

The Senate

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Economics  
Legislation Committee

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Budget estimates 2018–19

June 2018

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# Senate Economics Legislation Committee

## Members

Senator Jane Hume ( <i>Chair</i> )	Victoria, LP
Senator Chris Ketter ( <i>Deputy Chair</i> )	Queensland, ALP
Senator David Bushby	Tasmania, LP
Senator Jenny McAllister	New South Wales, ALP
Senator Amanda Stoker	Queensland, LP
Senator Peter Whish-Wilson	Tasmania, AG

## Senators in attendance

Senator Eric Abetz	Tasmania, LP
Senator Cory Bernardi	South Australia, AC
Senator Doug Cameron	New South Wales, ALP
Senator the Hon. Kim Carr	Victoria, ALP
Senator Richard Colbeck	Tasmania, LP
Senator Peter Georgiou	Western Australia, PHON
Senator Pauline Hanson	Queensland, PHON
Senator Sarah Hanson-Young	South Australia, AG
Senator Kristina Keneally	New South Wales, ALP
Senator David Leyonhjelm	New South Wales, LDP
Senator Sue Lines	Western Australia, ALP
Senator the Hon. Ian Macdonald	Queensland, LP
Senator Deborah O'Neill	New South Wales, ALP
Senator Rex Patrick	South Australia, NXT
Senator Louise Pratt	Western Australia, ALP
Senator Lee Rhiannon	New South Wales, AG
Senator Janet Rice	Victoria, AG
Senator Rachel Siewert	Western Australia, AG
Senator Jordon Steele-John	Western Australia, AG
Senator Tim Storer	South Australia, IND
Senator Murray Watt	Queensland, ALP
Senator John Williams	New South Wales, NATS

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# Chapter 1

## Overview

1.1 On 8 May 2018, the Senate referred the following documents to the Economics Legislation Committee (the committee) for examination and report in relation to the Treasury portfolio and the Industry, Innovation and Science part of the Jobs and Innovation portfolio:<sup>1</sup>

- Particulars of proposed expenditure in respect of the year ending on 30 June 2019 [Appropriation Bill (No. 1) 2018–2019];
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2019 [Appropriation Bill (No. 2) 2018–2019]; and
- Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2018 [Appropriation (Parliamentary Departments) Bill (No. 1) 2018–2019].<sup>2</sup>

1.2 The committee is required to report to the Senate on its consideration of 2018–19 Budget Estimates on 26 June 2018.<sup>3</sup>

### Portfolio allocation

1.3 The committee has responsibility for examining the expenditure and outcomes of the Industry, Innovation and Science and Treasury portfolios.<sup>4</sup>

### Portfolio Budget Statements 2018–19

1.4 The Portfolio Budget Statements (PBS) 2018–19 for the Industry, Innovation and Science Portfolio and the Treasury Portfolio were tabled in the Senate on 8 May 2018.<sup>5</sup>

1.5 As a result of the amendments to the Administrative Arrangements Orders on 19 July 2016 and 1 September 2016, the new PBS for the Industry, Innovation and Science portfolio reflects the removal of responsibility for the sub-program 2.5 *Energy* from the Department of Industry, Innovation and Science (the Department) to the Department of the Environment and Energy.<sup>6</sup> The Department's sub-program 2.5 is now 'Northern Australia Development'.

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1 The Industry, Innovation and Science part of the Jobs and Innovation portfolio will be referred to as the Industry, Innovation and Science portfolio in this report.

2 *Journals of the Senate*, No. 95, 8 May 2018, pp. 3032–3033.

3 *Journals of the Senate*, No. 12, 14 November 2017, p. 2207.

4 *Journals of the Senate*, No. 84, 12 February 2018, pp. 2668–2669.

5 *Journals of the Senate*, No. 95, 8 May 2018, p. 3033.

6 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 9.

## Hearings

1.6 The committee held hearings on 29, 30, 31 May and 5 June 2018 to hear from the Department of Industry, Innovation and Science and the Department of the Treasury in relation to all outcomes as well as from relevant portfolio agencies.

1.7 The following outcomes and agencies appeared before the committee for the Treasury portfolio:

- Department of the Treasury—Secretary, Macroeconomic Group and Corporate Group;
- Department of the Treasury—Fiscal Group;
- Department of the Treasury—Markets Group;
- Department of the Treasury—Structural Reform Group;
- Royal Australian Mint
- Department of the Treasury—Revenue Group;
- Australian Taxation Office;
- Australian Prudential Regulation Authority;
- Australian Competition and Consumer Commission with the Australian Energy Regulator;
- Australian Office of Financial Management;
- Australian Securities and Investments Commission;
- Productivity Commission;
- Australian Bureau of Statistics;
- Commonwealth Grants Commission; and
- Inspector-General of Taxation.

1.8 The following outcomes and agencies appeared before the committee for the Industry, Innovation and Science portfolio:

- Department of Industry, Innovation and Science—Programme 3: Cross-portfolio;
- Department of Industry, Innovation and Science—Programme 1: Supporting Science and Commercialisation;
- Department of Industry, Innovation and Science—Programme 2: Growing Business Investment and Improving Business Capability; and
- Anti-Dumping Commission;
- Australian Nuclear Science and Technology Organisation;
- Office of Innovation and Science Australia;
- Commonwealth Scientific and Industrial Research Organisation;
- Office of the Chief Scientist;



- 
- National Offshore Petroleum Safety and Environmental Management Authority;
  - Geoscience Australia;
  - Australian Institute of Marine Science; and
  - IP Australia.

1.9 Documents tabled during the hearings are listed in Appendix 1.

1.10 The committee thanks the Ministers and officers who attended the hearings for their assistance.

### **Questions on notice**

1.11 In accordance with Standing Order 26, the committee has drawn the attention of the Departments and their agencies to the agreed deadline of Friday, 27 July 2018 for the receipt of answers to questions taken on notice.

1.12 As the committee is required to report to the Senate before responses to questions are due, this report has been prepared without reference to any of these responses.

1.13 Responses to questions on notice and additional information provided to the committee are tabled in the Senate and uploaded to the committee's website.

### **Public interest immunity claims**

1.14 On 13 May 2009, the Senate passed an order relating to public interest immunity claims.<sup>7</sup> The order sets out the processes to be followed if a witness declines to answer a question. The full text of this order has previously been provided to departments and agencies and was incorporated in the Chair's opening statement at the commencement of each hearing.

### **Record of proceedings**

1.15 This report does not attempt to analyse the evidence presented to the committee over the four days of hearings. However, it does include a brief explanation of the main issues that were raised during the examination of each portfolio.

1.16 Copies of the Hansard transcripts and documents tabled at the hearings are available on the committee's website.<sup>8</sup>

### **Note on Hansard page referencing**

1.17 Hansard references throughout this report relate to the Proof Estimates Hansard. Please note page numbering may differ between the proof and final Hansard.

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

8 Senate Estimates website—Economics Committee—2018-2019 Budget estimates, [https://www.aph.gov.au/Parliamentary\\_Business/Senate\\_Estimates/Economics/2018-2019\\_Budget\\_estimates](https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/Economics/2018-2019_Budget_estimates)



## **Chapter 2**

### **Treasury portfolio**

2.1 This chapter summarises certain key areas of interest raised during the committee's consideration of budget estimates for the 2018–19 financial year for the Treasury portfolio. The chapter follows the order of the committee's estimates proceedings and is an indicative, though not exhaustive, account of issues examined.

