by building our capacity to process and refine critical minerals onshore?

Ms Quinn: I don't believe we've got a specific number, but as part of the analysis we provided to the government as part of the deliberations under Future Made in Australia, work jointly with the Department of Treasury and others, we did apply the national interest framework and the economic analysis. It was clear that there were benefits to Australia to increasing the complexity of our processing for critical minerals, which is what the critical minerals tax incentive is designed to do. That part of the ecosystem is not designed for extraction but for processing and adding more value in Australia. There are economic reasons for doing that in terms of the value-added capability and increased profitability from those resources. There are environmental reasons in relation to transport costs and emission reductions. On the other side, there are issues to manage in terms of the processes, and there are national security reasons to consider the development of supply chains, because the critical minerals processing system is very concentrated in one country at the moment. We need to diversify our sources of supply for other countries, not just Australia.

Senator GHOSH: And that one country is China?

Ms Quinn: China does have the majority of the processing at the moment, yes.

Senator GHOSH: Let me stay with the economic reasons. What is the anticipated or projected impact of production tax credits on Australia's GDP? What is the potential gain?

Ms Robertson: My understanding is that the modelling is actually in the impact assessment undertaken by Treasury. It's around \$70 billion; \$69.9 billion is what is in the impact assessment.

Senator GHOSH: May I ask if you've received any feedback from the resources sector on this proposal?

Ms Quinn: We certainly have. As part of developing the proposal we had engagement, and as part of the process of the legislation going through parliament there was engagement from stakeholders and then ongoing engagement in relation to the implementation. The large majority of proponents were very positive about the need for additional support for processing. The competitive landscape suggests that the government stepping in and supporting this production will anchor the value in Australia. Most proponents we talked to were supportive of it. Some people were concerned about the overall fiscal cost and what that relates to. There were quite a few discussions around the technicality of the coverage, the scope and the processes, as you would expect in any complex policy design. All that was worked through bilaterally with Treasury and us, and there was a parliamentary process as well. There has been quite a lot of consultation on this process.

Senator GHOSH: We talked a bit about evaluating earlier this evening. In terms of the benefits of using a production tax credit as opposed to other policy settings in this space, are you able to elaborate on some of the thinking behind that?

Mr Chesworth: I think the underpinning rationale behind using a tax incentive is to provide certainty for business. The tax incentive doesn't commence until 2027, which firstly gives a good opportunity for us to establish the system appropriately but also gives business and potential investors very good lines of sight. A tax incentive is an entitlement based benefit, as opposed to alternatives such as a competitive grants based process, where essentially you're not sure what you're going to get. That's the underpinning rationale for a tax incentive.

Senator GHOSH: I pick up on something you said about certainty. There is a situation here where, very publicly, this is a government policy that's been opposed and presumably would be repealed in the event of a change of government, perish the thought. What impact would that have on investments made or the investment outlook or profile for businesses if the tax credit, having been announced, were to be removed in future?

Mr Chesworth: It's quite hard to speculate. Ms Robertson has already given some figures and indication of the projected benefit of the production tax incentive to the nation. Anything beyond that is speculation on my part.

Senator Ayres: I think I can answer that confidently. Investments that would have occurred would not occur. A future Dutton government is the definition of sovereign risk for Australian manufacturing and investment in Australia. It would lead to another decade of disinvestment in our energy system. It would mean we continue to export commodities offshore and become less safe, less secure, less prosperous and less productive.

Senator GHOSH: Secretary, can you elaborate, very briefly, on the national security element of this policy and the benefits of bringing key aspects of that supply chain onshore?

Ms Quinn: The Future Made in Australia framework, as articulated in the legislation, has two broad streams. One is the net zero transformation stream, which includes industries where Australia will have a comparative advantage as the global economy transitions to net zero. The other is the economic resilience and security stream, which includes interest to where some level of domestic capability is necessary to deliver economic resilience and security. There are some advantages under the transformation stream and opportunity for us to capture the economic value of moving upstream in the critical minerals processing supply chain.

On the economic resilience and security stream, there are elements that are very important for our national security but also the transition to net zero that we need to have access to going forward, and including some of our major trading partners. We have seen China put export restrictions on various critical minerals over time for their own purposes. Some of those have been directed at our major trading partners such as Japan, directed at individual countries such as Japan or the United States. Others have been a generally directed ban on export of certain minerals. That sort of activity creates uncertainty and it means that we need to be working with partners to have secure supply chains. There are some critical minerals used for very specific purposes in national security functions that we and our allies would need to have access to. That's one of the arguments for economic resilience.

There's also the situation that when the current market is very concentrated it's very difficult for private companies to make decisions to invest in that market because there's a significant player who could use actions to make it uneconomical for private industry to go forward. That's another reason to work with other countries in particular, not just Australia alone, to accelerate investment into some of these projects, which will benefit diversity in the supply chains. Some of it's market access, some of it's about providing assurances to companies that there will be a market for them. It's important for national security and the transition to net zero. Some of these critical minerals are also used in high-end critical technology activities. For example, our mobile phones use a large number of critical minerals. It's not just defence; it is also everyday consumer items that we use.

Senator GHOSH: To go back to where I started. I appreciate that I asked about modelling the first time. Did the impact statement say anything about jobs or the potential for job creation, particularly in Western Australia and Queensland, out of this?

Ms Robertson: My recollection is that it didn't specify the total number of jobs by state, but the total was expected to be around 143,000.

Senator GHOSH: Thank you. Secretary, we were talking earlier about various aspects of comparative advantage in Australia. If there are any, what do you see are the comparative advantages Australia has in the critical minerals space?

