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Proof Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

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ECONOMICS LEGISLATION COMMITTEE

Monday, 28 November 2022

Members in attendance: Senators Canavan, Dean Smith, Hughes, Hume, McKim and Walsh

TREASURY PORTFOLIO

In Attendance

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

Department of the Treasury

Dr Steven Kennedy, Secretary

Corporate and Foreign Investment Group

Ms Roxanne Kelley, Deputy Secretary

Dr Angela Barrett, Acting Chief Operating Officer, Corporate Division

Ms Cristy England, Assistant Secretary, People and Organisational Strategy Branch

Ms Tarnya Gersbach, Chief Financial Officer

Ms Shannon Kenna, Assistant Secretary, Communications Branch [by video link]

Mr Rob Raether, First Assistant Secretary, Stakeholder Liaison Unit

Mr Simon Writer, First Assistant Secretary, Foreign Investment Division

Ms Amelia Henty, Assistant Secretary, Frameworks Branch

Mr Ben Evans, Assistant Secretary, Compliance Branch

Macroeconomic Group

Mr Luke Yeaman, Deputy Secretary

Mr Trevor Power, First Assistant Secretary, Macroeconomic Conditions Division

Mr Mark Cully, First Assistant Secretary, Macroeconomic Analysis and Policy Division

Ms Vicki Wilkinson, First Assistant Secretary, International Economics and Security Division

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

Ms Christina Garbin, Assistant Secretary, Global and Multilateral Branch

Mr Patrick D'Arcy, Assistant Secretary, Domestic Demand, International and Trade Branch

Ms Ineke Redmond, Assistant Secretary, Macroeconomy Branch

Mr Jim Hagan, Chief Adviser International

Mr Hamish McDonald, First Assistant Secretary, RBA Review Secretariat

Fiscal Group

Ms Sam Reinhardt, Deputy Secretary

Mr Brenton Goldsworthy, First Assistant Secretary, Budget Policy Division

Mr Oliver Richards, Assistant Secretary, Budget Policy Division

Mr Damien White, First Assistant Secretary, Commonwealth-State and Population Division

Mr Matt Crooke, Assistant Secretary, Commonwealth-State and Population Division

Mr Ian South, Assistant Secretary, Commonwealth-State and Population Division

Ms Philippa Brown, First Assistant Secretary, Labour Market, Environment, Industry and Infrastructure Division

Mr Matthew Maloney, Assistant Secretary, Labour Market, Environment, Industry and Infrastructure Division

Mr Brendan McKenna, Assistant Secretary, Labour Market, Environment, Industry and Infrastructure Division

Mr Damian Mullaly, Assistant Secretary, Labour Market, Environment, Industry and Infrastructure Division

Ms Lisa Elliston, First Assistant Secretary, Social Policy Division

Ms Nerida Hunter, Assistant Secretary, Social Policy Division

Mr David Webster, First Assistant Secretary, Infrastructure and Commercial Advisory Office [by video link]

Jobs Summit and Employment White Paper Taskforce

Ms Victoria Anderson, Acting Deputy Secretary, Employment Taskforce

Dr Alex Heath, First Assistant Secretary, Employment Taskforce [by video link]

Mr Nick Latimer, Acting Assistant Secretary, Employment Taskforce

Dr Louise Rawlings, Assistant Secretary, Employment Taskforce

Revenue, Small Business and Housing Group

Ms Diane Brown, Deputy Secretary

Mr Peter Cully, First Assistant Secretary, Small and Family Business Division

Ms Katrina Di Marco, First Assistant Secretary, Tax Analysis Division

Ms Laura Berger-Thomson, First Assistant Secretary, Personal, Indirect Tax, Charities and Housing Division

Mr Martin (Marty) Robinson, First Assistant Secretary, Corporate and International Tax Division

Ms Susan Bultitude, Acting Assistant Secretary, Corporate and International Tax Division

Mr Yi Yong Cai, Assistant Secretary, Tax Analysis Division

Ms Kathryn Davy, Assistant Secretary, Corporate and International Tax Division

Mr Nicholas Dowie, Assistant Secretary, Corporate and International Tax Division

Mr Geoff Francis, Assistant Secretary, Personal, Indirect Tax, Charities and Housing Division

Mr Bede Fraser, Assistant Secretary, Personal, Indirect Tax, Charities and Housing Division

Mr Gino Grassia, Assistant Secretary, Small and Family Business Division

Ms Vera Holenstein, Assistant Secretary, Personal, Indirect Tax, Charities and Housing Division

Ms Mary Jeffries, Assistant Secretary, Small and Family Business Division

Mr Darren Kennedy, Assistant Secretary, Tax Analysis Division

Mr Richard Maher, Acting Assistant Secretary, Tax Analysis Division

Ms Jacky Rowbotham, Assistant Secretary, Personal, Indirect Tax, Charities and Housing Division

Markets Group

Mr Robert Jeremenko, Acting Deputy Secretary

Ms Mohita Zaheed, Acting First Assistant Secretary, Financial System Division

Mr Warren Tease, Chief Adviser, Financial System Division

Ms Nghi Luu, Assistant Secretary Capital Markets, Payments and Financial Innovation Branch

Ms Katherine (Kate) O'Rourke, First Assistant Secretary, Consumer Data and Digital Division

Ms Emily Martin, Assistant Secretary, Consumer Data Right Policy and Engagement Branch

Ms Kate Penney, Acting Assistant Secretary, Data Economy and Consumer Data Right Governance Branch

Mr Bart Hoyle, Acting Assistant Secretary, Regulatory Frameworks Branch

Mr David Pearl, Acting First Assistant Secretary, Market Conduct Division

Mr Tom Dickson, Assistant Secretary, Corporations Branch

Mr Toby Robinson, Acting Assistant Secretary, Competition and Consumer Branch

Ms Lynn Kelly, First Assistant Secretary, Retirement Advice and Investment Division

Ms Anna Schneider-Rumble, Acting Assistant Secretary, Advice and Investments Branch

Mr Luke Spear, Assistant Secretary, Member Outcomes and Governance Branch

Mr James Thomson, Acting Assistant Secretary, Tax and Transfer Branch

Committee met at 18:03

CHAIR (Senator Walsh): I declare open this meeting of the Senate Economics Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2022-23 and related documents for the Treasury portfolio and the Industry, Science and Resources portfolio. The committee may also examine the annual reports of the departments and agencies appearing before it. For this additional hearing, the committee has set 9 December 2022 as the date by which senators are to submit written questions on notice; and 27 January 2023 as the date for the return of answers to questions taken on notice. 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, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, 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 prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. In particular, I draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in 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: Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order. Instead, witnesses

are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

I ask members of the media to follow the established media guidelines and the instructions of the committee secretariat as set out in the guidelines. Senators' and witnesses' laptops, mobile phones, other devices and personal papers are not to be filmed or photographed. I remind everyone in the gallery that they are not permitted to speak or interfere with the proceedings or with witnesses at any point during the hearing. Security is present and they'll be asked to remove anyone who does not follow these instructions. Witnesses and senators who are seeking to table documents during the committee's hearing were requested to provide an electronic copy of those documents the day prior to the hearing so that the documents could be circulated electronically during the hearing. Please liaise with the secretariat if you need assistance.

Department of the Treasury

[18:06]

CHAIR: The committee now welcomes Senator the Hon. Katy Gallagher, Minister for Finance, Secretary Steven Kennedy and officers from the Department of the Treasury. Dr Kennedy, we're particularly pleased that you were able to make time in your schedule for this two-hour block. We really appreciate your time. You've obviously made an opening statement previously. Would you or the minister or other officers like to make an opening statement?

Senator Gallagher: No, thank you.

Dr Kennedy: Thank you, Chair. I apologise too for the inconvenience caused by my family circumstances. It's a pleasure to be here to appear in front of the committee. I'd also like to thank those members who sent very nice wishes to me in those circumstances.

CHAIR: Thank you, Dr Kennedy. I'll proceed to questions. I'll just advise the committee on how I intend to handle the call. As always, this will be a respectful discussion. When questions are asked, the witnesses will have an opportunity to answer them before a follow-up question is asked. I will start by proceeding in 10-minute blocks. At the 10-minute mark, I'll let you know that you have a last question at that point as well.

Senator HUME: Thank you, Dr Kennedy, for coming along tonight. I was sorry to hear about your family circumstances. On behalf of the opposition, we wish your family well and thank you again for coming along tonight. Can I ask about the inflationary impact of the budget. In Budget Paper No. 1, on pages 56 and 57, and statement No. 2 on inflation, it mentions that the budget expects inflation to ease gradually to 2.5 per cent by June 2024 as global supply-side pressures moderate and tighter monetary policy weighs in on demand. I note that the statement, however, fails to mention fiscal policy. I'm wondering whether the impacts of the government's fiscal policy are built into those assumptions.

Dr Kennedy: Thank you, Senator. I think the number for 2024 is 3½ not 2½. So actually inflation is a little higher, I think, in our forecast, by 2024. But, in terms of the inflation forecasts themselves, they do reflect—we take into account all policies, so they do reflect—

Senator HUME: You're right—it's 3½. If the supply-side pressures that are present at the moment don't moderate or monetary policy doesn't move at a pace that will impact behaviour, do you think that these figures may well be worse?

Dr Kennedy: The inflation forecasts?

Senator HUME: Yes.