2.2 On 29 and 30 May and 5 June 2018, the committee heard evidence from Senator the Hon. Mathias Cormann, Minister for Finance, Senator the Hon. James McGrath, Assistant Minister to the Prime Minister, along with officers from the Department of the Treasury (Treasury) and agencies of the Treasury portfolio, including:

- Department of the Treasury—Secretary, Macroeconomic Group and Corporate Group;
- Department of the Treasury—Fiscal Group;
- Department of the Treasury—Markets Group;
- Department of the Treasury—Structural Reform Group;
- Royal Australian Mint;
- Department of the Treasury—Revenue Group;
- Australian Taxation Office;
- Australian Prudential Regulation Authority;
- Australian Competition and Consumer Commission with the Australian Energy Regulator;
- Australian Office of Financial Management;
- Australian Securities and Investments Commission;
- Productivity Commission;
- Australian Bureau of Statistics;
- Commonwealth Grants Commission; and
- Inspector-General of Taxation.

2.3 Senators present over the course of the three days of hearings included Senator Hume (Chair), Senator Ketter (Deputy Chair), Senators Abetz, Bernardi, Bushby, Cameron, Colbeck, Georgiou, Hanson, Keneally, Leyonhjelm, Lines, Ian Macdonald, McAllister, O'Neill, Patrick, Pratt, Rice, Siewert, Steele-John, Stoker, Storer, Whish-Wilson and Williams.

## Macroeconomic Group and Corporate Group

### *Treasury Secretary*

2.4 The Treasury Secretary, Mr John Fraser, made a comprehensive opening statement which touched on a range of global and domestic economic issues. In particular, Mr Fraser noted that the global economy is estimated to have grown by 3.8 per cent in 2017, a pace not seen since 2011.<sup>1</sup>

2.5 Alongside this growth, Mr Fraser noted an 'upswing in global trade volumes', particularly in the Asian region; as well as an increase in business investment and industrial production.<sup>2</sup>

2.6 Mr Fraser also commented on Australia's corporate tax rate, noting that when compared with the 34 other members of the Organisation for Economic Cooperation and Development (OECD), only Portugal and France have higher rates than Australia. Further, Mr Fraser noted that France recently legislated the reduction of its corporate tax rate.<sup>3</sup>

2.7 Mr Fraser also noted the current geopolitical uncertainty and the economic risks that this carries, highlighting the situations in the Middle East and on the Korean peninsula.

2.8 Mr Fraser commented that the Australian economy was performing well:

...our strong economic performance is being supported by this resilient global economy, as well as our population growth, technological developments and recent gains in national income following renewed strength in the terms of trade.<sup>4</sup>

2.9 Mr Fraser discussed Australia's fiscal outlook, noting that the 2018–19 Budget would see improvement in the country's fiscal position and noted the forecast of the Budget returning to balance by 2019–20:

In this year's budget, estimates of the underlying cash balance improved across every year of the forward estimates, with the estimates for 2017–18 and 2018–19 expected to be the strongest since the global financial crisis. The underlying cash balance is now forecast to return to balance in 2019–20 before increasing to projected surpluses of \$11 billion in 2020–21 and \$16.6 billion in 2021–22. Beyond the forward estimates the underlying cash balance is projected to remain in surplus, reaching a projected surplus exceeding one per cent of GDP by 2026–27.<sup>5</sup>

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1 *Proof Estimates Hansard*, 29 May 2018, p. 5.

2 *Proof Estimates Hansard*, 29 May 2018, p. 5.

3 *Proof Estimates Hansard*, 29 May 2018, p. 6.

4 *Proof Estimates Hansard*, 29 May 2018, p. 7.

5 *Proof Estimates Hansard*, 29 May 2018, p. 7.

2.10 Finally, Mr Fraser noted that this strong economic outlook, combined with Australia's AAA credit rating put Australia in a good position, should any economic volatility arise.<sup>6</sup>

2.11 The committee then discussed a range of topics with Mr Fraser and officers from Treasury's Macroeconomic and Corporate Groups.

### ***Personal income tax plan***

2.12 The committee discussed the government's personal income tax plan which was announced in the 2018–19 Budget. In response to a request from the committee, Mr Fraser tabled a document containing information on the breakdown of the costings. The committee sought further information on the costing of the plan's three stages over the medium term. Officers from the Treasury confirmed the forecasted revenue from the plan in the Budget; however, Treasury also noted that there is inherent uncertainty when forecasting further out.<sup>7</sup>

2.13 Officers from Treasury explained that the projections provided are based on existing taxpayer data, and are then informed by population growth projections and wage growth projections.<sup>8</sup>

2.14 The personal income tax plan is addressed in more detail in the section about the Australian Taxation Office and Revenue Group.

### ***Employment growth***

2.15 The committee sought information from the Treasury about the number of jobs created in 2017. Officers confirmed that the figure was 415,000 and that approximately 75 per cent of these jobs were full time and a majority of the total number were created in the private sector.<sup>9</sup>

2.16 Officers also advised the committee of the jobs growth percentages by state:

This is the 12 months to April this year. New South Wales is 4.1 per cent, Victoria is 1.7 per cent, Queensland is 2.8 per cent, South Australia is 3.2 per cent, Western Australia is two per cent, Tasmania is 1.2 per cent, the Northern Territory is minus-two per cent and the Australian Capital Territory is 2.7 per cent. So there has been relatively strong jobs growth in New South Wales.<sup>10</sup>

2.17 The committee asked Treasury officials about the transition from mining to service industry employment. Officers advised that:

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6 *Proof Estimates Hansard*, 29 May 2018, p. 9.

7 *Proof Estimates Hansard*, 29 May 2018, pp. 10–11.

8 *Proof Estimates Hansard*, 29 May 2017, p. 10.

9 *Proof Estimates Hansard*, 29 May 2017, pp. 33–34.

10 *Proof Estimates Hansard*, 29 May 2017, p. 135.

It is the case that services sectors are relatively, on average, more labour-intensive than mining. A transition from mining to services, other things being equal, would increase the job intensity of output.<sup>11</sup>

## **Fiscal Group**

### ***Tax-to-GDP cap***

2.18 The committee sought information from officers of the Treasury about why a Tax-to-GDP cap was being introduced. Officers explained:

The rationale, as a projection assumption, was essentially the view that an observation about history that governments in the past have tended not to allow the tax-to-GDP ratio to rise indefinitely. So, to an extent, some bracket creep which would manifest in an increase in the tax-to-GDP ratio has been handed back in the form of discretionary tax cuts.

[...]

This year, the government has taken the step of enshrining that 23.9 per cent tax cap in the fiscal strategy more explicitly to make it clear that that's a key element of the fiscal strategy, and the remainder of the fiscal strategy needs to be read subject to that. The 23.9 per cent itself is essentially the average tax-to-GDP ratio from the commencement of the GST in 2000 through to the beginning of the GFC—from memory, about 2007 or 2008. So that's the level. In essence, the main change in this budget is its more formal status as an element of the fiscal strategy.<sup>12</sup>

2.19 Officers of the Treasury also confirmed that the tax-to-GDP cap is not legislated; it is only set out in Budget Paper No. 1.<sup>13</sup> The committee noted that given that the cap is not legislated, it was unclear how it could be ensured that the cap was not exceeded.