Ms Quinn: We clearly have a wide variety of minerals in our geography. We have Geoscience Australia, a world-class institution, that has mapped and has the ability to map and find resources that provide pre-competitive information. That is a national asset. Other countries are trying to catch up to Australia's ability to map our geography. We have very capable mining services companies. Some of the biggest mining companies operate in Australia or are Australian owned. They have the capability to marshal the complex engineering requirements to be able to do the work that we're talking about. We also have a highly skilled workforce.

Some of the processes required to refine critical minerals are highly complex chemical processes that require very careful management of environmental and safety standards. We have strong regulatory regimes that mean these processes can be managed in an appropriate way. That's a net benefit to the global community because some of these processes impact on water. Our strong regulatory environments, our capable workforce, our access to capital, our resources all stack up to mean we have great capabilities in this part of our economy. Have I missed anything?

Mr Chesworth: No, Secretary.

CHAIR: Last question.

Senator GHOSH: China's a long way ahead of other parts of the world, particularly in some of those chemical processes. Do you have any insight into where Australia sits in the outside-of-China effort to develop effective and efficient chemical processes to get critical minerals to a useful stage?

Ms Quinn: We are very capable in the early stages, the first steps. Once we get to the more complex end of the process we will need to invest in innovation and technology. The government has provided support for a large number of companies to do pilot projects and pilot studies, and there's a critical minerals hub as well on the technology side. Private companies with government support, including state government support, are working hard on proving up some of the technology options in Australia, but access to the IP and the technical capability. A lot of these are chemical processes that require knowledge of precise composition of the minerals coming in. We are working on it. I would characterise it as we're doing okay on the first stages; we've got more work to do on the latter stages. The production tax incentive will spur private companies to invest in that, working with our world-leading organisations such as CSIRO and ANSTO and engineering companies and the like to develop that IP.

Senator GHOSH: Thank you.

Senator McDONALD: I would like to stay with the North West Shelf. Regarding environmental approvals for gas projects, is it safe to assume that DEECCW consults with DISR prior to decisions being taken. Is that correct?

Ms Quinn: They may or may not, depending on the nature of the activity. We certainly talk to them about where they're up to on various processes et cetera. As to the technical aspects, they would consult us if there were subject matter expertise that we had, but they make the decisions. In some cases we wouldn't have subject matter expertise. It depends on the matter of the questions that are the issue that they need to resolve as part of their decision-making processes.

Senator McDONALD: In the environment and communications committee on Monday, DEECCW advised that DISR had not been consulted with in regard to the North West Shelf extension currently under consideration. If DEECCW has consulted with DISR on other approvals in the past, can you spell out why you weren't consulted on this one.

Ms Quinn: Like I said, it depends on the nature of the questions that they're concerning. I wouldn't expect us to be consulted if it were a detailed environmental matter that we didn't have any subject matter expertise on. I don't believe, under their act, they're required to consult with us. I'm happy to take it on notice. We certainly work with them on areas where we have expertise and we ask them, as whole-of-government processes, where they're up to on various aspects. We stand ready to provide any support when they ask us, but we're not always necessarily involved in acute decisions about timing or how they engage with their minister, for example.

Senator McDONALD: I was intrigued when DEECCW claimed they were relying on advice from 'our own internal gas colleagues' for reasons to delay the approval, stating, 'In fact, our advice from our own internal gas colleagues is that it—the approval delay—is not going to have a substantive impact to the overall supply and demand of gas in the near term.' Has anyone from DISR seen the advice DEECCW referenced?

Ms Quinn: I'm happy to take it on notice. As Mr Jeremenko can talk about, we have regular conversations with the gas market experts in DCCEEW. We have joint responsibility for advising our respective ministers on issues under the code, and we also have a process to have discussions around the ACCC reports, the ADGSM and the heads of agreement. So we have a lot of engagement with the gas side of the system, given that they look after the domestic regulatory environment. But we can take on notice whether we've seen the specific advice in relation to what—we may or may not have seen that.

Senator Ayres: I think the evidence was that this decision has been with the Commonwealth just for a matter of weeks. I would point out that this government has gone to enormous effort, including recruiting new staff for development approvals—presumably also part of the 36,000 staff that a future Dutton government would sack—and that has meant that approvals have moved from 53 per cent being on time to 84 per cent on time. These things

do matter—matter much more than words. I see that you've just released your policy prescriptions, which say that a future McDonald-Dutton government—or however it would be described—would halve approval times. Given approval times were almost twice as long—you had 84 per cent, up from 53 per cent—that is a laughable proposition. After all these hot briefs out to—

Senator McDONALD: Excuse me, Chair.

Senator Ayres: journalists about a gas reservation, you've walked away from that.

Senator McDONALD: Chair. I want to make a point of order.

Senator Ayres: It illuminates some of the questions tonight, but that is a laughable proposition.

CHAIR: Senator McDonald is raising a point of order. Senator McDonald.

Senator McDONALD: I thought the process was that I would ask questions, and, given the lateness of the time and how much time I've lost to agencies today, that it would be helpful if we all worked in the best interest of narrowing our answers to things that were things I'd asked about.

CHAIR: I think—

Senator McDONALD: I know that the minister has a discretion to say whatever he wants, but we are running out of time. We've already had to release two agencies, and I would just ask that we try and keep this tight.

CHAIR: On the point of order, which is probably broadly relevant—and, as you've said, the minister is entitled to answer, and his remarks are broadly relevant in relation to gas issues—I would just ask the minister to also be mindful of time in concluding his remarks.

Senator Ayres: I will try and just deal with that question that you asked very quickly. In your policy document briefed out to the *Australian*, you say you want to get back to \$10-a-gigajoule gas, but, when the country needed you—

Senator McDONALD: I didn't actually ask about any of this, Minister.

Senator Ayres: to vote for \$12 a gigajoule, you voted against it—

Senator McDONALD: Which has failed, according to the ACCC.