Dr Kennedy: There's the potential for further supply-side shocks to increase inflation. If there were other reasons why supply was withdrawn, for whatever reason that might be, that could lead to higher prices—for example, if energy prices were higher than what we assumed or if oil prices rose higher than what we assumed. How that will interact with demand and then subsequently aggregate inflation is a little harder to predict. Part of what's been going on with monetary policy particularly is increasing interest rates to constrain demand but also to bring monetary policy back to a more neutral level, because it was highly accommodative previously. Further supply shocks with interest rates back at broadly more neutral levels will have some of their own equilibrating effects, by which I mean, if the prices of some goods went up, people's real incomes go down and they can demand less. So there are a few—I'd just caution that there's always a lot going on in these things, but the potential for inflation to be higher because of further supply-side shocks, as you outlined at the outset, is correct.

Senator HUME: I suppose one of my concerns is that, even since the budget, we've seen particularly economists and the banks come out and predict even higher than expected inflation for the—well, September we certainly saw,

but towards the end of this calendar year above the peak in the budget papers too. Is Treasury still confident that the forecasts that are in the budget papers will hold in light of what's happened since?

Dr Kennedy: Yes, we are. There's been one inflation print, from memory—I can ask Mr Yeaman to comment—since the budget was put out. It was broadly in line, particularly underlying inflation, with what our forecasts were for the peak at the end of the year of 7¼. Others have spoken about a peak of around eight. If we can all get within a quarter point on forecasting, we'll all be doing very well. So I don't see those as significantly different. We do still anticipate inflation to ease next year. Some of the pressures that you raised through the supply side have begun to ease. So we do expect those to begin to flow through next year's. So, in summary, we don't have a different position to the position presented by the government in the budget papers at the budget.

Senator HUME: With electricity and gas prices accounting for one per cent of inflation in the next financial year, is it then fair to say that, if the government fails to contain the price of energy, inflation could in fact be worse?

Dr Kennedy: Those current inflation forecasts reflect those price increases. So they're fully incorporated—from memory, 20 and 20 for gas; and 20 and 30 for electricity. If the government took measures that saw those prices lower than it would take—inflation is likely to be lower. If for some reason those prices were higher than we anticipated, they would likely see inflation be higher.

Senator HUME: If that's the case, can you confirm that the electricity price assumptions that are in this section of the budget factor in the modelled impacts of the government's Powering Australia initiatives?

Dr Kennedy: They do take into account all policy. I can ask Mr Yeaman, if you don't mind, just to add to that.

Mr Yeaman: Thank you. As I think I raised at our last session, we do take account of all policy, and particularly to the extent we look at things like the futures markets for electricity and other goods, they take account of all announced policies. But, as I explained at the time, we don't, from the ground up, build up a direct contribution from every policy that is in place and every factor that feeds into the forecast. So it is incorporated in a general sense in our forecast and reflects our best judgement, but we don't have a breakdown of each policy's impact line by line on the overall inflation forecast.

Senator HUME: Okay, so on the Friday of the last day of estimates, the Secretary of the Department of Climate Change, Energy, the Environment and Water told the environment communications committee that, from the government's perspective and this department's perspective, the outcome that you see projected by Treasury in the budget of 20 per cent and 30 per cent is informed by budget policies, including, obviously, as one aspect of the government's policy Powering Australia. So that's correct?

Mr Yeaman: That's correct.

Senator HUME: So there's a variation from the RepuTex modelling that was, until last week, included on the department of energy's website?

Mr Yeaman: Again, as I said, I think last time, we haven't sought to independently verify the RepuTex modelling. We've looked at our best estimate of what we think the current policy environment and the current external environment will do to electricity prices. We've based that in some significant part on futures markets and the expectations of the markets around where energy prices will go from here, taking account of all factors. So we haven't independently sought to verify that RepuTex modelling.

Senator HUME: You haven't done any independent analysis of that modelling?

Mr Yeaman: No.

Senator HUME: Is it fair to say, then, that, given the modelling predicted that power prices would fall by \$275 by 2025 and that the budget says that they will rise until at least 2024, the independent view of Treasury is that the modelling wasn't accurate?

Mr Yeaman: The way I'd describe it is that modelling, as all modelling does, sought to take account of what impact specific policies would have on some baseline level of price growth in electricity. It was done at a point in time based on a set of external factors at that time and it tried to draw out the deviation from, as I say, an existing baseline. Much has happened since then—most notably, the war in Ukraine, which has had a very significant impact on markets. As I said, we can't speak directly to the modelling itself. We're aware of it, but we haven't, as I said, sought to independently verify it. But I think it's important to keep that in mind that all modelling is based on a baseline at a point in time.

Senator HUME: So at about what date then were the inflation assumptions finalised?

Mr Yeaman: As is standard practice in the lead-up to a budget, we normally finalise our forecasts around two to three weeks before the final budget, knowing we have to feed into other budget processes and print the documents.

So we were keeping it under close review, but it was, as I think I said last time, around two to four weeks before the budget.

Senator HUME: And when were the power price components of the inflation assumption finalised?

Mr Yeaman: It's the same answer, Senator. They were done as part of that broad process.

Senator HUME: Statement 2 in Budget Paper No. 1 only really talks about wholesale power prices in general terms. Are there specific wholesale power price assumptions that informed this section of the budget?

Mr Yeaman: What we did—and the market is obviously quite complex—was that we consulted widely with our colleagues at the Department of Climate Change, Energy, the Environment and Water and also with the Australian Energy Regulator and other market players. For the forecast—the 20 per cent increase this financial year—we leaned heavily on the published DMO, the designated market offer, which was published by the Australian Energy Regulator and made some assumptions about then how that would flow through to—which is a retail concept which has a whole series of underpinning assumptions. The AER has a quite a complex model that they use in-house which looks at wholesale prices, maintenance costs, structure of the market, hedging behaviour, and bidding behaviour on the market. So we looked at the DMO estimate and then made some assumptions about how that would flow through to retail prices. There is a wholesale price underpinning that, but we focused primarily on the designated market offer outcome.

Senator HUME: Is there a standard practice as to the way you would do that? Is that the same as you do every single budget—you use all of that information, or are there new factors feeding in?

Mr Yeaman: In the past, as I think I said previously to this committee, we haven't focused on energy prices to this extent because price movements haven't been as significant. The war in Ukraine has meant there are very significant disruptions to the market. In the past we tended to assume that electricity prices would grow broadly in line with other prices across the economy. In a way, we've had to stand up a new methodology as part of this process.

Senator HUME: Because this is a new methodology, is it something that is going to be standard practice going forward or is there an understanding that it will revert once the war in Ukraine is over?

Mr Yeaman: We'll judge as we go forward, I think. If it was the case that electricity prices started to move more in line with long-term trends and other prices in the economy then we probably would not adopt the same approach. But we'll, of course, keep the framework and methodology under review as we go through this period.

Senator HUME: Okay. Is there something—obviously, you've explained it verbally. Is there something that you can table for us that demonstrates the information that you have used in order to—

Mr Yeaman: I can certainly have a look. The DMO that the AER publishes is a public document, so that largely underpinned that first estimate.

Senator HUME: Thank you.

Senator McKIM: Good evening, Dr Kennedy. Thank you very much for making yourself available for the committee this evening. I've asked the minister many times, I've asked your department, and I've asked members of the Reserve Bank board whether they believe that corporate profits have a role in driving inflation in Australia. It's fair to say that I haven't had any luck at all. But the door did creak open a little bit this morning when I asked Dr Lowe that question. He said this morning, and I'll quote directly from him, 'In some businesses, the change in psychology has led to a change in prices over and above cost'. Would you agree with that?

Dr Kennedy: Psychology is an important part of thinking about inflation, and there are probably two elements people think about: the price-setting behaviour of firms and the wage price dynamic. The government is talking about the price-setting behaviour of firms, and I presume he's talking about the psychology of their readiness to pass on, for example, costs that flow through.

Senator McKIM: That's my interpretation.

Dr Kennedy: Do they absorb it or do they pass it on to maintain their margin.

Senator McKIM: Well, he said over and above cost.

Dr Kennedy: Okay. I haven't seen any evidence of over and above cost, but the potential—well, anecdotally we hear about the cost pass-through happening pretty readily, perhaps more readily than in the past, when firms might have been prepared to absorb some cost increases. That's something the Reserve Bank—I should note that I'm a member of the board—is watching quite closely.

Senator McKIM: Yes, he did say that, at the margins, it's difficult to deny in some cases that it is a factor—that is, that corporate profits are playing a role in driving inflation. He was very clear that it's not, in his view, a

primary role. Anyway, thanks for that response. I thought the minister might be interested in Dr Lowe's comments as well.

Senator Gallagher: Yes, I haven't had a chance to get across what happened this morning.

Senator McKIM: No, it's been a busy day for us both. Dr Kennedy, in Australia, gross operating profits grew about 10 times faster than wages in the last financial year. We've got profits at a record high proportion of the national income. Wages, obviously, are at a record low proportion of the national income. Those differentials can't all be put down to commodity prices, can they? Isn't that a significant indicator that, in fact, corporate profits are driving inflation domestically?

Dr Kennedy: I will ask my colleague to comment in more detail. You probably talked to him about this. Removing mining profits tends to sort of make those shares look a little more consistent on average. It is true in other countries that the profit share has been rising steadily over time. The US is an example of that. It's just very hard for us to judge the longer term trend here, given these very significant swings in commodity prices. But net of commodity prices I think the ratios are pretty stable. If we were trying to make an argument that the shares are swinging significantly and that's an example of large margin expansion, I don't think you'd see it in a ratio examining. I'd have to confirm that.