2.20 Further, the committee asked Treasury officers what the implications were of having a tax-to-GDP cap but not a payment-to-GDP ratio. Officers explained:

I'd say the main implication is that it has a kind of implicit constraint on the extent to which payments to GDP can rise. To the extent the government meets its other fiscal targets, including reaching a sustainable surplus, you've got a tax-to-GDP cap around 23.9 per cent, so non-tax revenue will make up 1.6 or 1.7 per cent of GDP, roughly. That's going to define a receipts-to-GDP amount, pretty much. And then that thereby defines almost an implicit payments-to GDP constraint to the extent that the government wishes to run a surplus.<sup>14</sup>

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11 *Proof Estimates Hansard*, 29 May 2017, p. 34.

12 *Proof Estimates Hansard*, 29 May 2017, p. 39.

13 *Proof Estimates Hansard*, 29 May 2017, p. 40.

14 *Proof Estimates Hansard*, 29 May 2017, p. 41.

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## Australian Taxation Office (ATO) and Revenue Group

### *Commissioner's opening statement*

2.21 Mr Chris Jordan, Commissioner of Taxation, made a detailed opening statement to the committee which touched on a number of issues including the implementation of the single-touch payroll, the superannuation guarantee amnesty for employers, the upcoming tax time, and the work the ATO has been doing to ensure compliance. Mr Jordan's opening statement also addressed the criticism it had received through the joint ABC-Fairfax investigation which was aired on the ABC's *Four Corners* program.<sup>15</sup>

2.22 Mr Jordan stated that the *Four Corners* program 'came as quite a surprise' because the ATO's recent work with the small business community had been 'constructive and positive'.<sup>16</sup>

2.23 Mr Jordan noted the work that the ATO had been doing to improve the experience of small businesses within the taxation system:

...we've introduced an after-hours call-back service, the small business newsroom, small business roadshows, community conversations and simplified BAS reporting requirements.<sup>17</sup>

2.24 In closing, Mr Jordan reiterated the ATO's continuing commitment to transforming tax and superannuation administration in Australia, commenting that 'it has been going well and has been recognised as such by many in the community, stakeholders and scrutineers, which include very favourable worldwide comparisons'.<sup>18</sup>

### *Corporate tax rate*

2.25 The committee sought information relating to the amount of revenue that is generated in Australia through company tax. Mr Jordan confirmed that in the 2017–18 financial year revenue would be in the order of \$70 billion, and noted that this figure represents the 'second-highest proportion of total tax in the world'.<sup>19</sup>

2.26 The committee asked about the impact on Australia of other countries reducing their corporate tax rates. Officers from the Treasury explained that analysis done by the International Monetary Fund (IMF) showed that a reduction of the corporate tax rates in the United States, France and Germany could 'lead to a one per cent reduction in GDP in other countries'.<sup>20</sup>

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15 *Proof Estimates Hansard*, 30 May 2018, pp. 4–7.

16 *Proof Estimates Hansard*, 30 May 2018, p. 5.

17 *Proof Estimates Hansard*, 30 May 2018, p. 5.

18 *Proof Estimates Hansard*, 30 May 2018, p. 7.

19 *Proof Estimates Hansard*, 30 May 2018, p. 8.

20 *Proof Estimates Hansard*, 30 May 2018, p. 8.

2.27 Officers from the Treasury also advised the committee that modelling they had done around a reduction of the corporate tax rate in Australia showed it would create an increase of one per cent in GDP, associated with a strong pick up in business investment.<sup>21</sup>

2.28 The committee asked officers from the ATO about other modelling they had done in relation to the reduction of the corporate tax rate in Australia. Officers commented that the most important aspect of tax modelling is the underlying assumptions that are built into the modelling:

Models essentially try to simplify reality, but you have to basically assume a number of things. That's part and parcel of any modelling exercise. When you look at some of assumptions that have been incorporated into some of the models, as Mr Davis has said, we have found that we certainly have question marks around some of those assumptions.<sup>22</sup>

#### ***Four Corners program***

2.29 The committee asked Mr Jordan a number of questions about his response to the joint ABC-Fairfax investigation. Mr Jordan told the committee that he thought the program was 'highly offensive', pointing out to the committee that the program relied heavily on the 'regurgitation'<sup>23</sup> of an old dossier:

It appeared to be an outcome, and everything that led up to that was filtered to support the outcome. I don't think that meets the ABC's code of practice and editorial policies.<sup>24</sup>

2.30 Mr Jordan advised the committee that he had not made any official complaint about the program to the ABC or any other regulatory body.<sup>25</sup>

2.31 In addressing some of the claims the program made about the ATO's use of garnishee notices, Mr Jordan noted that garnishee notices were reserved for the end of the tax debt recovery process, after multiple attempts had been made to engage with the individual:

A garnishee is only used if they have refused to engage in any way with us. Most people, if they've got a problem, will, in good faith, enter a payment plan, stick to the payment plan, get the debt done—all finished, move on. It's only if they won't enter the payment plan or if they do multiple payment plans and never meet their requirements that we give them notice that we are going to issue a garnishee order, and we do. We can't let the debt pile just keep growing and growing, because that would be irresponsible of us.<sup>26</sup>

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21 *Proof Estimates Hansard*, 30 May 2018, p. 9.

22 *Proof Estimates Hansard*, 30 May 2018, p. 10.

23 *Proof Estimates Hansard*, 30 May 2018, p. 6, p. 12.

24 *Proof Estimates Hansard*, 30 May 2018, p. 11.

25 *Proof Estimates Hansard*, 30 May 2018, p. 11.

26 *Proof Estimates Hansard*, 30 May 2018, p. 12.



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2.32 Officers from the ATO confirmed that where there is a dispute about whether tax is owed, the amount 'remains in abeyance until the dispute is resolved'.<sup>27</sup>

### ***Panama papers***

2.33 The committee sought an update on the ATO's progress with the Panama Papers. Officers from the ATO advised the committee that they had completed 315 reviews or audits based on information from the papers, with another 81 reviews still ongoing. Officers also indicated that this work should be completed around the end of the 2017–18 financial year.<sup>28</sup>

2.34 Officers provided the committee with more detailed information on the outcome of the reviews and audits that had so far been conducted:

We've raised about \$65 million in liabilities in relation to those cases that we've completed. Collections are around \$10 million worth of cash at this stage. We've got three individuals who are under criminal investigations at the moment, resulting from the work we've done, not yet at the stage where we've referred anything to the [Commonwealth Director of Public Prosecutions].<sup>29</sup>

2.35 Officers from the ATO told the committee that they were conducting similar processes in relation to the Paradise Papers, and that they were at an earlier stage in the process. The ATO confirmed that it was working with other agencies that are part of the Serious Financial Crimes Taskforce including the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian Securities and Investments Commission (ASIC) and the Australian Criminal Intelligence Commission (ACIC).<sup>30</sup>

### ***Personal income tax plan***

2.36 The committee discussed the government's proposed personal income tax plan, and whether the Treasury had costed the outcomes of multiple taxation scenarios. Officers from the Treasury confirmed that they regularly cost multiple options as requested by the government.<sup>31</sup>

2.37 Officers from the Treasury outlined the key points of the plan:

Step 1, known as the low- and middle-income tax offset, provides a tax offset of various rates for various incomes. The benefit provides up to \$200 for taxpayers with taxable income of up to \$37,000. It phases in between \$37,000 and \$48,000, up to a maximum benefit of \$530. Taxpayers between taxable incomes of \$48,000 and \$90,000 are eligible for the maximum tax offset of \$530. It then phases out over the incomes of

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27 *Proof Estimates Hansard*, 30 May 2018, p. 14.

28 *Proof Estimates Hansard*, 30 May 2018, p. 18.

29 *Proof Estimates Hansard*, 30 May 2018, p. 18.