Senator Ayres: and now appear to support the mandatory gas code of conduct—

Senator McDONALD: It's not fair.

Senator Ayres: but you opposed it.

Senator McDONALD: It's not fair, Chair.

Senator Ayres: Well, it's not fair on the country for the Liberals and Nationals to drop such a—

Senator McDONALD: If I come and talk to these things—

Senator Ayres: weak policy prescription, briefed out just before an estimates hearing, in the breathless anticipation that, somehow, the questions here will support it. The idea that you can mandate what Victoria does—

Senator McDONALD: This is really unfair.

Senator Ayres: is utterly silly. Anyway, continue asking your questions.

CHAIR: Senator McDonald.

Senator McDONALD: Secretary, was Minister King briefed prior to the decision to delay the approval?

Ms Quinn: By her environment minister colleague? I'd have to take that on notice.

Senator McDONALD: By your department?

Ms Quinn: I don't believe so, but I'm happy to take it on notice.

Senator McDONALD: What contact did Minister King and Minister Plibersek or their offices have regarding the decision to delay the North West Shelf approval?

Ms Quinn: I would have to take that on notice.

Senator McDONALD: Considering that your own chief economist wrote in the December REQ that Australia's LNG export volumes could tighten due to the depletion of the North West Shelf, which is now at greater risk due to the stalling of the extension approval, does this not highlight the near-term risk to supply and demand of gas in Australia?

Ms Quinn: The analysis on the Western Australian side is that there will potentially be shortages, but they're some way off. They're further away than the potential shortages on the east coast. Western Australia will need

more gas supply if it's to maintain the current outlook for demand. That will be needed at some stage. These are projects that go over a large number of years. A few months of delay can be important, or maybe not, depending on the circumstances of the particular situation.

Senator McDONALD: Action 1 of the Future Gas Strategy is preventing gas shortfalls. Delaying extensions to gas projects directly impacts future supply, risking further shortfalls. How is this decision consistent with the government's own strategy?

Ms Quinn: It's also important that a government has regulatory regimes that support social license for industries. The long-running approach in Australia has been to have regulatory environments that support foreign investment such that people can invest with certainty once decisions are taken and approvals are done. That means that we have strong and rigorous processes to get approvals so that we can maintain the social licence and the investment certainty post decisions. That's a long-running part of Australia's system.

Senator McDONALD: So the Karratha Gas Plant—

Senator Ayres: It's also not true to say that there is a delay.

Senator McDONALD: May I just follow on from this?

Senator Ayres: I want to deal with the question. It's just incorrect. This came from the Western Australian government towards the end of last year. There's been a request for more information, which the Western Australian government has turned around very quickly—very quickly—in terms of these kinds of projects, and the government is now dealing with it. That is fast work. We don't run around pointing the finger at state governments trying to create an argument around the Commonwealth. They have moved quickly. This minister will deal with it. The government will deal with it quickly. There is no delay. That is a fiction.

Senator McDONALD: The Karratha Gas Plant supplied 14 per cent of Western Australia's total domestic gas needs in 2024, and stalling this extension approval jeopardises the energy needs of every Western Australian. Minister, does Minister King support the stalling of this approval?

Senator Ayres: I'm sorry, Senator. I don't say this to be disrespectful. I was distracted by something. Do you mind asking again?

Senator McDONALD: Actually, in the interest of time, I think we'll just move on.

Senator Ayres: I'm sure it would have been a good answer had I had an opportunity—

Senator McDONALD: I'm sure it would've been! Page 3 of the DISR PBS states that the resources minister is responsible for 'ensuring sufficient gas availability to meet domestic demand'. Minister, in relation to domestic demand, can you please advise us what the average household gas bill was at the change of government and what it is today?

Senator Ayres: I don't have those figures in front of me. I would think that in the normal course of events that would be a question that DCCEEW would answer. We have, in a systematic way, worked through the issues. We've done more than have a three-word slogan in terms of gas and an under-resourced department and a slow approval process. We have worked systematically through the issues. We extended the gas trigger when your government had sat on its hands and done nothing to move that ahead. We have the mandatory code of conduct. We have resourced the department properly so that approvals are being dealt with much more speedily than they were dealt with under the shemozzle that was the previous government's administration of these questions. Multiple resource projects under your administration were in a complete legal quagmire because of a shambolic decision-making process. What I see from the article in the *Australian*, which breathlessly reports what it is that you put to them, is that it's just a return to the same old, same old, which'll be lots of talk, but no new gas—lots of talk, but a failure to deal with the issues that industry needs dealt with, particularly the manufacturing sector, which really features in your questions. We have a coherent energy plan. The worst thing that could happen to the gas industry is Peter Dutton's nuclear reactor plan, which would immediately see prices rise, demand for gas in the electricity system increase, which will push up prices, and investment deferred. If you have any more questions about the government's record, I'd be delighted to answer them.

CHAIR: Senator McDonald, Senator Cox has questions for this program as well, so we'll now go to 10-minute blocks. I'll go to Senator Cox and come back to you, Senator McDonald.

Senator COX: Can I ask some questions in relation to the contaminated water spill in the Beetaloo basin? Ms Quinn, is that you?

Ms Quinn: I don't believe it is. It may be us. It certainly doesn't ring any bells for me.

Senator COX: Ask away, can I?

Ms Quinn: We'll see whether we can answer you.

Senator Ayres: Have a go.

Senator COX: It's really just to find out some facts. It's been reported that there was a 2,000-litre contaminated water spill at the Imperial fracking site in the Beetaloo basin. The report says that there will be further investigation by Imperial, but also some government inspectors. Is that through the DISR or is that through the NT government?

Ms Quinn: It wouldn't be, because it's onshore. DISR doesn't do the regulation for onshore, so either it'll be under the environmental act or it might be under the state regulation.