Mr Yeaman: Senator, as we discussed last time, I think that's my interpretation of the data. I think I did also hear Governor Lowe this morning make a similar comment that, when you take out the mining profit share and look at just the profit share ex-mining, we are seeing it broadly tracking within the historical bands that you might expect. So, for us, we don't see a large story. We're looking at it closely, but we don't see a large story outside of the mining story in that data.

Dr Kennedy: But it is an area well worth watching, and it is an area well worth watching in the period ahead for margins and inflation. I don't dismiss it as an important area of consideration, Senator.

Senator McKIM: Thanks. The budget was framed around providing responsible cost of living relief that does not add to inflation pressures. That was a fairly consistent message from the government. In general terms, what effect would increasing taxes have on inflation?

Dr Kennedy: It depends a lot on the taxes. It's quite a theoretical question. It would depend on whether the taxes would reduce demand. Some taxes may or may not reduce demand. Maybe I'll frame it that way. If taxes were increased that reduced demand, that would tend to, in the same way that rising interest rates reduces demand, take some pressure off inflation. But one would have to think about that very carefully, because those people who are often most responsive to tax increases are often those people most affected by interest rate increases, for example. Those people who, if you like, don't have large buffers are not constrained. I don't know. Do we do these very theoretical questions?

Senator McKIM: I'm happy to—

Senator Gallagher: I was going to say: is there a particular—I feel like you might be leading us down a path.

Senator McKIM: No, I'm not going to stage 3 tax cuts. You might think I am, but I'm not.

Senator Gallagher: Well, no, I'm thinking of another favourite one. Perhaps if you could be—

Senator McKIM: I don't mean to ask—

Senator Gallagher: Because hypotheticals are difficult.

Senator McKIM: Sure. I'm happy to move on. If taxes were increased on those who had the most capacity to pay—the wealthier—and the revenue used from those taxes was used to fund or to offset cost of living support for those who need it, are you able to say what impact that would have on inflation?

Dr Kennedy: Potentially a positive impact on inflation, because you're redistributing away from those who have that space and giving it to people who have a higher propensity to consume out of their moneys. That's part of the challenge that we face in this period. One of the substantial increases in the budget—I feel certain you discussed this—was the increase in index payments and for people to keep track with inflation. It is why we do have to think, in providing any support at the moment, that we don't add to demand pressures. Policies aimed at redistribution—once again, this is very hypothetical—could go in either direction, frankly, depending on how they're structured.

Senator McKIM: All right. So, Minister, why isn't the government doing things like introducing a corporate super-profits tax or introducing a wealth tax to tax the wealthy to provide the funds so you can deliver cost of living support for people who most need it?

Senator Gallagher: Well, that isn't the path—you can see it's not reflected in the budget, so the government hasn't chosen to go down that path. But I would say that we were very focused on how to provide responsible cost

of living relief. One of the things that hasn't been spoken of, which Dr Kennedy just mentioned, or hasn't been spoken of considering the size of it in the budget, was the support that went to those most in need on payments through the adjustment parameter variation, I think it's technically called, to payments, which was in the order of \$32 billion. That is a significant investment to assist. Particularly, one of the big components of that was to assist with some of those big increases in energy prices. The budget is doing what it needs to do to respond to that.

Senator McKIM: All right. Dr Kennedy, the statement that was tabled on your behalf at estimates earlier this month used, in my view, quite strong language, if you look at a sort of a bureaucratic scale, if I put it like that, rather than a political scale. Obviously, the minister and I operate in the latter and you operate in the former. It did use pretty strong language in explaining that the excessive profits of coal and gas companies are hurting everyday Australians. That's a paraphrase and not a quote, obviously. I do commend you for stating that so clearly. Are you able to just really briefly elaborate on the arguments in support of and against potential solutions? Because we haven't got much time, I'm just specifically interested in the arguments for and against gas reservation and the arguments for and against price caps. It's a big question, I know.

Senator Gallagher: Just in one minute, if you could!

Dr Kennedy: Yes, okay. I'll just make a comment that perhaps I didn't cover in my opening statement. We do have to be cautious in these policies, particularly around gas, because—perhaps I should have been clear in my opening statement around this. I expect gas to be a very important transition fuel in the years ahead in meeting climate objectives. So whatever policy measures the government chooses to take as it looks at potentially large, as you said, revenues flowing to both thermal coal miners particularly and gas producers, there is this short-run impact and it is definitely flowing through to, firstly, the setting of electricity prices and then, secondly, directly to gas costs. The concern I outlined in my statement was around whether that short-term—let's hope it's short-term— increase caused some businesses distress and to otherwise close and caused people distress. That seemed to me to carry a cost that the government might consider addressing, but I am very mindful of the importance of that being done, as I outlined in my statement, as a temporary measure, it being clear that any measure that's taken is consistent with the government's broader objectives around emissions reductions, ensuring safe and reliable energy supply.

But, also, it's hard to think of a country at the moment that isn't taking a measure to protect its community in some way from these high energy costs. As I noted in my statement, Australia, as a net energy exporter, is probably uniquely placed to be able to protect. I'd make one last comment. This is not specifically about the pros and cons of a reservation policy, but it is worth noting there's quite a lot of variety in these outcomes in Australia at the moment. In particular, Western Australia is being protected from these large gas increases because it does run a gas reservation policy. That's not an argument for or against it. I just point it out as a matter of fact that, when we connect ourselves to the international price and we have a very large shock that's driven by non-economic circumstances, it's just wise for the government to consider options about how best to deal with that across the broader community.

Senator McKIM: Price caps, Dr Kennedy: do you have any thoughts on those?

Dr Kennedy: They are just one of a number of mechanisms that the government could consider to protect the community. As I noted earlier, there's an automatic adjustment going on at the moment for welfare recipients through indexation, but that, of course, doesn't flow to businesses that might be affected by higher gas prices or to households that are not receiving those welfare benefits.

Senator McKIM: Thank you.

Senator DEAN SMITH: Thank you, Secretary, for making yourself available. Good evening to you and officials. Just turning to the opening statement that you or the deputy secretary provided to the committee, was the Treasurer made aware of your opening statement prior to it being presented to the committee?

Dr Kennedy: Yes, I always provide the treasurers I've served—in fact, any minister I've served—as a courtesy, a copy of my opening statement. I've provided all ministers that I've worked with as a courtesy a copy of my opening statement.

Senator DEAN SMITH: And is that provided on the morning of the estimates or—

Dr Kennedy: Depending on how well I'm going in terms of getting it settled, generally that's usually pretty close. In this case it was pretty close, because I was working on it coming up to estimates.

Senator DEAN SMITH: So pretty close to the opening of the estimates?

Dr Kennedy: Yes.

Senator DEAN SMITH: So the morning of the estimates?

Dr Kennedy: I will have to take—I think it was the day before, but we will take it on notice so we can be precise about it.

Senator DEAN SMITH: Excuse my ignorance, but is the opening statement provided to the Treasurer and his office so that they might provide commentary or feedback to you or is it provided as a courtesy and for their early information?

Dr Kennedy: It's my statement. It's provided as a courtesy. I am always open to feedback and I have always found that ministers and their offices can provide very wise feedback, because, as public servants, we sometimes don't—we miss some of the nuances of language, et cetera. But in this case there were no significant changes. There were no significant changes provided in the feedback.

Senator DEAN SMITH: But some commentary or some nuance was provided?

Dr Kennedy: In fact, in this case, none, I think. But I'll take that on notice and check for you as well.

Senator DEAN SMITH: Thank you very much. In your opening statement, you talk about various policy responses. I might just read the particular section to you. It's at the bottom of page 7 of nine pages. It reads, 'Policy responses could take many forms, but, in the current circumstances of generalised price pressures, they need to be mindful of not contributing further to inflation. This would suggest to us that interventions that directly address the higher domestic thermal, coal and gas prices are more likely to be optimal'. Can you provide us with some examples of what you mean by 'interventions'? What is the suite of interventions that might be available to the government?

Dr Kennedy: One form of intervention is to simply compensate businesses and consumers for the cost increases that they're facing with just a straight call on the budget. A version of that might be to find a way to increase revenue to make that compensation. Alternatively, some jurisdictions have gone and capped retail prices. That can have unintended consequences and lead to quite a lot of dysfunction in the market itself because the retailers might be bearing higher input costs and trying to have their prices capped in that way. Other caps can be applied to the wholesale prices or the fuel sources that flow through. Other forms of rebates can be paid. So there is a wide variety of ways of either subsidising or trying to cap the cost in some way, and it can be a net—these are very hypothetical questions. It can be a net positive, a net negative or neutral depending on how the counterpart is organised. I guess my point here was, beyond the direct increase of electricity prices Senator Hume was talking about earlier that's flowing through to inflation, we are in a period of monetary policy tightening to contract demand and it'd just be unwise to contribute to demand unnecessarily.

Senator DEAN SMITH: When we look at the particular suite of measures that you've mentioned, which of those would be the least inflationary?

Senator Gallagher: The hypothetical ones.

Dr Kennedy: Yes. Look, it's probably easy to answer it in the opposite way. The most inflationary ones would be to simply distribute compensation. Most of the others can be designed in ways to not add to inflation. So it's any measure that doesn't—that is sort of net neutral on the budget or is going to be a way that doesn't add to inflation, effectively.

Senator DEAN SMITH: And which of those measures is likely to have a negative effect on investment?

Dr Kennedy: Any measure that was clearly not temporary, where the circumstances weren't clearly explained about how the measure would work and that was rushed or put in place in a hasty way.