30 *Proof Estimates Hansard*, 30 May 2018, p. 18.

31 *Proof Estimates Hansard*, 30 May 2018, p. 19.

\$90,001 and just over \$125,000. That starts for the income year 2018–19 and continues for the income years 2019–20, 2020–21 and 2021–22.<sup>32</sup>

2.38 Officers noted that the offset is paid at the time an individual's tax return is assessed.

2.39 The next step is the increase of the 32.5 per cent personal income tax bracket from \$87,000 to \$90,000 on 1 July 2018. The third step was outlined by officers from the Treasury as follows:

Then from 1 July 2022, a range of things happen. The low-income tax offset increases from \$445 to \$645, and the 19 per cent personal income tax bracket increases from \$37,000 to \$41,000. That combination locks in and provides a similar amount of tax relief to that provided from the low- and middle-income tax offset. At the same time—from 1 July 2022—the \$90,000 bracket will be increased to \$120,000.<sup>33</sup>

2.40 The committee discussed the possible implications of bracket creep with officers from the Treasury noting that 'taxpayers will face higher average and marginal tax rates over time, even if their income has only been increasing by inflation'.<sup>34</sup> Officers explained that the government's proposed personal income tax plan would address the issue of bracket creep.<sup>35</sup>

### **Australian Competition and Consumer Commission (ACCC)**

2.41 The committee discussed the ACCC's upcoming work program with officers from the agency, particularly in relation to petrol prices in Australia. Mr Rod Sims, Chairman of the ACCC, advised the committee that their next report relating to petrol prices would specifically relate to price cycles. Mr Sims explained:

...trying to understand what's happened to them, how regular they are, why they occur, that perennial question, and all under the heading of how we can provide advice to consumers—we've got two tracks with our petrol reports. One is a quarterly report, which comes out quarterly, and the other is special reports that we do alternately, in between the quarterly reports. I suspect that the next one will be the report on the fuel cycles, which I think we talked about last time.<sup>36</sup>

2.42 Mr Sims confirmed that this exercise would look at petrol stations across the country, with a focus on the capital cities, looking at determining what is driving prices up and down in different locations.<sup>37</sup>

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32 *Proof Estimates Hansard*, 30 May 2018, p. 24.

33 *Proof Estimates Hansard*, 30 May 2018, p. 24.

34 *Proof Estimates Hansard*, 30 May 2018, p. 24.

35 *Proof Estimates Hansard*, 30 May 2018, p. 24.

36 *Proof Estimates Hansard*, 30 May 2018, p. 55.

37 *Proof Estimates Hansard*, 30 May 2018, p. 56.

2.43 The committee also sought information about the Infinity Cables product recall, noting that a large amount of cable had been supplied in Australia, and that the ACCC are part way through the recall process. Officers from the ACCC noted that:

The commission is responsible for overseeing the voluntary recalls of 4,700 kilometres of cable. Our recent audit has identified that over 6,500 kilometres of Infinity cable was supplied in Australia. The New South Wales electrical safety regulatory authority, is responsible for a compulsory recall of around 1,400 kilometres of cable as well. In terms of the ACCC's leadership of the voluntary recalls, we have now got to the point of 52 per cent of the Infinity cable being either remediated or scheduled for remediation.<sup>38</sup>

2.44 ACCC officers advised the committee that the recall process now was being handed over to the New South Wales Office of Fair Trading, because they have decided that 'state based strategies are now required to try and advance the remainder of the recalls'.<sup>39</sup>

### **Australian Prudential Regulation Authority (APRA)**

2.45 Mr Wayne Byres, Chair of APRA, made a brief opening statement to the committee, which reflected on the agency's mandate as a prudential regulator. Mr Byres noted some of the recent revelations emerging from the Royal Commission, describing them as disturbing.<sup>40</sup> Mr Byres emphasised that 'Australians can be reassured that the industry is financially sound and the financial system is stable'.<sup>41</sup>

2.46 Mr Byres also gave the committee an overview of its recent work in a number of areas including the final report of the prudential inquiry into the Commonwealth Bank, residential mortgage lending, two thematic reviews of superannuation licensees—on board governance and on the management of related party arrangements—and preparations for the implementation of the banking executive accountability regime.<sup>42</sup>

### ***Inquiry into the Commonwealth Bank of Australia (CBA)***

2.47 The committee asked APRA about its recent report on the CBA, in particular about CBA's response to the report. The committee noted a media release was published with the final report by APRA which stated:

CBA has acknowledged APRA's concerns and has offered an Enforceable Undertaking (EU) under which CBA's remedial action in response to the

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38 *Proof Estimates Hansard*, 30 May 2018, p. 59.

39 *Proof Estimates Hansard*, 30 May 2018, p. 59.

40 *Proof Estimates Hansard*, 30 May 2018, p. 73.

41 *Proof Estimates Hansard*, 30 May 2018, p. 73.

42 *Proof Estimates Hansard*, 30 May 2018, pp. 73–74.

report will be monitored. APRA has also applied a \$1 billion add-on to CBA's minimum capital requirement.<sup>43</sup>

2.48 Mr Byres noted that there are four components to the undertaking:

The first is that CBA needs to provide to us by the end of June this year a remedial action plan that deals with each of the recommendations in the report [...] The second one is that they have to appoint an independent reviewer [...] who will do some independent validation of progress against the remedial action plan every three months and report that to APRA. Also by 30 June this year the board needs to give us a report on how the findings of the report have impacted on executive remuneration, both of current and past executives, and also to make sure that the delivery of the remedial action plan is given material weight in the performance scorecards of the executives going forward, so there is skin in the game. And then the fourth component is the capital adjustment you talked about, which will be removed as and when CBA shows that it has completed the remedial action.<sup>44</sup>

2.49 Officers from APRA explained that enforceable undertakings are entered into when an entity has admitted that 'APRA's concerns were valid and that they needed to make changes'.<sup>45</sup>

### ***Superannuation***

2.50 The committee asked APRA about its work on the returns that superannuation funds provide to their members, in particular, in relation to the BT Business Super Fund. APRA noted that it is currently looking at cash investment options across the sector, and has discovered a number of issues:

One is that some cash options seem to be returning much higher than we would expect from what you might call a pure cash option and there are others that are returning much less. Our initial work seems to suggest that part of it goes to the types of instruments, if you like, which are in those. They are not just term deposits; they may be enhanced cash, RMBSs or other types of securities that are cash-like but not cash. And in other cases it does come down to the level of expenses that are being charged for the management of those cash options.<sup>46</sup>

2.51 Mrs Helen Rowell, Deputy Chair of APRA commented that:

The superannuation framework relies on trustees to set the investment strategy and to set the fees and charges that they apply for those investments and the management of those investments. The focus of our

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43 Australian Prudential Regulation Authority, 'APRA releases CBA Prudential Inquiry Final Report and accepts Enforceable Undertaking from CBA' <https://www.apra.gov.au/media-centre/media-releases/apra-releases-cba-prudential-inquiry-final-report-accepts-eu> (accessed 19 June 2018).

44 *Proof Estimates Hansard*, 30 May 2018, pp. 78–79.

45 *Proof Estimates Hansard*, 30 May 2018, p. 79.

46 *Proof Estimates Hansard*, 30 May 2018, p. 81.