Senator COX: Lovely. Thank you.

Ms Quinn: I'm happy to take it on notice and direct you to the relevant regulatory agencies.

Senator COX: That would be great. It's just that the traditional owners have talked to us in particular about some of the risks that are associated with these water tanks. They'd pre-empted this spill and were in fact ignored, so they took this to the company and said, 'We know that the rain's coming. There's about to be a big spill.' But, in fact, there's also a lot of native bushland that's been affected by that, and I think it's safe to say that fracking operations across the country now need to look at this, and scientists and environmentalists have done a lot of commentary about it, so I'm curious to know what the department might be doing. If it's not your department, could you take it notice and maybe get back to us to let us know who we should direct it to.

Senator Ayres: Senator Cox, I think there was evidence about this in DCCEEW estimates two days ago.

Senator COX: I believe Senator Waters may have asked this question.

Senator Ayres: Yes. That's right. The evidence was, in short, that the minister has asked the Independent Expert Scientific Committee to provide specific scientific advice about what impact exploration activities might be having on water resources, and the committee's expert advice was that water was not being impacted. That was the state of evidence there, but no doubt you will continue to deal with those issues in DCCEEW estimates.

Senator COX: But the native bushland has been. There were trees that were dying as a result of this spill. That's been reported.

Senator Ayres: I'm just telling you what the evidence was there. This department can't help you with it.

Senator COX: That's fine. Thanks, Minister.

Ms Quinn: You did ask what we were doing in this department. One thing is that the government has provided funding to Geoscience Australia in the 2024-25 budget under the Resources for the Future program. It's funding for the future, as they do work on geospatial awareness, to look more at water, water resources and the implications for water and how it runs, including working with First Nations groups, because of the importance of water in the development of a lot of future mining. So the government has invested more money and given the direction to Geoscience to take water into account as they do further exploration and make that information public in a way that's accessible to all parties involved in the discussion. They're putting together a specific focus on working with First Nations organisations to find out what sort of information and how to provide that information in a way that's useful going forward. That is something that will be rolled out over time in the future through Geoscience's program.

Senator COX: I'll put that question on notice for them. DISR's been working on some screening tools for CCS with CSIRO. Are there any other departments that you are talking to in relation to screening tools?

Mr Jeremenko: Sorry, Senator. I'm not aware of that, unless my colleagues—screening tools with CSIRO?

Senator COX: For carbon capture and storage. It's on your website.

Ms Quinn: It might be on our site—

Senator COX: My Google is not that great, so I can assure you that it's on your website. Is Geoscience involved in that? Are you mapping any of that? Is this something that you're doing across departments or with DCCEEW? I don't want to give you the answers at 20 past nine at night. We're being generous here.

Ms Quinn: Carbon capture and storage touches on a few different areas. Geoscience is always looking at the underlying geology and providing information on that. CSIRO is doing various components. We're looking at the regulatory environment. There is also work on international arrangements for trading or not—how you account for carbon capture and storage across boundaries. I'm happy to take on notice the specific request that you had. It could well be through our science side rather than our resources side if it's a CSIRO project.

Senator COX: Thank you, Ms Quinn. Under the OPGGS Act, there are licences for petroleum and gas and also licences for injection, assessment and storage of greenhouse gases. Is it now a requirement that petroleum and gas projects have a plan for CCS for their emissions?

Mr Jeremenko: No, I'm not aware of there being a requirement. Certainly, there are separate processes should a titleholder wish to explore carbon capture and storage acreage or a permit versus petroleum. But there's no requirement they be linked, if that's what you're—

Senator COX: So is NOPTA doing that at the front end? I suppose that is my question. It's probably a NOPTA question, but it's also a DISR question. Are you pushing this: 'You should have CCS in order to get an approval for a licence'? Is that something that now—

Ms Quinn: The licences are separate, but there is a government intention. Under the Future Gas Strategy, there is a focus on making sure there are emission reductions within any future gas exploration or extraction—so reducing the emissions intensity of gas. There are a set of things there. The safeguard mechanism is one mechanism, as is the requirement to reduce their emissions intensity of production over time, and that includes venting and flaring.

Most companies looking to invest in gas around the world are looking at options to reduce emissions, including the possibility of carbon capture and storage. They are doing that also as a requirement for their investors, who are requiring them to demonstrate how they're meeting emission reduction targets that they are setting as part of their investment sources. So there's a lot of pressure on companies to reduce their emissions intensity. From our perspective, we're looking at the regulatory environments to enable that to go forth. Then there are regulators, such as NOPSEMA, who are required to assess it as part of their environmental approvals. So NOPTA does look after it. There is a process for carbon capture and storage assessment.

Senator COX: Do you want to add to that?

Mr Waters: I think the secretary has answered it quite well.

Senator COX: That's fine. I just thought you were jumping in. Is there a plan to look at the impacts of CCS and what impact that might have on the marine environment, particularly as it is about the injection of greenhouse gases into the seabed floor? I picked this up from DCCEEW on Monday. Are we referring to that now as 'on-site abatement'? Is that the language that's being used?

Ms Quinn: I'm not close enough to the language used. There are different abatement technologies. One is CCS; the others are reduction of energy use itself and, as I mentioned, venting and flaring. The environmental impacts and obligations on companies doing CCS are a matter for the department of environment. As you know, there is a whole sequence of processes, such as what Chevron does in Western Australia—

Senator COX: Which is not commercial scale.

Ms Quinn: It's significant in terms of emission reductions. That's under the environment regulation, which will be part of the approval process for future projects.

CHAIR: That's 10 minutes.

Senator COX: Thank you.

CHAIR: Senator McDonald.

Senator McDONALD: I've got some questions for the radioactive waste group. I've got some numbers questions first. What was ARWA's actual expenditure for 2023-24 and associated ASL impost?