Senator DEAN SMITH: I just want to turn briefly to the Treasurer's letter to the ACCC chair of 22 October. In that letter the Treasurer asked the ACCC—are you familiar with the letter?

Dr Kennedy: I'm familiar with the letter. I don't—

Senator Gallagher: It would probably be good to have a copy of it if you're going to read from it and ask questions about it. Do you have a copy that you can—

Senator DEAN SMITH: I do have a copy. I can get that to the secretariat.

Senator Gallagher: Well, it depends on how many questions you've got on it.

Senator DEAN SMITH: What I'll do is come back to it, because I'm going to quote directly from the letter.

CHAIR: Senator Smith, I'm just clarifying whether this document is available with the secretariat.

Senator DEAN SMITH: We've put it on the website of the committee.

Senator CANAVAN: It's already been tabled, has it?

CHAIR: Okay.

Senator Gallagher: But is there a way to get—we can look it up.

CHAIR: If you're happy to proceed without the document—okay.

Senator DEAN SMITH: In that letter, towards the end of the letter, the Treasurer asked the ACCC chair: 'In addition to the examination of the code of practice, I expect the ACCC to consider and provide advice to my department'—that is the Treasury—'on other steps to improve the full functioning of our east coast gas markets'. Then at the end of the letter he asks the ACCC chair to provide advice to 'my department'—the Treasury—'by mid-November 2020'. Has that advice been provided by the ACCC to the Treasury?

Dr Kennedy: Yes, it has.

Senator DEAN SMITH: When was it provided?

Dr Kennedy: Where are we? The week before last? I will just have to confirm, but at least a week ago.

Senator DEAN SMITH: And did that advice include information in regard to other steps to improve the full functioning of the east coast gas market?

Dr Kennedy: The advice covered all that was requested of it, yes.

Senator DEAN SMITH: Are you able to detail for the committee what that advice said?

Dr Kennedy: Not at this stage. That advice is currently under consideration and going through a broader deliberative cabinet process. I would further add that I'm not going to speculate on matters that would have commercial significance. I'm not going to use that test. I know you don't like hearing that test, but I think it's important that we're careful about that. Anyway, frankly, I'm not going to speculate on a matter that's so clearly being deliberated in front of government right at this moment.

Senator DEAN SMITH: That's a fair comment. Thank you.

Senator CANAVAN: Thank you for appearing, Dr Kennedy. Once again, I pass my best wishes to your family. I'm a bit disappointed we didn't get an opening statement 2.0. Your first one was a blockbuster, so I was kind of looking forward to it. But there's enough from your first statement. I kind of wanted to pick up where Senator Smith was earlier around the flag interventions in the energy market. In the preamble, if you like, to the bit where you spoke about the interventions, you said, 'economists are fond of saying that the solution to high prices is high prices'. You went on to say that would normally be the way we'd let things work out. I understand what you're saying here—that these are remarkable circumstances. I suppose my concern here is that your statement and what we're hearing from the government is largely about measures that will, to some degree, penalise investors in the energy market in this country. There don't seem to be a lot of carrots in return. There doesn't seem to be a lot of encouragement to actually invest and deal with the high prices by more supply. Have you provided any advice to the government or is there anything in this broader set of interventionist measures that Treasury is considering to actually encourage increased supply of energy in Australia?

Dr Kennedy: I think it's fair to say the government is very mindful of, particularly for gas, the importance of not intervening in a way which discourages supply. As I said earlier, I made a comment which, frankly, to use Senator McKim's language, was just all too coded. Further, such interventions need not subtract from the policies that address broader challenges to reduce emission intensity or electricity production in Australia if well designed. In other words, as I said, I think gas is a very important part of the transition in this country. I think these policies—I would encourage the government to consider policies that investors can see are not going to actively discourage them from investing. In terms of the profits—in terms of why wouldn't we just let these high prices flow through—it's a reasonable question.

Senator CANAVAN: It's not my question, really, though. I get what you're trying to say, but your language there is 'I want to do things that don't discourage you'. It's quite negative language. If someone's looking to invest billions of dollars in this country, you'd want to hear a level of positive encouragement: 'We won't hurt you. We will try not to hurt you'. As an investor, you'd actually like to hear, 'We'll try and help you'. So that's my point here. If I could just bring another data point in here, we spoke to Dr Lowe this morning and he pointed out in his speech to CEDA last week that we've got these very high prices. In fact, we now have terms of trade higher than the previous mining boom. In that previous mining boom, we had an increased investment in resources, including in gas—\$200 billion of investment in our gas industry over those years—yet it hasn't budged. We're not seeing any increase in uptake in resources investment in Australia. So what is going wrong here? Why aren't people choosing to invest in this country, even before we talk about potentially other measures that might be welcomed by investors, let's face it, like price caps and what have you? Where are the carrots? Isn't there an opportunity here to get rid of red tape and to free up the EPBC act to do things that will actually encourage and give long-term confidence to the gas sector? I would like to give long-term confidence to the coal sector as well and give long-term confidence to investors: 'Look, we might have some temporary measures here and you might not like them, but in the long term here are some things that make sure we're still a stable country for investment'.

Dr Kennedy: I think the government, in its consideration in these areas, is wise to consider those matters that affect the investment decision-making. You mentioned the environmental processes. They clearly have to go through robust arrangements at the state and federal level, but they should be as well applied as possible so that we don't discourage people from investing in gas. It is a little more complicated with thermal coal. I'll just make two points on that. Often, when we've talked about record terms of trade in this country, we're usually talking about iron and metallurgical coal. That's not what we're talking about this time. We're mostly talking about thermal coal and gas. Iron ore and metallurgical coal are coming off. But your broader point—

Senator CANAVAN: But gas is—

CHAIR: Senator Canavan, please let Dr Kennedy conclude his answer.

Dr Kennedy: But we have very successful gas investment in this country. It's incredibly important for our Asian partners. We have very high foreign ownership of these enterprises in Australia, which is welcome. It's a great investment in the country. It allows it to meet the energy needs of other countries. It's important that Australians feel that great resource that is being utilised, and that wouldn't have been utilised without those funds, is both appropriately taxed and, secondly, that, as they are Australian resources, Australians don't feel in some way disadvantaged by that great investment. But I think all governments of all persuasions can handle that well. It's an important resource to continue to support.

Senator CANAVAN: Has the government asked you for advice on how we could encourage more investment in the gas industries—say, through red tape reduction?

Dr Kennedy: My sense is that—I'll leave it to the minister to make a comment about the government's broader attitude here. But, frankly, in all my discussions I sense a very positive attitude about encouraging gas investment in Australia.

Senator CANAVAN: Minister, as we both heard this morning from Dr Lowe—I realise you weren't there, but he similarly said he thinks we need investment increase in gas in Australia. Dr Kennedy is saying the same thing. What is the government doing to encourage investment in gas in Australia?

Senator Gallagher: We're working with everybody. Our urgent focus at the moment is looking at all of the options available to deal with these short-term pressures, but that involves a lot of discussions with companies, with other stakeholders and with states and territories. We've got an open and good dialogue going on. It's a pretty intense period of time.

Senator CANAVAN: Since you came to government you've called in 18 coal and gas projects that had been approved and now they're going through the EPBC act again. You've slashed over \$50 million from gas investment in the budget. Can you name one positive policy you've adopted to encourage development of gas, particularly given that the advice from both Dr Kennedy and Dr Lowe is that we need more gas in Australia?

Senator Gallagher: On the two points you raise, following the statutory processes and the decision-making around that, that is appropriate. That's what the EPBC act is there for. On the decisions made in the budget about deferral or not continuing with projects, they were where there wasn't enough information, for example, to underpin some of those decisions or there was a reframing of it to more align with government priorities. But I can say that, since coming to government, dealing with energy, the energy market, the companies themselves, the decisions they're making and the relationships we have through our international trade obligations have all been front and centre of cabinet discussions and deliberations. We inherited an energy mess, frankly, and we're trying to work through it, dealing with the most urgent bits, one by one.

Senator CANAVAN: I think it's important for the record to show that the 18 coal and gas projects were not part of the normal EPBC process. They were in fact called in in response to a campaign by Environmental Justice Australia on behalf of the Environmental Council—

Senator Gallagher: There's a legal framework

Senator CANAVAN: That's why—sorry. I didn't interrupt you, Minister. I was very tempted to do so, given the incorrect information you were putting on the *Hansard*, but I didn't interrupt. The decisions were ones in response to a campaign. The minister for environment had no obligation to agree to this campaign, but they were pressured. She was pressured by Environmental Justice Australia on behalf of the Environment Council of Central Queensland.

CHAIR: Is there a question, Senator Canavan?

Senator CANAVAN: Well, there is. I think it's important to get the *Hansard* correct here. This government, and we clearly hear from the minister, has not a single policy to encourage gas development—not a single one.

CHAIR: Is there a question?

Senator CANAVAN: Well, I'm happy to correct that if there is one.

Senator Gallagher: I'm sure the minister for the environment acted in accordance with the law.

Senator CANAVAN: For quite a while now, not a single policy, despite that being the advice from her senior economic advisers. Thank you.

Senator HUME: I did ask some questions in our last estimates, but I'm interested in hearing from the secretary directly. Box 3.2 in Budget Paper No. 1: the origins of this one make me scratch my head. For the benefit of Hansard, this is the box that looks at the pre-election fiscal outlook and adjusts it. Was this box included, Dr Kennedy, at the instigation of Treasury or of the government?