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member outcomes work and the proposals that the government has considered around enhancing member outcomes is really about pushing trustees to think a lot harder about some of those decisions.<sup>47</sup>

### **Australian Securities and Investments Commission (ASIC)**

2.52 Mr James Shipton, Chairman of ASIC, made an opening statement which highlighted the work of the Royal Commission, and acknowledged that there is currently a 'trust deficit between the financial industry and the broader community'. Mr Shipton also outlined ASIC's approach in light of this situation, and explained that the approach had three prongs: enforcement, supervision, and encouraging the adoption of regulator technology solutions.<sup>48</sup>

2.53 The committee discussed the recently introduced legislation that would remove ASIC from the Public Service Act. In particular the committee sought information on how this move might 'promote greater operational flexibility'.<sup>49</sup>

2.54 Officers from ASIC noted that the Wallis inquiry had recommended that both ASIC and APRA should be able to employ outside the Public Service, allowing the agencies to compete with private companies in securing the best staff:

We'll be able to be more agile with our hiring of staff for particular projects, and be able to employ people on contracts which are tailored to the expertise that's required for the type of project and the length of the project.<sup>50</sup>

2.55 Officers from ASIC also remarked that the legislation had already been put in place for APRA.<sup>51</sup>

2.56 The committee asked ASIC about its knowledge of CBA's Dollarmites program and the misconduct of CBA staff in setting up accounts because of pressure to meet performance targets. ASIC advised the committee that CBA had become aware of the misconduct in 2013, however, it was unclear when the practice ceased. ASIC also advised that it is currently investigating this issue.<sup>52</sup>

2.57 The committee discussed a range of other issues with ASIC including the agency's funding and staffing levels, its range of penalties, issues relating to the Royal Commission, Australian financial services (AFS) licensees, and compliance and culture in the financial services industry.<sup>53</sup>

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47 *Proof Estimates Hansard*, 30 May 2018, p. 81.

48 *Proof Estimates Hansard*, 30 May 2018, pp. 89–90.

49 *Proof Estimates Hansard*, 30 May 2018, p. 93.

50 *Proof Estimates Hansard*, 30 May 2018, p. 93.

51 *Proof Estimates Hansard*, 30 May 2018, p. 93.

52 *Proof Estimates Hansard*, 30 May 2018, pp. 93–94.

53 *Proof Estimates Hansard*, 30 May 2018, pp. 89–117.

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## Productivity Commission

2.58 The committee asked officers from the Productivity Commission about the draft report on the superannuation industry entitled *Superannuation: Assessing Efficiency and Competitiveness*, which was released on 29 May 2018.<sup>54</sup>

2.59 The committee asked Ms Karen Chester, Deputy Chair of the Productivity Commission, about the identified performance gap between retail and industry superannuation funds, noting that the gap cannot be explained by asset allocation. Ms Chester confirmed that this gap would be the subject of further analysis:

We did some further analysis, including some econometric analysis, about whether we could attribute it to disparity in fees and scale. With fees it was really around admin costs. There are other characteristics we'd like to look at, and that's why several of the questions in our funds survey were so important. For example, once we get net investment returns by asset class, fees and costs by asset class, and fees and costs for related-party transactions, we'll have a much better handle on understanding what are the drivers behind that systemic difference.<sup>55</sup>

2.60 The committee also asked officers from the Productivity Commission about the impacts of fees, duplicate accounts, insurance and other charges on an individual's superannuation account.

2.61 Ms Chester explained the impact through a cameo scenario of a 21-year-old new job entrant—a typical worker with average weekly earnings throughout their lifetime:

...if you have fees and costs that are 0.5 percentage points greater, or 50 basis points greater, during your working life in an accumulation fund, you would be \$100,000 worse off in retirement. In terms of unintended multiple accounts, we did analysis through our fund member survey and using ATO and APRA data to establish that one in three, or 10 million of the 30 million member accounts, are unintended duplicates. That means that those members are paying admin costs and insurance premiums that they don't need. The annual cost of that is about \$2.6 billion across the system. When you look at it as a cameo analysis for an individual fund member, that would see them worse off by \$50,000 when they retire. In terms of the performance side of the equation, taking a fund member from a bottom performing quartile fund and popping them in a top performing quartile fund throughout their work life, a new job entrant today would be \$365,000 worse off when they retire in 2064.

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54 Productivity Commission— *Superannuation: Assessing Efficiency and Competitiveness*—Draft report <https://www.pc.gov.au/inquiries/current/superannuation/assessment/draft> (accessed 19 June 2018)

55 *Proof Estimates Hansard*, 30 May 2018, p. 122.

2.62 Ms Chester advised the committee that the inquiry is due to have further public hearings and that the final report would be released later this year and that this timing would depend on the time lines of the Royal Commission.<sup>56</sup>

### **Commonwealth Grants Commission (CGC)**

2.63 The committee discussed the possible exclusion of lithium royalties from GST distribution, noting that the treatment of mineral revenues may have a distorting impact on economic development.<sup>57</sup>

2.64 Officers from the CGC advised that they had not done any work on excluding lithium royalties from assessment of GST distribution and explained:

The commission currently doesn't separately identify or assess royalties associated with lithium mining. It groups those royalties in with a range of other mineral royalties for zinc, tin et cetera and puts them into a category called 'other minerals'. There is only a very small amount of money that's raised through lithium royalties. I understand that WA expects only \$89 million in lithium royalty revenues to be raised this financial year.<sup>58</sup>

2.65 The committee noted that the amount of revenue received lithium royalties was likely to increase of the next few years.<sup>59</sup>

### **Inspector-General of Taxation**

2.66 Mr Ali Noroozi, Inspector-General of Taxation (IGT) made a brief opening statement to the committee, outlining some of the recent work that the IGT has been undertaking. In particular, the Mr Noroozi noted the recently commenced review into the ATO's use of garnishee notices, following the joint ABC-Fairfax investigation. Mr Noroozi explained that the IGT's role in this situation is to investigate the allegations made, and seek to 'restore public confidence by either dispelling them or making recommendations for improvements'.<sup>60</sup>

2.67 Mr Noroozi also noted that the joint ABC-Fairfax investigation had raised other issues, commenting:

These are areas that previous IGT reviews, as well as an inquiry by the House of Representatives Standing Committee on Tax and Revenue, have considered. Last week the ATO also announced, in this very venue, a number of measures it plans to implement in response to the ABC-Fairfax investigation. Some of these are consistent with previous IGT recommendations, including extending pre-assessment reviews to all

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56 *Proof Estimates Hansard*, 30 May 2018, p. 121.

57 *Proof Estimates Hansard*, 30 May 2018, p. 127.

58 *Proof Estimates Hansard*, 30 May 2018, p. 127.

59 *Proof Estimates Hansard*, 30 May 2018, p. 128.

60 *Proof Estimates Hansard*, 5 June 2018, p. 75.

taxpayers. A Treasury investigation has also been recently conducted, with input from my office, and we await the government's response.<sup>61</sup>

2.68 The committee discussed the number of complaints the IGT receives, noting that in the last financial year, the agency handled 2251 complaints. Mr Noroozi confirmed that the number of complaints would be higher in the 2017–18 financial year, in part, due to the complaints received following the joint ABC-Fairfax investigation.<sup>62</sup>

2.69 The committee also discussed the relationship between the IGT and the ATO, noting that the IGT's role of oversight of the ATO promotes a 'healthy tension' between the two organisations.<sup>63</sup>

### **Other topics raised**

2.70 The committee discussed a wide range of topics during the three days of hearings with the Treasury portfolio. The above reporting of discussions is not complete. Other topics discussed by the committee included:

- Household debt and lending practices
- Impact of immigration on the Budget
- Commitment to the Senate by the Business Council of Australia
- Implementation of the Australian Government Guidelines on the Recognition of Sex and Gender
- Capital spending on productive infrastructure
- 'Protecting your super' package
- Transfer of inactive super accounts to the ATO
- \$500 million investment in the Great Barrier Reef
- National Housing Finance and Investment Corporation (NHFIC)
- National Housing and Homelessness Agreement (NHHA)
- Regulators' engagement with the Fintech industry (consumer protection)
- Design and distribution obligations and product intervention power
- Foreign Investment Review Board—undertakings and enforcement
- Australian Financial Complaints Authority (AFCA) commencement date and transitional arrangements
- Petroleum Resource Rent Tax (PRRT)
- Australian Charities and Not-for-profits Commission (ACNC) litigation costs

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61 *Proof Estimates Hansard*, 5 June 2018, p. 75.