Ms Lindsay: The total expenditure for the Australian Radioactive Waste Agency in 2023-24 was \$22.5 million. I don't have the actual ASL for the year, but I do have the figure for full-time equivalents at the end of June 2024, which was 64 staff.

Senator McDONALD: Do you have the cost for staff?

Ms Quinn: We have a split between the departmental and administered. Departmental covers more than just staffing. That was \$13 million, and administered was \$9.2 million.

Senator McDONALD: What is the forecast budget for the years 2024-25, 2025-26, 2026-27 and 2027-28?

Ms Lindsay: The forecast for the periods you're talking about: there's a total of \$87.5 million in administered funding and \$185.2 million in departmental funding.

Senator McDONALD: Could you divide those up by each year?

Ms Lindsay: For 2024-25, our administered funding is \$23.68 million and departmental funding is \$47.5 million. For 2025-26, administered is \$22.96 million and departmental is \$45.25 million. For 2026-27,

administered is \$20.743 million and departmental is \$44.67 million. And for 2027-28, administered is \$20.1 million and departmental is \$45.1 million.

Senator McDONALD: Thank you.

Ms Quinn: And I would note that these are forecasts. Things change, and we move things around.

Senator McDONALD: I understand. We can't see the future.

Ms Quinn: And we make a decision within the department about some of the departmental based on priorities and resources, and some money spent in other parts to provide services. So, that shifts, depending on the overall strategy for the department to get the most efficient outcome.

Senator McDONALD: Okay. Are you providing an indication there that it might shift upwards or downwards? Or are you just making that—

Ms Quinn: We have certainly shifted some resources from what might be in ARWA's budget to central. For example, we've got a legal and integrity division now, which centralises our legal advice to get synergies and capability building. So, that's in that division. It then provides legal services to ARWA. That's an example of where we've centralised services.

Senator McDONALD: Could I turn to the associated ASL, or full-time equivalents, for each of those years, and the costs.

Ms Lindsay: I don't have the actual costs of the staff, but, as the Secretary has said, the funding that was in the departmental was ASL of 140 for the 2024-25 financial year and 145 for 2025-26, and the same going out over the forward estimates.

Senator McDONALD: Is this in line with the previous allocations, or has there been an expansion of full-time equivalents?

Ms Lindsay: No, this has been in line with the previous.

Senator McDONALD: So there haven't been any new employees hired in ARWA?

Ms Lindsay: Yes, we have been employing staff.

Senator McDONALD: I'm sorry, my previous question was if there had been an increase in the number of full-time equivalents, and you said no. Then I said, 'Have there been new employees hired?' and you said yes. Could you clarify that for me please.

Ms Quinn: Yes. The forecasts have not changed, but ARWA was below forecast and has been moving up towards its allotted staffing ratio. That's how those two things are consistent.

Senator McDONALD: How many employees have been hired in the last 12 months?

Ms Lindsay: Over the 12 months to the end of December, we had 26 new staff start, but, unfortunately, we also had 13 staff depart.

Senator McDONALD: Oh dear. So you've only got a net additional 13.

Ms Lindsay: Correct.

Senator McDONALD: Would you be able to provide me with a list of the titles and levels of those new positions please—on notice, obviously.

Ms Lindsay: Absolutely. We'll take that on notice.

Senator McDONALD: What kinds of roles have been filled?

Mr Usher: We're very pleased with the quality of the people that we've got in. We have quite a number of new safety and technical staff that are working to support the development of our technical program. We have also, over the last 12 months, strengthened our social licence team, and they are looking at how we develop a social licence strategy that will underpin any future siting process. We've also recruited a number of staff in the program management office. We will be delivering programs over the long term, and it's important that we have the capability to manage what will be complex programs moving forward.

Senator McDONALD: How many of those new employees are Australian citizens or citizens of other countries?

Mr Usher: I think, off the top of my head, the majority are Australian citizens, certainly of those that we've recruited over the last 12 months, but I'm very happy to confirm that information by taking it on notice.

Senator McDONALD: That would be terrific. How many contractors do you currently employ?

Ms Lindsay: We have two labour hire contractors currently.

Senator McDONALD: Are they new positions?

Ms Lindsay: No, they have been with us for a period of time.

Senator McDONALD: Will they be affected by the government's new industrial relations laws about employment conditions?

Ms Lindsay: I don't believe so, no.

Senator McDONALD: Mr Usher, do you expect any other staffing or budgetary changes in the short term?

Mr Usher: Well—

Ms Quinn: That's a difficult question to answer as we're going through a budget process at the moment which has not yet been announced. There are changes from time to time, so it's a bit hard to predict.

Senator McDONALD: Okay. I'm going to write down that he doesn't expect any changes. What is ARWA's turnover?

Mr Usher: The turnover for the 12 months to the end of December, I think, was 21 per cent. The last time I reported it, at estimates in June, the turnover was 26 per cent, so I'm pleased to be able to show that it is reducing.

Senator McDONALD: Do you have any updates on the Kimba site?

Mr Usher: At the last estimates in November, I confirmed that we'd completed the physical work that was to be done at the site, and we were moving through the process to dispose of the site following the Commonwealth property disposal policy. The first stage of that policy was to see whether there were any other Commonwealth agencies or entities that would be interested in acquiring the site, and we followed that process. There was no interest from other Commonwealth entities in acquiring the land, so we're proceeding through to the next stage in the Commonwealth Property Disposal Policy, which is moving towards an open-market sale. We're undertaking the preparations for that and due diligence, and we anticipate the land will be put on the open market in due course.

Senator McDONALD: Is one of the options to go back to the previous owners? Would you offer it back to them?