Dr Kennedy: It was a suggestion from us, particularly the comparison to PEFO, because, as you know, senator, PEFO is a document signed off by myself and the finance secretary. In this case, it was Rosemary Huxtable. Because these changes that we were—one was a change in methodology, which was the productivity assumption. The second was effectively the same methodology but a flow-through of a significant change in yields. The third was a piece of updated information from the NDIS actuary. Given my responsibility for those previous numbers and the significant change in this budget from those numbers, I felt in many ways I had an obligation to be very clear about how they had flowed through, because otherwise there's a reasonable question to me, 'Well, you published a PEFO a few months ago. Why wasn't this in the PEFO?' We were just doing our best to be frankly transparent about how significant these changes were. I would add that the productivity difference was published in the IGR. So the impact of the lower productivity number was published in the previous government's IGR by Treasurer Frydenberg. I had spoken publicly about that. That was not new—in a sense, the impact of 1.5 to 1.2—because the previous government had published that. But we were now adopting 1.2. The yields are just what the yields were, so we showed that difference. Then the NDIS is, as I said, an input. I thought it was useful from a transparency perspective and, frankly, an accountability in some ways. The budget document is the government's document, clearly, but it was an accountability for us to show how things had moved so strikingly over the course of only a few months.

Senator HUME: So does that mean that you don't stand by the PEFO?

Dr Kennedy: No, I stand by the PEFO.

Senator HUME: It's just that a lot changed.

Dr Kennedy: I do stand by the PEFO. We went about it and it was our best assessment when we did it. We had, internally, discussed the productivity assumption. I'm not sure if you're aware there'd been speculation about that for some time, which is why we did the two scenarios in the IGR. The yields were literally just the change in yields that happened between PEFO and when the budget was done, and the NDIS was simply just the change. So two of those changes were things that we just did not have at PEFO. The productivity assumption was one, as I said, that we'd already begun, through the government's documents, to look at, and we did advise the new government to move to the lower assumption.

Senator HUME: But the IGR and the March budget weren't based on the 1.2 per cent?

Dr Kennedy: No, they were based on the 1.5. In the IGR, there was a 1.2 scenario. So we began to talk about the difference between assuming 1.5 versus 1.2. The difference that you're seeing in that box that's assigned to productivity was, if you like, a number that was the calculations that the previous government had already talked about when it talked about different productivity scenarios.

Senator HUME: Has this ever been done before? Has there ever been an adjusted PEFO before?

Dr Kennedy: There's probably never been quite so much changed between PEFO and then the next budget. But, look, I hoped it was informed. I mean, I'm hearing that you didn't think it was so useful. I was hoping that it would be quite a useful way of illustrating how these three particular changes were significantly impacting the budget—sorry, I will correct—

Senator HUME: Wouldn't you just include them in the budget and its projections going forward rather than changing the baseline?

Dr Kennedy: You mean going back and what our PEFO looked like?

Senator HUME: Yes.

Dr Kennedy: We could have, yes. We could have done that. I'll just make one—I think I've slightly misled you on one issue. We did show the impact of the higher yields in PEFO through a scenario there as well. But that wasn't the baseline scenario that had higher yields. That was a high scenario. By the time we came to budget, the high scenario was now the baseline scenario. So, apologies, I should correct that. So the productivity difference and the yield differences were reflected in past scenarios and, in fact, look quite similar to what's being passed through here.

The NDIS is the only one that's completely novel. I thought it was a useful way of illustrating how powerful these impacts were.

Senator HUME: That's what a budget's for, isn't it—saying, 'These are the things that are going to impact the budget going forward', not 'If these things had existed, this is what the budget would've looked like last time'? It's a very unusual way of going about it, isn't it?

Dr Kennedy: I hear your comment. I'll take it on board. I thought it was a useful way of illustrating how powerfully these impacts had changed, but—

Senator HUME: Doesn't it change your goal posts? You're changing the goal posts, so—

CHAIR: Senator Hume, I think Dr Kennedy is trying to answer your question.

Dr Kennedy: No, I don't think so, but I hear your comments. I do take responsibility for it. We did suggest it. As I said, it was specifically suggested as a change from the numbers that we were responsible to, not the previous governments, for that reason—because we owned those previous numbers.

Senator HUME: I suppose for that very reason, can we then reaffirm or can you reaffirm that PEFO, when it was published, did in fact reflect all government decisions and all other circumstances that may have had a material effect on the economic and fiscal outlook that were in existence before the issue of the writs before the election, which is exactly what a PEFO is supposed to do?

Dr Kennedy: It absolutely did. It was our best judgement at the time.

Senator HUME: So why would we use a different baseline for future budgets rather than the last budget, which was just before that PEFO?

Dr Kennedy: Sorry, do you mean keep the productivity assumption or something?

Senator HUME: Why don't we say, 'This is where the last budget was. Things have changed. In the next budget, this is what it's going to look like', rather than saying, 'Actually, let's look back and reflect on what the last budget should have looked like had these things been known then'? That's a very unusual way of doing your accounting, I would have thought.

Dr Kennedy: Okay. I hear your feedback.

Senator HUME: Thank you.

Senator DEAN SMITH: Secretary, I just want to turn the matter of the economic inclusion advisory committee that has been announced. There's been some commentary from the Prime Minister on that today and yesterday. Can you explain to us what is the role of Treasury in the economic inclusion advisory committee?

Dr Kennedy: My understanding is that the Treasurer and Minister Rishworth will have a role in the economic inclusion advisory committee. I have not yet had a chance to discuss with the Treasurer exactly how we'll go about supporting him in playing that role.

Senator Gallagher: That's right. It's the Treasurer, Minister for Social Services and then independent appointees to a board that provide advice to the ministers.

Senator DEAN SMITH: And how will it work? How will it go?

Senator Gallagher: Well, there will be experts appointed to the body.

Senator DEAN SMITH: How many?

Senator Gallagher: I'm just checking. I'm not sure of the exact number.

Ms Reinhardt: I could jump in. There will be 12 experts appointed to the group. Those experts will be agreed by the two ministers. They will be drawn from different community groups, academic experts, representatives from advocacy organisations, unions, business peak bodies and the philanthropic sector, and economists—so a wide range of input. They will provide advice to government, which will be non-binding advice leading up to budgets around economic inclusion. And then the government has the opportunity to take on board that advice when developing its budget.

Senator DEAN SMITH: Has a shortlist of experts been prepared?

Senator Gallagher: I don't believe so.

Senator DEAN SMITH: When is the panel expected to be announced?

Senator Gallagher: There will be an interim panel that will be announced by the end of the year prior to the formal committee being established, which will require legislation. But that can't be dealt with this week, so it will be dealt with next year.

Senator DEAN SMITH: In the first week of the sitting next year?

Senator Gallagher: I don't know if it will be the first week of the sittings but it will be early next year to set it up formally in place so that it's in place and ready to provide advice through the budget. But there will be an interim body before that.

Senator DEAN SMITH: So the legislation will be in place prior to the next budget?

Senator Gallagher: Subject to the Senate going through its procedures as it chooses to, that would be the intention. There will be an interim one in place to fulfil the advisory role. But the agreement is for a legislated process.

Senator DEAN SMITH: Is it possible that we have a scenario where the budget is delivered next year and all we have is a temporary or interim advisory panel?

Senator Gallagher: That's subject to the parliament. I can't get ahead of that. The intention is that we would have legislation and that we would establish it as soon as possible. But in terms of the role that it would play in providing advice to government—that can be dealt with outside of legislation; it's not dependent on legislation to be able to provide that advice. But it is going to be a permanent feature and so that's why legislation is preferred.

Senator DEAN SMITH: So because it's going to be a permanent or statutory feature, will it have access to a secretariat?

Senator Gallagher: It will be supported, yes, of course. It would be—

Senator DEAN SMITH: Where would that secretariat be based?

Senator Gallagher: I think some of those details are still being worked through in terms of how you resource it, but it will be supported by the Treasury and the Department of Social Services through their ministers, and the Department of Finance where relevant.

Senator DEAN SMITH: The Prime Minister made some remarks that the panel members would have full access to Treasury advice and analysis. How will that work?

Senator Gallagher: The way it normally works with bodies like that.

Senator DEAN SMITH: I'm not aware how that works.

Dr Kennedy: In a usual review process—it would be a matter for the government to determine precisely. But we support many panels. We would normally run a small secretariat. They would possibly commission or decide on work they want done, and that work would be done and go directly through that secretariat to the panel.

Senator DEAN SMITH: Is the expectation that will be up and running in time for this economic inclusion advisory committee to make a meaningful contribution to the next budget?

Dr Kennedy: Depending on all the various government decisions, Treasury would be well placed to be able to provide that advice, any advice sought.

Senator DEAN SMITH: There's been some suggestion that the recommendations of the panel will be published.

Senator Gallagher: That's right.

Senator DEAN SMITH: Will they be published in an unsanitised version or will they be published in a sanitised version having gone through the secretariat process. I'm just curious to know: is it a completely independent economic inclusion advisory committee?

Senator Gallagher: It's a bit hard to get ahead of legislation that hasn't been drafted for a committee that hasn't been established. We've had this discussion before.

Senator DEAN SMITH: I'm just keen to understand how well thought out it's been.

Senator Gallagher: It has been thought. My understanding is that high-level recommendations and findings of the committee will be released by, I think, two weeks prior to a budget being handed down.

Senator DEAN SMITH: How was the inclusion advisory committee concept communicated to the Treasury? Or has it come from the Treasury?