62 *Proof Estimates Hansard*, 5 June 2018, p. 80.

63 *Proof Estimates Hansard*, 5 June 2018, p. 82.



- Lead in tap fixtures being sold by Aldi
- Household Expenditure Measure
- Australian Bureau of Statistics data on stillbirths



## Chapter 3

### Industry, Innovation and Science portfolio

3.1 This chapter summarises certain key areas of interest raised during the committee's consideration of budget estimates for the 2018–19 financial year for the Industry, Innovation and Science portfolio. This chapter of the report follows the order of proceedings and is an indicative, not exhaustive, account of issues examined.

3.2 On 31 May and 5 June 2018, the committee heard evidence from Senator the Hon. Michaelia Cash, Minister for Innovation and Jobs, Senator the Hon. Matthew Canavan, Minister for Resources and Northern Australia, and Senator the Hon. James McGrath, Assistant Minister to the Prime Minister, along with officers from the Department of Industry, Innovation and Science (the Department) and agencies including:

- Department of Industry Innovation and Science—Programs 1, 2, and 3;
- Office of Innovation and Science Australia;
- Anti-Dumping Commission;
- Office of the Chief Scientist;
- Australian Nuclear Science and Technology Organisation;
- Commonwealth Scientific and Industrial Research Organisation;
- National Offshore Petroleum Safety and Environmental Management Authority;
- Geoscience Australia;
- Australian Institute of Marine Science; and
- IP Australia;

3.3 Senators present over the course of the two day's hearing included Senator Hume (Chair), Senator Ketter (Deputy Chair), Senators Bushby, Carr, Colbeck, Hanson-Young, O'Neill, Patrick, Rhiannon, Rice, Stoker, Storer, Watt.

#### Department of Industry, Innovation and Science

##### *Australia 2030: Prosperity through Innovation*

3.4 The committee asked officers from the Department of Industry, Innovation and Science (the Department) about a range of issues. In particular, the committee sought information about Innovation and Science Australia's new strategic plan—*Australia 2030: Prosperity through Innovation* (2030 plan). Officers from the Department explained that the 2030 plan was developed over the last several years as part of the government's National Innovation and Science Agenda (NISA).<sup>1</sup>

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1 *Proof Estimates Hansard*, 31 May 2018, p. 5.

3.5 The 2030 plan sets out a 15 year strategic plan for Australia's innovation systems, and makes 30 recommendations which centre around five strategic imperatives: education, industry, Government, research and development, and culture and ambition.<sup>2</sup>

3.6 Officers from the Department confirmed that the government's response to the 2030 plan gave a 'strong endorsement' of the 30 recommendations, noting that the 2018–19 Budget contained a number of measures that take action on those recommendations:

For example, government made a \$2.4 billion investment into research, science and technology. This included \$1.9 billion over 12 years in additional funding for national and science research infrastructure. It also included measures that address artificial intelligence, skills development and export competitiveness. There was also \$500 million in funding over 10 years to support the Genomics Health Futures Mission.<sup>3</sup>

3.7 Officers further commented that:

...the 2030 plan has greatly informed the government's investment decisions and will continue to do so. The government will continue to work with ISA to further strengthen Australia's innovation system and support economic growth.<sup>4</sup>

3.8 Noting that 27 out of the 30 recommendations were agreed, or agreed in principle by the government, the committee asked officers from the Department about why Recommendation 6 of the report, relating to research and development (R&D), was only noted, not agreed:

Recommendation 6:

Adopt as the top priority of innovation policy the reversal of the current decline in business expenditure on research and development, with a headline goal of achieving a medium-term growth rate not less than that seen in 1999–2015.

The contribution to this goal made by government support for business R&D should be strengthened by:

- ensuring, at a minimum, that total government support for science, research and innovation does not fall below its medium-term average of 0.63 per cent of gross domestic product
- implementing the recommendations of the 2016 Review of the R&D Tax Incentive to improve the effectiveness, integrity and collaboration impact of the program, with the following adjustments

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2 Innovation and Science Australia—Australia 2030: Prosperity through Innovation, <https://industry.gov.au/Innovation-and-Science-Australia/Australia-2030/Pages/default.aspx> (accessed 20 June 2018)

3 *Proof Estimates Hansard*, 31 May 2018, p. 5.

4 *Proof Estimates Hansard*, 31 May 2018, p. 5.

- the cap referred to in Recommendation 3 of the report should be set at \$4 million per year, and a maximum cumulative refund of \$40 million per company should be applied
- the threshold referred to in Recommendation 4 of the report should be replaced with a trigger set at 1 per cent of total annual expenditure, such that all R&D expenditure is claimable (subject to any other limits) once the trigger level is reached
- prioritising new and redirected investment in stimulating business R&D to programs that directly support activity in areas of competitive strength and strategic priority (e.g. Cooperative Research Centres – CRCs, CRC Projects, Entrepreneurs’ Programme and Industry Growth Centres).<sup>5</sup>

3.9 Officers from the Department explained that the reforms to the R&D tax incentive are likely to encourage and increase R&D investment by companies:

...so you don't need to count how much we spend, as a government, in supporting that R&D. Rather, by reforming this we're likely to increase the incentive for companies to do more R&D, so we expect to have companies that have an incentive to do more R&D.<sup>6</sup>

### ***Guidelines on the recognition of sex and gender***

3.10 The committee asked the Department for an update on its implementation of the government's guidelines on the recognition of sex and gender. Officers advised that the Department had implemented the guidelines and that it is now possible to identify as gender X in the Department's Human Resources management information system.<sup>7</sup>

3.11 Officers also noted that gender X can be selected on their external public-facing pages and forms:

Both the Aurion and PageUp systems that we use as part of our HRMIS are in line with the guidance from the Attorney-General's Department. We did that prior to the July 2016 deadline. It's something that can be done for anyone outward-facing who's applying into the department. Existing employees in the department were advised that gender X is available to be nominated, and they can change their previous statements to gender X. We continue to advise all staff that they can take up that option.<sup>8</sup>

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5 Australian Government response to Innovation and Science Australia's *Australia 2030: Prosperity through Innovation*, May 2018, p. 5, <https://industry.gov.au/innovation/InnovationPolicy/Documents/Government-Response-ISA-2030-Plan.pdf> (accessed 20 June 2018).

6 *Proof Estimates Hansard*, 31 May 2018, p. 16.

7 *Proof Estimates Hansard*, 31 May 2018, p. 14.

8 *Proof Estimates Hansard*, 31 May 2018, p. 14.