Mr Usher: The land was acquired under the national Radioactive Waste Management Act, and under that there is no obligation to offer first refusal to either the previous landowner or anybody else. We're looking to follow the disposal policy, and we are looking to follow an open-market process which will lead to transparency in the process and also ensure the best return for the taxpayer.

Senator McDONALD: I appreciate there's no requirement to do that, but, given it's in a little regional town, I wonder if it was the right thing to do, if it's in the middle of their property or—

Ms Quinn: They're welcome to be part of the open-market sale process.

Senator McDONALD: Does ARWA have any contracts out for tender currently?

Mr Usher: We do have some contracts that are currently out for tender. I don't have the details of those with me, but I'm happy to confirm those contracts that are up for tender on notice.

Senator McDONALD: Take that on notice. I'd also like to know on notice if you've entered into any contracts in the last three years, what they are, how many have been finalised and how many are currently under negotiation.

Mr Usher: We're happy to take those on notice.

Senator McDONALD: Mr Usher, can you please provide an update as to what ARWA has been undertaking with regard to developing a dedicated, permanent low-level radioactive waste facility?

Mr Usher: We've been undertaking a number of activities associated with the establishment of disposal pathways for both low-level waste and for intermediate-level waste. We've been updating the national radioactive waste inventory and are looking to publish the next version later this year. That inventory underpins the analysis and work we're doing to support decisions on disposal pathways. There are a number of steps that we are taking at the moment that lead towards the next significant decision point, which is the preparation of an initial business case that will consider the range of options for establishing disposal pathways for low-level waste. This will include a range of factors. It will look at safety as an overarching priority. We will look at cost, program and the different commercial models that may be available, potentially via the Commonwealth Investment Framework. These are examples of the work we are looking to do for low-level waste.

Senator McDONALD: Do you have an estimated timeframe for this process?

Mr Usher: As you're aware, this is complex work. There are a range of factors that we're bringing together. As the government has said, it's important we take the time to do that right. We are not only just looking at low-level waste; we are also looking at plans for establishing disposal pathways for intermediate-level waste. This will require deep geological disposal, and it's important that we take an integrated approach to ensure that we're optimising the kind of disposal pathways that will address all of the Commonwealth's civilian and legacy defence waste.

Senator McDONALD: Thank you. Chair, I will put the rest of my questions for ARWA on notice so that we can move to NOPSEMA, please.

CHAIR: That concludes the questions we have for outcome 1, program 1.3 and ANSTO, and we now move to NOPSEMA.

National Offshore Petroleum Safety and Environmental Management Authority

[21:40]

CHAIR: Welcome. Ms McCarrey, sometimes you have an opening statement. As per usual at this stage, if you do, we would table it.

Ms McCarrey: Yes, Chair. We've already agreed to have it tabled, so that's no problem at all.

CHAIR: Fantastic. Thank you. Senator McDonald.

Senator McDONALD: Hi, Ms McCarrey. Thank you for coming. You might have thought you'd escape tonight, but we've just snuck you in.

Ms McCarrey: And all the way from Western Australia!

Senator McDONALD: What was the average assessment time for EPs accepting in 2023-24, in days please.

Ms McCarrey: The average assessment timeframes for environment plans completed in 2024 was actually reduced by 42 days. It has gone from 384 days as an average in 2023 to 342 days in 2024. So we've actually seen a slight reduction.

Senator McDONALD: What was the longest period for an EP to be accepted in 2023-24?

Ms McCarrey: There is one that is actually the longest, under assessment still, that was submitted in the end of 2022. That's currently the longest one.

Mr Grebe: I think we gave evidence at the last estimates on the longest running one at that time, which was Santos Legendre environment plan and that was accepted this year.

Senator McDONALD: So this is now the longest one?

Mr Grebe: That's probably the best reference you're looking for.

Senator McDONALD: What project is that?

Mr Grebe: Santos Legendre decommissioning.

Senator McDONALD: Sorry, what is the new current longest?

Ms McCarrey: That's Jadestone Stag field operations.

Senator McDONALD: At page 6 of *The Regulator* 2023, issue 4, it states:

NOPSEMA recently engaged Professor Amanda Kearney from the University of Melbourne and San Diego State University to develop and deliver a bespoke training session to deepen our understanding of Sea Country.

We were able to benefit from Professor Kearney's leadership as a social scientist who has spent the last 25 years working with Yanyuwa, Garrwa and Mara families in the Gulf of Carpentaria, Australia.

The discussions were incredibly thoughtful and there is much optimism around the future of two-way understandings of Sea Country in the regulatory space.

Mr Grebe, you authored this section. Could you please outline what engagement Dr Kearney had with NOPSEMA.

Mr Grebe: We engaged Dr Kearney, through contract, to provide the training. We made requests for a proposal to a number of organisations, and Dr Kearney's was evaluated as the best value for money and most appropriate for the scope that we required.

Senator McDONALD: What was the bespoke training session that was run?

Mr Grebe: It was across several different aspects. There was a component that was a short introduction for senior leaders in the organisation; a background to the theory of and understanding archaeology, anthropology

and First Nations culture; and then there was a series of three or four half-day sessions, deepening understanding of First Nations connection to country and sea country.

Senator McDONALD: When were the sessions run?

Mr Grebe: It would have been in 2023. I can't remember the exact dates; I'll have to take it on notice.

Senator McDONALD: Thank you. Who attended the sessions?

Mr Grebe: NOPSEMA staff. It would have been a range of environment specialists and environment managers at the time. I attended some of the training.

Senator McDONALD: Would you be able to provide lists—not with names, obviously, but with titles?

Mr Grebe: Yes, I can take that on notice.

Senator McDONALD: Thank you. Was Dr Kearney compensated in any way for the sessions?

Mr Grebe: We had a contract with Dr Kearney, and we paid her as per the contract.