Senator Gallagher: In the normal way you would expect? I certainly had discussions with the Prime Minister and the Treasurer about it and about its establishment. That would feed back through normal channels. Advice would have been taken—information taken—and helped to shape it.

Senator DEAN SMITH: When did those conversations happen?

Senator Gallagher: In the formal process—over the weekend were the discussions that I was involved in. But may well have been some discussions before that. But specifically about this, I was involved in discussions on the weekend.

Senator DEAN SMITH: So is there correspondence between your as the Minister for Finance, the Treasurer and the Prime Minister that gives some shape and form to the economic inclusion advisory committee?

Senator Gallagher: There is correspondence around that.

Senator DEAN SMITH: Can that be provided to committee?

Senator Gallagher: I'll take it on notice.

Senator DEAN SMITH: Why was the decision taken to legislate the economic inclusion advisory committee?

Senator Gallagher: I think there was agreement to have a permanent sort of standing feature performing this role that would have an ongoing role. Legislation creates the framework for that. It's not something that you just can establish and then not proceed with. So it's a permanent commitment to have this function feed into and through the budget process.

Senator DEAN SMITH: Will the panel members be remunerated?

Senator Gallagher: No. The agreement is that they will not, other than travel costs.

Senator DEAN SMITH: So no sitting fees, just travel and—

Senator Gallagher: My understanding is no sitting fee. My understanding is that it's coming to assist with this piece of work through commitment to the work itself.

Senator DEAN SMITH: And will there be a geographical distribution of the 12 panel members?

Senator Gallagher: I think it's yet to be resolved. As Ms. Reinhardt said, there will be 12 appointees. There will be a process that's gone through. There are a range of experts that you would want to see as part of that group. But I imagine there will be a lot of interest and we'll work through that in a careful and thoughtful way to have the interim body established by the end of the year.

Senator DEAN SMITH: Thank you.

Senator CANAVAN: Returning to the topic of the energy market, Mr Kennedy, have you been or has Treasury been asked to conduct any analysis of altering the tax regime for coal or gas or any energy markets in Australia, in this government's term?

Dr Kennedy: In looking at this issue, we've been providing the government with a full range of advice around what's going on overseas and, in theory, the potential options in Australia.

Senator CANAVAN: So you have provided some advice on potential options to change the way coal or gas industries are taxed in Australia?

Dr Kennedy: We just consider it our responsibility in this circumstance to provide a government with comprehensive advice on every possible way one could think about these issues.

Senator CANAVAN: Has the Treasury costed any particular tax options on coal or gas industries?

Dr Kennedy: As I said, we've been comprehensive in our advice.

Senator CANAVAN: That doesn't quite answer my question. I think it's a fair and reasonable question. I'm not asking for the costs or the advice. Have you calculated the costs of different changes to the tax regime for coal or gas industries in Australia?

Senator Gallagher: Through the work that's currently before the group—and we did discuss this at the last estimates at length—we are seeking a range of information from a number of different agencies to fully inform our decision-making on the best way forward. I think, as we said last time, the current and expected increases in energy prices are not acceptable to the government. We are looking at what options are available to intervene. It is as you know, Senator Canavan, extremely complex and something that governments wouldn't naturally wander into unless we were trying to deal with putting some downward pressure on prices not only for households but for industry as well. And I think the Treasurer has outlined that we were looking at regulatory intervention options but also looking at options through the tax system and subsidies to provide bill relief for households and industries, looking at the industry code of conduct and considering recommendations, I think, from the work that Treasury's resumed that was initiated under your government about the PRRT. We're looking at all of those. They're currently before the government now, in active consideration across a range of options. Rule in, in rule out again is really—

Senator CANAVAN: It's not rule in, rule out again; it's—

Senator Gallagher: It's just not helpful. It's not helpful when you're trying to have a mature and responsible analysis of how the government should respond to the current situation.

Senator CANAVAN: Here at Senate estimates we are evaluating the government's construction of a budget or policies for Australia. It's well within, I think, the Senate's right to seek the information.

Senator Gallagher: Yes, and I've answered honestly.

Senator CANAVAN: In truth I haven't got an answer yet, so I'll try for a third time. Has the government or the Treasury costed any options for changes to Australia's tax regime for coal or gas industries?

Senator Gallagher: I did answer it. I said the immediate focus when we started this was on regulatory intervention options, but options through the tax systems and subsidies to provide bill relief for households and industries are also being considered.

Senator CANAVAN: But that's not—my question is: have they been costed?

Senator Gallagher: The government is taking advice from those departments, from relevant departments.

Senator CANAVAN: You're not answering. You've obviously got something to hide, Minister if you can't answer. People can make their own conclusions.

Senator Gallagher: I have nothing to hide. But a mature, responsible government trying to work through the challenges we inherited, frankly—from a very difficult energy market and a very difficult energy environment from day 1. We inherited it. So what I'm telling you is that we are doing the responsible thing. Yes, we are getting advice from Treasury, we're getting advice from Finance, we're getting advice from the environment department, we're getting advice from Industry Resources and Science, we're getting advice from DFAT and from trade. Yes, we are doing the work thoroughly.

Senator CANAVAN: My takeaway is yes: the answer to that is yes, you have costed options. Minister, just in the last few hours in the Senate you've said: 'The government has no plans for a mining tax. The Prime Minister has been very clear on that. The Treasurer has been clear on that.' So if the government has no plans for a mining tax, why are you considering tax changes?

Senator Gallagher: My answer was correct at question time and I stand by it. But I also am explaining to you that the government has not hidden the fact that we are looking at every possible option available to us to lower the price of energy in this country, something I would have thought that the opposition would support.

Senator CANAVAN: I'm just asking very simple questions. They're your own words.

Senator Gallagher: We are having a look at the best way to do it. You can try to beat this up, Senator Canavan, but you're not—

Senator CANAVAN: You said there are no plans for a mining tax but you just said now that you're considering. You can't be asked questions without being—

Senator Gallagher: I can see what you're trying to do. You're trying to reduce this to a scare campaign, and it's not right. We should all be working together to look at how to put downwards pressure on prices. I'm serious. You guys want to run a scare campaign. We actually want to try to fix the issue.

Senator CANAVAN: I'm just trying to hold you accountable for the promises you made to these people. Our job is about—

CHAIR: Senator Canavan, I do note that you've asked the same question four or five times.

Senator CANAVAN: I've moved on to a different question, which is about the minister's words. The minister's words were that there were no plans for a mining tax.

CHAIR: It's pretty much the same question.

Senator CANAVAN: Point of order, Chair. Obviously there are standing orders against repetition, but this is not repetition at all. This is a fair line of questioning.

CHAIR: Go ahead. I am listening carefully.

Senator CANAVAN: The consideration of the tax changes that you've alluded to, Minister—are they still being worked on? Given your statement to the Senate today, has there been a direction to no longer consider tax changes—we've ruled those out? Or are they still under consideration?

Senator Gallagher: The government's doing the necessary work to fully inform the decisions it will take about how best to put downward pressure on prices for households and business and industry in this country at the moment.

Senator CANAVAN: So it's still under consideration. On the same topic but slightly moving on, given the extensive work that's being done on this issue, Dr Kennedy, how many what percentage of coal-fired power stations in Australia buy coal on the spot market?

Dr Kennedy: Do you mean connected to the international price?

Senator CANAVAN: Yes. To make it clear: what proportion of the coal used in coal-fired power stations is contracted with long-term contracts, and how much is bought off the spot market, which is the topic of a lot of discussions?

Dr Kennedy: I'm not going to have all that detail to hand but I'm happy to make a couple of remarks if it's okay and happy to take it on notice.

Senator CANAVAN: Maybe someone could help you.

Dr Kennedy: I have to say, though, this is well within the area of expertise of a different department, frankly.

Senator CANAVAN: I'm only asking because you're obviously flagging energy price interventions. This is a very relevant metric given the statements you've made. It's just that the context—

Dr Kennedy: I won't do it precisely by the numbers. I think you particularly understand the system well. There are, for example, in Victoria, coal-fired generators that are not exposed in any way to international coal prices. There are some coal-fired generators—and I can't do the precise numbers—in New South Wales and Queensland that would little exposed. And there would be some that would be more exposed. The issue—and you are going to get right out on the edge of my expertise—in the energy market is the marginal price, the last price set, the highest cost price set. That's going to set the price for everybody else. So, for example, some coal-fired generators may well be generating electricity at quite a low cost because their coal is low cost.

Senator CANAVAN: It could be priced on long-term contracts.

Dr Kennedy: Correct. But if the marginal price is high because that last price that's being set is being set by a price that's internationally connected, that is the way that price will flow through the entire setting of prices inside—

Senator CANAVAN: Everything you say is correct but, Dr Kennedy, you've made commentary in your opening statement and here today as well that one of the reasons we've got high electricity prices is that the war in Ukraine has affected international spot price markets effectively—coal and gas prices. But from your answer, I don't think you really know if that inframarginal or marginal coal-fired power station is getting their coal from the international market. So how could you draw a conclusion that high international coal price is what's driving electricity prices if you don't even know that the coal-fired power stations are buying that and paying that price?

Dr Kennedy: The advice that we're getting from the Australian Energy Regulator and from the relevant department is that marginal price that's getting set—I think coal is setting the price in the electricity market, in the NEM, around 80 per cent to 85 per cent of the time, coal and hydro, but hydro shadows the coal price. And then, as I said, if on that margin there are significant coal-fired generators, potentially very large ones, who are either striking contracts or have struck contracts or are exposed to that spot market, that will flow through to—

Senator CANAVAN: Again, you're talking in terms of if. You're not—

CHAIR: This is your last question.