3.12 Officers further explained that the Department also has inclusive language guidelines and supporting gender affirmation guidelines that have been made available through their Pride Network and that those guidelines will be used across the Department both externally facing and internally facing.<sup>9</sup>

### ***Women in STEM***

3.13 The committee noted a budget measure to help increase the participation of women in science, technology, engineering and maths (STEM). Officers from the department provided more detail on the measure, noting that the extra \$4.5 million builds on a previous commitment by government which came out of the NISA. The new budget measure contains funding for a number of initiatives:

The recent measure includes the commitment for the government to appoint a women in STEM ambassador, who will advocate for gender equity in STEM, raise awareness of the issues, prosecute the case for change, build visibility and promote women in all STEM disciplines. The government will also support the development of a toolkit, which will encourage school-age girls to participate in STEM education. It will help them understand what a STEM career can involve and also assist them in matching their interests to a STEM career.<sup>10</sup>

3.14 The committee sought more detail about the 'women in STEM' ambassador position, and how the ambassador would be selected. Officers from the Department advised the committee that the management of the position would be done through the Department, but that no formal decision had been taken as to where in the Department the ambassador would be based. Officers also noted that nominations for the position could be made either through referral from other bodies or through self-nomination. Officers confirmed that the announcement of the new 'women in STEM' ambassador would be made by the end of 2018.<sup>11</sup>

### **Australian Nuclear Science and Technology Organisation (ANSTO)**

3.15 The committee asked representatives from ANSTO about the incident of radiation exposure at Lucas Heights, noting that the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) had tabled a report about the incident in Parliament on 26 August 2017.<sup>12</sup>

3.16 Dr Adi Paterson, Chief Executive Officer (CEO) of ANSTO, acknowledged the serious nature of this incident and provided the committee with details of the incident:

A quality-control worker was undertaking a procedure, which has been in place for many, many years and which is to provide quality control of a nuclear medicine precursor—molybdenum 99. This is kept in a vial within

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9 *Proof Estimates Hansard*, 31 May 2018, p. 15.

10 *Proof Estimates Hansard*, 31 May 2018, p. 37.

11 *Proof Estimates Hansard*, 31 May 2018, pp. 47–48.

12 *Proof Estimates Hansard*, 31 May 2018, p. 106.

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a shielded container. As the staff member was holding the vial with tongs and decapping it, it came out of the shielding and into the general area of the fume hood in which the work was taking place. That involved a splash of Mo-99 onto the double gloves that are normally worn in this situation.

3.17 Dr Paterson noted that Mo-99 is a highly radioactive liquid, which results in an 'understood process of accumulated distress to the tissues over time', meaning that the tissue can initially appear unaffected and the effect of the radioactive substance will appear gradually over time. Dr Paterson confirmed that the woman involved in the incident continues to be treated and supported by the ANSTO Medical Centre and the associated staff.

3.18 Dr Paterson explained to the committee that there is likely not to be any long-term consequences for the woman; however, she would have an increased potential risk of cancer to the extremities. He noted that the current cancer risk for the whole population is 'of the order of 1½ persons per thousand, and that is probably doubled in the particular case of this worker'.<sup>13</sup>

3.19 Dr Paterson advised the committee that ANSTO was working with ARPANSA to see if the quality control test could be eliminated from their procedures in order to avoid this type of incident in the future.

### **Commonwealth Scientific and industrial Research Organisation (CSIRO)**

3.20 CSIRO's CEO, Dr Larry Marshall gave a brief opening statement to the committee, highlighting some of CSIRO's current work, including its Strategy 2020, collaborative research infrastructure, the agency's Innovation Fund, and 'Coviu'—a cloud-based healthcare and diagnosis tool targeted at rural Australians.<sup>14</sup>

3.21 The committee asked officers from CSIRO about work the agency is undertaking in the 'gene drive' field, in particular about the project called Genetic Biocontrol of Invasive Rodents (GBIRD) which looks at gene drive mice.<sup>15</sup>

3.22 CSIRO officers confirmed that the agency had received a grant of \$100,000 from a United States government agency and university to complete this work:

...this is a multicountry, multiparty collaboration, predominantly located in the US. I would not want to lead you to believe that CSIRO is a spokesperson and able to give you the full details of that. I'm very happy to be transparent about what we know.<sup>16</sup>

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13 *Proof Estimates Hansard*, 31 May 2018, p. 106.

14 *Proof Estimates Hansard*, 31 May 2018, pp. 112–113.

15 *Proof Estimates Hansard*, 31 May 2018, p. 119.

16 *Proof Estimates Hansard*, 31 May 2018, p. 120.

### ***Lithium batteries***

3.23 The committee sought information about CSIRO's work with lithium batteries. Officers noted the spodumene<sup>17</sup> deposits in Western Australia, and the evolving technologies looking to capture its potential:

...we have done research around novel lithium chemistries, so new chemistries involving sulphur and oxygen, which is probably the next generation of batteries, but we haven't had any great success. That effort has probably been wound back. We have done some work with batteries with regard to military applications.

[...]

Most of our work these days is more about how you integrate these batteries into energy systems. That's where our efforts are primarily<sup>18</sup>

3.24 Officers from CSIRO also noted some of the difficulties in working with lithium batteries, particularly, that some of the electrolytes used in the fabrication are flammable. The committee noted that this was a factor in the recent Samsung battery issue.<sup>19</sup>

## **Department of Industry, Innovation and Science—Programme 2**

### ***Radioactive Waste Management***

3.25 The committee asked officers from the Department to outline what consultation had taken place with local government and councils in relation to the establishment of a radioactive waste management facility. Officers explained:

There was extensive consultation with the councils all the way through this process, with the Flinders Ranges Council, the Outback Communities Authority—the Outback Communities Authority is not a council; it's actually a South Australian government body—and the Kimba Council. We were discussing with them the broad process, and they were well aware that the intention was subject to their agreement to move to a ballot. We had been talking to them about the possibility of a ballot later that year. The minister did make his intention known publicly, that he was keen to have a vote starting around 20 August. We subsequently negotiated with the councils their agreement to that and how that ballot would be conducted.<sup>20</sup>

3.26 Officers also noted that councils will commission the Australian Electoral Commission to conduct a ballot on their behalf to assess community support for hosting the facility in their local area.

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17 Spodumene is a pyroxene mineral consisting of lithium aluminium inosilicate ( $\text{LiAl}(\text{SiO}_3)_2$ ), and is a source of lithium.

18 *Proof Estimates Hansard*, 31 May 2018, p. 123.

19 *Proof Estimates Hansard*, 31 May 2018, p. 124.

20 *Proof Estimates Hansard*, 5 June 2018, p. 15.



3.27 The committee also enquired about the recent increase—from 15 to 45—in the number of jobs expected to be created if a radioactive waste management facility is established. Officers noted that the number had increased as the state of the project evolved:

When we first went out to the communities in 2015 with our current process, we were asked about the number of jobs that would be at the facility. At that point, the government had indicated its preference to co-locate an intermediate waste facility, but it hadn't made a final decision. We then wanted to be conservative and not be accused of overegging it, so we took that 30 and we looked at just what were the core waste management jobs associated with low-level waste in a facility. That's where the 15 came from.<sup>21</sup>

3.28 Officers also advised that the Department had consulted with the ENRESA (Empresa Nacional de Residuos Radiactivos) in Spain and ONDRA (the Belgian radioactive waste management facility) facilities to ensure a consistent approach. The two facilities provided a jobs map of 45 jobs that they believed the facility would require, including security, administration and community outreach, increasing the total number from 15 to 45 jobs.