Senator McDONALD: And that would have included travel costs, food, drink and that sort of thing as well?

Mr Grebe: I'd have to take that on notice. It would be provided in the contract. If it is there, we could provide that on notice.

Senator McDONALD: Okay. Are you aware of Dr Kearney's involvement in the Santos Barossa case?

Mr Grebe: Yes.

Senator McDONALD: Are you aware that, on 18 November, the Environmental Defenders Office engaged Dr Kearney, '(a) to prepare an expert report for the purposes of the proceedings; and (b) to act as an expert witness in the proceedings? This may include appearing in the Federal Court of Australia to assist the court impartially on matters relevant to your area of expertise'?

Mr Grebe: I'm aware of that more recently, but at the time we engaged Dr Kearney for the training that event had not occurred, and we therefore certainly weren't aware of it.

Senator McDONALD: Did Dr Kearney make NOPSEMA aware of her engagement with the EDO before, during or after her engagement by NOPSEMA to run a training session?

Mr Grebe: Not before or during—my understanding is she wasn't engaged at the point in time she did the training—and not after either. She completed the work when the training was completed.

Senator McDONALD: Dr Kearney was also provided with additional and supplementary material on 20, 21, 24 and 27 November 2023. Was NOPSEMA made aware, at any of these points, that Dr Kearney was continuing to be engaged by the EDO?

Mr Grebe: From memory, we were advised that Dr Kearney was involved in the court case in the Federal Court, *Munkara v Santos NA Barossa Pty Ltd*. We were made aware of that. I couldn't tell you the date that we were made aware.

Ms McCarrey: No. As to the actual date, if we have it on record, we could take it on notice, but again that was after—

Mr Grebe: Yes. Just to clarify: yes to these things, but these all occurred after the training.

Senator McDONALD: So there was no concurrence between her providing expert witness to the trial and carrying out training at NOPSEMA?

Mr Grebe: Not to our knowledge, no. Certainly, in terms of the court proceedings, when we were engaged in the training it was well before that. I can't remember the dates exactly, but it was around the middle of 2023.

Senator McDONALD: Okay. I'm just trying to understand. You're not entirely sure when the training was, but you can assure me that it wasn't at the same time as the court case?

Mr Grebe: Yes, because I do remember that we were told about Dr Kearney being potentially called as a witness in the court case and that we were made aware of it because the party that told us was aware that she had provided training earlier in that year to NOPSEMA. So I know the training had been provided because that's why we were alerted to it.

Senator McDONALD: Right. So, when you come back to me with the dates of the training, we'll be able to clearly see that there was no point when Dr Kearney was receiving money from NOPSEMA at the same time as she was providing expert witness on that case?

Mr Grebe: What you'll be able to see is when we engaged and paid Dr Kearney. I'm not aware of when she started being paid by EDO.

Senator McDONALD: Did you review the training that Dr Kearney gave after the revelations of the court case?

Mr Grebe: The training was a one-off, but is your question about whether we reviewed the content of the training in retrospect?

Senator McDONALD: Yes.

Mr Grebe: No. At the time we became aware she was going to be called or involved as a witness, we reviewed the basis on which we'd contracted and the scope of work, and the feedback from the staff was something that we discussed, because it was well received and delivered in a professional way.

Senator McDONALD: Alright. So—

CHAIR: Senator, I need to share the call with Senator Cox.

Senator McDONALD: Could I just finish this question?

CHAIR: Just one question, yes.

Senator McDONALD: Thank you. Given what has now been made clear about the evidence provided during the case and the revelations that have unfolded there, do you think you should go back and look at the training with that eye to it?

Mr Grebe: I don't think we see a need. When we engaged Dr Kearney, it was earlier in 2023. The training had a specific scope to improve NOPSEMA staff's understanding of First-Nations connection to sea country, and that is what was delivered.

Senator COX: Thank you for appearing and staying so late for us this evening. I'd like to go to the North West Shelf's Woodside pipeline approval environment plan, if possible. There don't seem to be any free, prior and informed consent requirements in this. Is there a reason for that?

Ms McCarrey: As you are aware, we've discussed in the Senate before the actual regulations we work under. First of all, regarding the pipeline for the North West Shelf, the environmental approval that sits with NOPSEMA is the environmental approval that is outside the three nautical miles. Inside, in the coastal waters of the WA government, the government do that approval. For the part of that approval that sits with us, outside that, there are regulations that we work under that require informed consultation, where that consultation must focus on the impacts of that activity and work with First Nations people and other groups on how those impacts are to be managed. But our current regulatory environment does not require FP.

Senator COX: NOPSEMA is linked to outcome 2 of DCCEEW's corporate plan of 2023. This year's portfolio budget statements say there is a contribution to outcome 2 that's made via linked programs in relation to your role under the EPBC, which links to OPGGS in accordance with the environmental management functions. Can you tell us how an environment plan is assessed when there is no performance measure under outcome 2.2 of that plan and, in failing to have that, linking you to that makes it somehow impossible that you could ever assess protecting First Nations cultural heritage? I don't understand how, if you say to me that you are doing informed consultation, that is even possible when there are no guidelines and there is no consent? Reading through the 2,652 pages of that EP, there is information contained in there that I'm not even sure NOPSEMA knows how to assess, given that you are not held to any account—particularly through the budget—through a measure the government has. How are you doing it?

Ms McCarrey: Can I clarify which particular environment plan you are referring to?

Senator COX: The Woodside environment plan.

Ms McCarrey: For Browse?

Senator COX: Yes.

Ms McCarrey: For the Browse project, the environment plan approval is not done by NOPSEMA. Because the Browse project sits across the jurisdictions of the Western Australian government and ourselves, under the EPBC Act, it sits with DCCEEW for that approval.