Senator CANAVAN: I just want to ask a follow-up.

Dr Kennedy: I'll be clearer. We have been provided with evidence that is the case. But I suggest, Senator Canavan, that if you want to really dig into that, you need to be talking to the Australian Energy Regulator.

Senator CANAVAN: That's my next question. The evidence you provided, at least there, does not deal with my issue, even if coal was setting the price 88 per cent of the time. What I'm asking is: are those coal-fired power stations paying the international price? Even if they were setting it 100 per cent of the time, are they paying the international price? And from the information I have—and maybe this is more a comment than a question; you can comment on it if you like—what the AER is doing is saying, 'Here's the price they're bidding at.' They're then backing out an implied fuel price cost based on heat rates and other technical aspects of a coal-fired power station. They calculate an implied fuel price that's not actually necessarily what people pay. As the minister said before, this is very complicated. The measures and interventions you'll be taking will have lots and lots of outcomes, potentially very perverse ones. And if we don't even have the basic information—that is, what exactly our coal-fired power stations are paying—we're going to make a lot of errors, just like Treasury did in the mining tax debate, when they failed to consult with the industry. They had no idea how the mining sector worked. They came up with a beautiful brown tax which looks good in a textbook and was a complete and utter disaster. So I just encourage Treasury to actually go and call up. There are not that many coal-fired power stations in this country; there are less

than 20 now. Call them up and ask them: what are you doing? Do you pay the spot price? Do you pay contracts? That has a great, great bearing on how any of these interventions would actually work in practice.

Dr Kennedy: I can provide you with some assurance that those areas who are more expert than us, and it's reasonable for you to raise that issue, are feeding in very much to this decision-making. But I'm mindful of your comment. It's why I made a point in my statement of saying there are many considerations; they have to be nuanced and looked at carefully. All the evidence will be looked at closely. I would say the wholesale price of electricity at the moment is significantly higher than in the past.

Senator CANAVAN: I've got some other reasons why that might be the case.

Dr Kennedy: I suspect we might not agree on those.

Senator HUME: Secretary, did you advice to the government on abandoning the medium-term fiscal objective of balancing the budget from the fiscal strategy?

Dr Kennedy: We certainly provided advice to the government on the fiscal strategy. As to the precise lines, maybe I could ask my colleague. But we certainly provide advice on the fiscal strategy. Which bit are you after?

Senator HUME: Page 75 of Budget Paper No. 1, the government's economic and fiscal strategy. Nowhere in there is there an objective of balancing the budget.

Ms Reinhardt: I think, Senator, we spoke about this last time. I'll get my colleague Brendan Goldsworthy to speak in a bit more detail. But we would see this fiscal strategy, on which we advised the government, as consistent with the previous year's fiscal strategy in terms of its objectives and in terms of its intention to reduce debt over the medium term and to limit the growth in spending over time—so we would see them as equivalent.

Senator HUME: Ms Reinhardt, is there a budget that you're aware of in recent memory that didn't have a medium term objective of balancing the budget over the cycle?

Mr Goldsworthy: Certainly in the budgets prior to the pandemic it was a consistent feature of fiscal strategies to target either a budget surplus or a balance over the course of the cycle. Of course when the pandemic struck, the government at the time shifted its approach.

Senator HUME: Hang on. In the pandemic, though, there was also an objective of a medium-term return to a balanced budget.

Mr Goldsworthy: The objective was to stabilise debt and reduce debt as a share of GDP and to do that through targeting a budget balance over the cycle consistent with that debt objective. The most recent strategy, in the October budget, also has a target of stabilising debt as a share of GDP and reducing debt as a share of GDP. And it sticks to that by improving the budget position over time, from memory.

Senator HUME: So the answer then is yes, it was an objective of the March budget, but no, it isn't an objective of the October budget. Is that correct?

Dr Kennedy: We should be clear, Senator, that previous one, from memory—sorry, this is going a bit weirdly technical—didn't say 'a balanced budget'. It said 'a budget balance'. By that it meant it needed a—so a budget could run a small deficit and still drive down debt to GDP. So in some ways, in my view, it's not starkly different from the current one. The primary objective is to see the debt to GDP ratio fall over time. As Mr Goldsworthy has pointed out, previously we did talk about, governments have talked about surpluses; they've talked about budget balance. In the current circumstances, I think it's right to be focused on driving down the debt to GDP ratio. And frankly, whatever that turns out to imply for the budget balance, the fiscal position, so be it.

Senator HUME: I hear you saying that there really is very little difference from the March budget objective and yet the term 'budget balance' isn't used either.

Dr Kennedy: But that's not about—just so we're clear we've got our language right, that's not a balanced budget; that is a balance. The budget balance is just referring to whatever the budget position is—I know, it's a bit annoying.

Senator HUME: It's semantics.

Dr Kennedy: We did talk about it at the time; that's why we know. Whatever the budget position is, it should be consistent with driving the debt to GDP ratio down over time. We were very clear here. Otherwise we could have said, 'Run a surplus, blah, blah.' Apologies for that.

Senator HUME: I hear exactly where you're coming from, but I will question your statement there because the charts that follow the economic fiscal strategy don't back that up. Box 3.1, 'limiting growth in spending until gross debt as a share of GDP is on a downward trajectory'—which is what you were talking about; is that right? What do you mean by that? Does it mean that once debt's going down the government can then just start spending again?

Ms Reinhardt: I think we spoke last time about Chart 3.1, which shows the—

Senator HUME: I'm in box 3.1.

Ms Reinhardt: I appreciate that, but chart 3.1 shows that the real payments growth is significantly lower. And that's the sort of objective that's consistent with the statement around limiting growth in spending. So it's about limiting growth so as to ensure there is a pathway towards reductions in debt over time. So I think we would say in this case that the proof is in the pudding in the sense that it's about reducing spending, and that is the important factor that underpins the government's fiscal strategy.

Senator HUME: How is this objective achieved, given that on page 91 of Budget Paper No. 1 the statement is that new policy decisions since PEFO have increased total payments by \$2.5 billion in 2022-23 and by \$22.9 billion over the four years to 2025-26. Is that limiting growth and spending until gross debt as a share of GDP is on a downward trajectory?

Dr Kennedy: There's absolutely some growth here. What usually our governments are going to be doing is trying to grow, limiting and correcting spending in such a way that it is growing less rapidly than the economy is growing. And so that will help you reduce the shares. So it's not a question of, in absolute terms, there can be no growth in payments. But it becomes about limiting the growth, of keeping those growth rates such that, if you like, the improvement in the economy more broadly swings past the growth in spending. And that's pretty much how all governments have achieved these sustained reductions in debt to GDP.

Senator HUME: The accompanying chart there, Chart 3.1.1, provides a medium-term projection for total payments—just to make sure I'm reading this correctly. It shows payments increasing as a percentage of GDP through 2032.

Dr Kennedy: That's correct.

Senator HUME: Then Chart 3.14 on gross debt shows that gross debt as a percentage of GDP will grow 9.6 per cent by 2032-33. Is that right?

Dr Kennedy: That's right, Senator. The context of these—we're looking at Chart 3.10 on page 87, which provides the main drivers of those changes. You'll notice the biggest driver is the interest payments, which is at 14.4 per cent, followed by NDIS at 13.8 per cent.

Senator HUME: Okay. But what I'm asking here is: the budget's projections are actually at odds with the economic strategy, are they not?

Dr Kennedy: I think it's fair to say that the government made clear that in this budget it wanted to outline the challenge that it faced and began by limiting growth in spending to get it below the broader growth rates in the economy. That chart that Ms Reinhardt just pointed out to you is the one I think that we all should be very focused on growth. Growth in those types of areas, interest, we can't do much about. But where growth in any area is beyond growth in the economy, we are going to see payments as a proportion of GDP rise. And I said in my opening statement—and I'd expect all governments to do this, I don't think it's novel—the government did outline in very stark terms the medium-term challenges, and that is exactly as you've identified: payments is a proportion of GDP rising over time, a persistent what I would call structural deficit and debt to GDP only stabilising towards the end of 10 years, rather than declining and—

Senator HUME: The downward trajectory, though—

Dr Kennedy: That much-vexed conversation that we had earlier about the PEFO thing was to point out just how significant those three changes were in changing that profile. If we had that earlier productivity assumption and lower yields, we would not have that profile. That's how big those changes were to change this profile. That didn't require a government decision; that was just changed circumstances.

Senator HUME: How is this consistent, though, with the claim that 99 per cent of tax receipts are being returned to the budget bottom line? Isn't that completely ignoring the medium-term challenges?

Dr Kennedy: Well, it's not ignoring them. That is just a fact. That's what the government did.

Senator Gallagher: Yes, and that's over the forward estimates.

Senator HUME: I feel like I'm living in a parallel universe. What you've essentially said to me just in the last couple of minutes is that a budget balance, doesn't necessarily mean a balanced budget and that limiting growth in spending doesn't necessarily mean we're going to limit our spending, and that debt as a share of GDP on a downward trajectory doesn't mean that debt as a share of GDP will actually go down.

Dr Kennedy: I'll do them in order. The first issue was us trying to point out a technical subtlety in the previous government's arrangements. The second issue on the government's strategy is that the government's laid out its strategy. It made its first moves by taking up good surprises to revenue largely to the bottom line. And the third one

is that if it wants to drive down debt to GDP over time, it is laid out in its strategy that it will need to constrain spending.

Senator HUME: How many budgets since 1996 have imposed a cap on tax revenue as a percentage of GDP?