### **Australian Institute of Marine Science (AIMS)**

3.29 AIMS's CEO, Dr Paul Hardisty, made a brief opening statement highlighting some of the agency's recent work on the Great Barrier Reef (GBR), including monitoring of the reef's health, new coastal research vessels, the National Sea Simulator and the production of quality research papers.<sup>22</sup>

3.30 In monitoring the GBR, Dr Hardisty noted that the research indicates it 'continues to experience severe stress, and all regions of the GBR now show declining coral cover'.<sup>23</sup>

3.31 The committee asked AIMS about the Reef Restoration and Adaptation Package (the package) announced on 22 January 2018. Dr Hardisty noted that the \$60 million package was announced at AIMS's headquarters in Townsville, and that \$6 million of that amount would go towards developing a concept feasibility study and designing a comprehensive reef restoration and adaptation R&D program.<sup>24</sup>

3.32 The committee also discussed the government's recent announcement of \$500 million to help restore and protect the reef. Dr Hardisty told the committee he was confident AIMS would play a key role in the use of the funding, noting in particular the \$100 million set aside specifically for reef science.<sup>25</sup> Dr Hardisty pointed out AIMS' particular expertise in reef science:

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21 *Proof Estimates Hansard*, 5 June 2018, p. 17.

22 *Proof Estimates Hansard*, 5 June 2018, p. 45.

23 *Proof Estimates Hansard*, 5 June 2018, p. 45.

24 *Proof Estimates Hansard*, 5 June 2018, p. 46.

25 *Proof Estimates Hansard*, 5 June 2018, p. 47.

If you go by the peer-viewed publication indices and our impact through journals and so on, we are ranked No. 1 in the nation in that particular area that I mentioned in my opening statement, and No. 2 in the world, so we're hitting a pretty high mark globally for an Australian institution. We're very proud of that, but there is no room for complacency. We have incredibly deep capability in that area.<sup>26</sup>

3.33 The committee also asked AIMS officers about the National Sea Simulator (SeaSim). The SeaSim is a world-class marine research aquarium facility for tropical marine organisms in which scientists can conduct cutting-edge research not previously possible in Australia.<sup>27</sup>

3.34 Officers from AIMS noted that the SeaSim was opened in 2012 and has a 25-year life span. They explained that the SeaSim research could relate to future climate conditions, ecotoxicology, sedimentation, dredging programs and more. By allowing researchers to replicate conditions and circumstances, which are either occurring now or might occur into the future, the SeaSim helps researchers understand how organisms respond and how one might best manage them. Officers gave the following example of the SeaSim's capability:

A good example of that would be work we've been doing in the space of dredging research, where through experiments in that system we have been able to come up with new guidelines—for example, for dredging for some of the Western Australian programs that are going on—where the company is actually saving multiple millions of dollars per year and we're achieving a better environmental outcome, so there's an absolute improvement in outcome. That's a typical application of the facility.<sup>28</sup>

3.35 The committee noted that the \$500 million funding announcement included an amount for the SeaSim. Officers from AIMS explained that this would be used for upgrades on the SeaSim, as well as potentially opening up its use to third parties.<sup>29</sup>

### **Other topics raised**

3.36 The committee discussed a wide range of topics during the two days of hearings with the Industry, Innovation and Science portfolio. The above reporting of discussions is not complete. Other topics discussed by the committee included:

- Artificial intelligence development—budget measure
- Air travel by departmental officers
- R&D tax incentive
- Electric and autonomous vehicles

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26 *Proof Estimates Hansard*, 5 June 2018, p. 47.

27 Australian Institute of Marine Science—National Sea Simulator, <https://www.aims.gov.au/seasim> (accessed 20 June 2018).

28 *Proof Estimates Hansard*, 5 June 2018, p. 51.

29 *Proof Estimates Hansard*, 5 June 2018, p. 51.

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- Growth centres
  - Centre for accelerator science
  - Research Vessel Investigator
  - Cooperative Research Centre monitoring program
  - Automotive Transformation Scheme
  - Advanced Manufacturing Fund
  - Space agency
  - US tariffs on steel and aluminium
  - Radioactive Waste Management
  - Industrial relations at Tidbinbilla
  - Australian gas crisis
  - Retention lease on the North-West Shelf
  - Road infrastructure in Northern Australia
  - Claremont beef processing facility
  - Commercial in confidence processes
  - Australian Maritime Safety Authority (Memorandum of Understanding with the National Offshore Petroleum Safety and Environmental Management Authority)
  - Mineral exploration investment
  - Reef restoration and adaptation program announcement
  - Australian Building Codes Board

**Senator Jane Hume**  
**Chair**



# Appendix 1

## Tabled documents

### Treasury portfolio

1. Opening Statement tabled by Mr John Fraser, Secretary of the Department of the Treasury, 29 May 2018
2. Letter from the Treasurer to Mr Bill Shorten MP—Budget lockup 2018, tabled by Senator Jenny McAllister, 29 May 2018
3. Tables: Infrastructure Investment Program and Transport Infrastructure Expenditure, tabled by Senator Janet Rice, 29 May 2018
4. Table: Capital spending: defence and non-defence, tabled by Senator Peter Whish-Wilson, 29 May 2018
5. Opening Statement tabled by Mr Chris Jordan, Commissioner of Taxation, Australian Taxation Office, 30 May 2018
6. Table: Comparison of income tax rates, tabled by Senator the Honourable Mathias Cormann, Minister for Finance, 30 May 2018
7. 'Electorate impact of personal income tax plan', tabled by Senator Jenny McAllister, 30 May 2018
8. Document released under Freedom of Information (FOI) by the Australian Taxation Office (ATO) - Commissioner's statement in relation to corporate tax avoidance, tabled by Senator Chris Ketter, 30 May 2018
9. Letter from Minister for the Environment and Energy to the Australian Energy Regulator and 'Note' from the Australian Taxation Office in relation to Indicative comparative analysis of the AER electricity distribution tax allowance and tax payable, tabled by Mr Warwick Anderson, General Manager, Networks, Australian Energy Regulator, 30 May 2018
10. Opening Statement tabled by Mr Wayne Byres, Chairman, Australian Prudential Regulation Authority, 30 May 2018
11. Opening Statement tabled by tabled by Mr James Shipton, Chairman, Australian Securities and Investments Commission, 30 May 2018
12. ASIC public statements and reports, tabled by tabled by Mr James Shipton, Chairman, Australian Securities and Investments Commission, 30 May 2018

13. Opening Statement tabled by Mr David Kalisch, Australian Statistician, Australian Bureau of Statistics, 30 May 2018
14. Opening Statement tabled by Mr Ali Noroozi, Inspector-General of Taxation, 5 June 2018

### **Industry, Innovation and Science portfolio**

15. Anti-Dumping Commission Report: 'The potential for trade diversion in steel and aluminium', prepared by cadence economics, April 2018 tabled by Mr Dale Seymour, Commissioner, Anti-Dumping Commission, 31 May 2018
16. Opening Statement tabled by Dr Larry Marshall, Chief Executive, Commonwealth Scientific and Industrial Research Organisation, 31 May 2018
17. Opening Statement tabled by Ms Laurie Walker, Chief Executive Officer, Northern Australia Infrastructure Facility, 5 June 2018
18. Info sheet: Jobs at the National Radioactive Waste Management Facility, tabled by Senator the Hon. Matt Canavan, Minister for Resources and Northern Australia, 5 June 2018
19. Opening Statement tabled by Dr James Johnson, Chief Executive Officer, Geoscience Australia, 5 June 2018
20. Opening Statement tabled by Dr Paul Hardisty, Chief Executive Officer, Australian Institute of Marine Science, 5 June 2018