Senator COX: So, they are the ones that have that, but are you linked through this? That is what it says in the portfolio budget statements—that you are linked to this through the programs. My question to you is how are you achieving that? Not through your one-off training with somebody, but how are you embedding that? I feel like we have been here before—we have been here in Cooper, we have been there with Tipakalippa. We've been here many times with NOPSEMA. What have you changed?

Ms McCarrey: What we're doing with Browse, or where we are linked to DCCEEW—and I will hand over to Mr Grebe, who has a fair bit of knowledge in this space—is in some of those EPBC Act approvals that are

undertaken by DCCEEW. They may come to us under a service-level agreement to look at parts of that environment plan to provide advice, but the decision sits with the minister for environment and advice is provided by DCCEEW. Mr Grebe may be able to further explain that.

Senator COX: That would be great.

Mr Grebe: I will also respond to questions about the program and the linkage. My understanding is the linked program is because of the strategic assessment in place under the EPBC Act and class approval that recognises that offshore petroleum activities carried out in accordance with our program—which is the environment regulations—are taken to be approved under the EPBC Act. That's the linkage of the program. Therefore, we're having to work under the environmental management arrangements that exist under our regulations. We've covered that territory a lot before in estimates. But, to clarify, the regulations require consultation with relevant persons, among other things, and consideration of environmental impacts and risks to acceptable levels.

Senator COX: We know how broken that bit is, and we're trying to fix that. We've been down that road many times.

Mr Grebe: I was going to say that there is clearly work underway to clarify the consultation arrangements. Until then we're going to have to work under the existing regulations. There is quite a lot that we're doing, other than one-off training.

Senator COX: Except compelling proponents to actually do that. I know that I'm going to run short of time because we've only got five minutes left. My understanding is that, by law, proponents of ocean based resource projects, such as oil and gas, CCS and seabed mining, all must also consult with the Director of National Parks. There are marine parks that surround Browse. Has that been undertaken, or is this only in special circumstances when Woodside let them?

Ms McCarrey: We are not undertaking that primary EPBC Act approval for Browse. That is undertaken by DCCEEW, not us. Our regulatory environment does intersect with Marine Parks Australia. We actually have an MOU arrangement with them. So, yes, we do consult them on any activity that relates to a marine park.

Senator COX: Did you consult in this instance, in relation to that?

Mr Grebe: I might clarify. For environment plans, the consultations require consultation with the relevant person. Parks Australia is a relevant person. It's listed as a Commonwealth government authority. The titleholders are required to consult with them. We do also have an MOU with Parks Australia. Many of the marine park management plans include that requirements for any activities to occur in the marine park require the approval of the Director of National Parks.

Senator COX: And/or the impact, right?

Mr Grebe: And the impact. The other aspect, which is most often the reason for a titleholder consulting with the Director of National Parks, is that there may be impacts on values that the marine park is in place to protect.

Senator COX: Values, habitat, marine life—the whole bit, the whole gamut.

Mr Grebe: Yes, correct.

Senator COX: Who's the ultimate decision-maker in relation to those EPs? Is it DCCEEW or NOPSEMA?

Mr Grebe: With environment plans, it's always NOPSEMA. I think Ms McCarrey was referring to Browse, which is not at the environment plan stage. That project's under assessment under the EPBC Act. It covers both state and Commonwealth waters, so it doesn't require an OPP in our system.

Senator COX: I want to go quickly to Shell Prelude in relation to the project. There have been multiple safety breaches that have been recorded. I've mentioned earlier that Google's wonderful when you can get on your website and have a look at how bad that looks for Australian workers working offshore on rigs that are unsafe. As the regulator I ask you this question: how bad does the safety record have to get for a company to be legally sanctioned, for them to have their licence removed and for you to use your legislative power to do that? Do we need to see a death on one of these rigs? Now we are seeing these workers being put in some of the most unsafe situations. And not just Shell Prelude. We are hearing from others across the board. Why is there no action being taken against them, and why are we continuously putting the safety of men and women who are on those offshore rigs at risk?

Ms McCarrey: I'm happy to take that question to start with. Certainly, we do take action. We actually get reports from a number of places when we have incidents reported to us for any dutyholder. The unions may report to us. We always follow those up. We may have health and safety representatives report to us. However that information comes to us, we always investigate and have a look at those issues. Depending on what the actual outcome of that investigation or inspection is, then we have the power to use different types of regulatory tools

within our legislative make-up. For example, to go to a prohibition notice, there has to be, right at that moment, an immediate threat to safety, and that's a fairly high bar to meet. But we also use general directions on a regular basis with these companies. General directions are a very serious tool that a regulator can use. They allow us to actually direct a company to address the issues that have been raised within an appropriate timeline. If they do not abide by a general direction, there are really serious implications of that, including, in certain circumstances—

Senator COX: So serious that you would revoke their licence?

CHAIR: That's your last question, Senator Cox.

Ms McCarrey: Certainly, in certain cases, with general directions, there are prison terms that are attached to not following up. The actual revocation of a licence would be a high-level government decision; it would not be a NOPSEMA decision. We do investigate things that may, in the not-too-distant future, end up in the court environment. The ultimate decision to prosecute is for the Commonwealth Director of Public Prosecutions—it's not NOPSEMA—but it is for us to do the investigation and provide that information. We have a number of investigations on foot now, and I've talked before about how we've expanded that part of the organisation.

Senator COX: Can you provide on notice how many of those—

CHAIR: Thank you, Ms McCarrey.

Senator COX: Sorry, I'm just asking if she can provide that on notice if possible.

Ms McCarrey: The number of investigations on foot?

Senator COX: Yes, that's right.

CHAIR: Thank you, Ms McCarrey. We've hit the hard marker. That concludes the committee's consideration of the 2024-25 budget estimates.

Committee adjourned at 22:01