Senator Gallagher: Just off the top of your head.

Dr Kennedy: I think the cap was introduced by the—

CHAIR: It looks like Mr Goldsworthy might be getting that. Did I read that wrongly?

Senator HUME: Has every budget since 1996 had a cap to GDP?

Dr Kennedy: I'll take it on notice. To be honest, I actually thought it came with Prime Minister Rudd's government. But I will confirm it with you on notice.

Senator HUME: Even if it is only since Prime Minister Rudd's government, what were the benefits of a tax to GDP, and what was the policy rationale for abandoning it?

Dr Kennedy: The policy rationale, of course, is the government's. It's one of a number of ways one can put guardrails around how to specify your fiscal objectives. If you put a tax to GDP cap in the system, in some ways you constrain your ability to respond in the short term if you needed to your existing fiscal circumstances. But I'll just go back to my earlier comment. I would encourage all parties to be firmly focused on our ability in subsequent budgets to drive down debt to GDP. That is the main game.

Senator HUME: The government said that they thought it was arbitrary? Do you think it's arbitrary.

Dr Kennedy: It's absolutely a matter for any government to consider, whatever the guardrails will be. It's not needed to drive debt to GDP down. So it is a matter for the government.

CHAIR: Senator Hume, I'm just looking at the time. If you did have one or two more, would that largely exhaust your questions?

Senator HUME: No, I think I've got a few more.

CHAIR: Okay, so—

Senator Gallagher: Chair, I just want to come back to where Senator Canavan was, because I've just taken the time to refresh my mind as to my question in question time and look at the discussion we had here at last estimates. I am just trying to get ahead of where I suspect Senator Canavan might like to go and try to pursue this. We have been clear from the get-go when we've been looking at what options are available to the government to explain that our preference is regulation and having a regulatory response. I just wanted to repeat. I did cover it off earlier in my evidence but also in evidence before this committee when we last met. My answer in question time that there were no plans for a mining tax are correct and stand, and that our preference is not taxation but regulation as we are examining the options available to government. So I just want to be really clear on that, because I think Senator Canavan looked like he wanted to basically say we were doing something that we are not. So just before the scare campaign gets underway, I want to be very clear about that.

CHAIR: Okay, you have clarified your answer, Minister. We'll go to Senator Smith.

Senator DEAN SMITH: Secretary, could you give us an update, please, on the work that has been done to establish the evaluator-general's role within the Treasury?

Dr Kennedy: I can do that but do you mind if I ask one of my colleagues to come to the table? I will just note this is the last time Mr Cully's appearing in front of you before he retires at the end of this week. So I'm sure he'll enjoy his time.

CHAIR: We could take the full 25 minutes if you like.

Senator DEAN SMITH: Mr Cully, perhaps you could make it very eventful and memorable for us.

Senator CANAVAN: You have nothing to lose.

Mr Cully: As far as I know, the only public statement that the Treasurer's made was in his recent—I think it was the speech to the Melbourne Institute outlook conference on 2 November, where he outlined six areas of initiatives the government was hoping to adopt to improve government decision-making based on more evidence. And in one of those six points he said that the government's considering ways in which it might give effect to an evaluator-general.

Senator DEAN SMITH: Who is considering it? Is it the Treasurer and the Treasurer's office, or has the Treasury been tasked to consider it?

Mr Cully: We have been tasked to consider how to set up such an arrangement. I should note we're also consulting with our colleagues in Finance and PM&C, in particular, the behavioural analysis unit at PM&C is relevant to evaluation-type activity. And they also have the OBPR, the Office for Better Practice Regulation.

Senator Gallagher: And the public sector reform office is also looking at it. I've had a couple of meetings with people, including one today, specifically on this subject. I think we can strengthen our evaluation capability across the government.

Senator DEAN SMITH: So is it conceptual still?

Mr Yeaman: Senator, if I could add to my colleague's comments, we have a small group of people in Treasury who, as part of their regular activities, are looking at options in this space about how you would best—the government has been clear that it wants to, as the minister said, improve evaluation across the Commonwealth. We've been asked for advice around the different options to achieve that, and as the Minister said, we in Treasury are taking a general lead but working very closely with our Finance colleagues and our Prime Minister and Cabinet colleagues and those working on the APS reform agenda more generally to scope options. And we'll provide advice to government in the next month or two around those options, and they can consider them then.

Senator DEAN SMITH: So does Treasury have the lead?

Mr Yeaman: I would say, in short, yes, but we are working very collegially with—there are a number of people and parts in the system, both in the central agencies that I've discussed and also in a number of areas of the Commonwealth Public Service that do evaluation already, and do it quite well in some cases. So we are working with agencies across the Commonwealth to work out how best this function could be stood up.

Senator DEAN SMITH: When I read the Treasurer's remarks, I got the impression it was a person who was called the evaluator-general who would be supported by a team of people that would sit in the Treasury. Have I misunderstood that?

Mr Yeaman: That's certainly one of the options the government could consider. But there are also a range of other ways that you could potentially uplift capability in this area across the Commonwealth. So we are certainly looking at whether a central function of kind you describe is necessary and the most effective way to deliver this capability. But we're not limiting ourselves to that. We're also looking at other options that could be complementary to that or play a role.

Senator DEAN SMITH: Can you give us a sketch at this early stage of what those other options look like?

Mr Yeaman: We're in the process of going through that now, so I won't say too much, but in short I think there are a range of ways that you can uplift capability across the APS in this area through, for example, enhanced training, communities of practice and knowledge sharing across the Commonwealth. And you can also, as you described, enhanced capability through an improved central function or an individual as you describe.

Senator DEAN SMITH: Reading the speech, I thought it would sit in Treasury. That's still an unconfirmed proposition?

Mr Yeaman: It'll be a matter for government. The Treasurer in his public statements and the government's statements prior to the election indicated that their preference was for Treasury to be the home for such a function. But we're scoping a range of options.

Senator DEAN SMITH: You're quite right. I do recall the Treasurer saying it as part of an election commitment when he was the opposition treasurer. So six months since the election of the government, there is still no concrete proposition before government about how to give effect to the evaluator-general?

Mr Yeaman: We're providing advice, as I said, Senator, in the next period, around that.

Senator Gallagher: It's being worked on.

Senator DEAN SMITH: It's being worked on very slowly.

CHAIR: Last question, Senator Smith.

Senator Gallagher: Have a look at what we've done in six months. I hardly think you can say we haven't achieved very much. We are working on it to get it all right.

Senator DEAN SMITH: The measure of success, unfortunately, Senator Gallagher will be not at six months but in 2½ years time. Just to be clear, the treasurer had a proposition that he took the election for an evaluator-general. To this date, no clear proposition about how to give effect to that has been put before the government.

Mr Cully: I can maybe clarify the formal words the Treasurer did use prior to the election. He gave a speech to the Economic Society of Australia. I think it was in November 2021.

Senator DEAN SMITH: A very dry group of people.

Mr Cully: I'm not sure that's true.

Senator DEAN SMITH: No, we'd hope so, Mr Cully.

Mr Cully: The form of words he used there was 'in good time the government will introduce this'.

Mr Yeaman: And in addition to that, Senator, from the very beginning of this government, we have provided a range of advice to them on this issue, knowing that it was an election commitment. We have provided advice and we've had, as the minister said, I think, a number of quite high-level discussions across government with ministers and with departments about this issue. So we are moving actively on it. But I'm talking about—the final advice from that process to government will occur in the next month or two.

Senator DEAN SMITH: Has the Treasurer given any—

CHAIR: That really was your last question, Senator Smith.

Senator DEAN SMITH: May we just extend our appreciation to Mr Cully for his professionalism and service to the Treasury. Mr Cully, I wish you all the very best for the future.

CHAIR: Indeed.

Senator HUME: I want to ask questions about the employment white paper. The Treasury website says, 'The employment white paper will provide a roadmap for Australia to build a bigger, better trained and more productive workforce to boost incomes and living standards and create more opportunities for Australians.' Is it going to consider industrial relations reform?

Ms Anderson: As per the terms of reference, which are also available on our website, issues around job security, fair pay and conditions, including the role of workplace relations, do fall within the scope of the white paper.

Senator HUME: So is it the intent to consider stakeholder views for the employment white paper in that process?

Ms Anderson: Yes, absolutely. There's a submissions process open at the moment that closes this week and we're holding a number of stakeholder meetings and have done so since prior to the summit early this year.

Senator HUME: Okay, so what happens next? You close the submissions next week. Then you're doing stakeholder consultations—

Ms Anderson: This week submissions close, not next week. On the process, if I can take a step back, there were a range of engagements prior to the Jobs and Skills Summit, which was effectively the beginning of the process for the employment white paper. We hold regular discussions with stakeholder groups and have done so since we existed, from about July this year, and will continue to do that for the life of the Task Force, which is going to be in place until the white paper is delivered by the end of September 2023.

Senator HUME: It sounds like the intention then is to be responsive to stakeholders views.

Ms Anderson: Absolutely, yes—both proactive and responsive, I would say

Senator HUME: So if stakeholders then submit, as we've seen through the Senate inquiry to the secure jobs, better pay legislation, this bill will add to complexities and to costs and be a drag on productivity. Would Treasury genuinely consider that advice?

Ms Anderson: We will, absolutely, consider all advice provided through the submissions process. Obviously this is a government document, Senator, and it will reflect the views of the Government about the labour market. So it's not to say those views won't be considered, but obviously the Government's view on these matters will also have primacy in the process towards the end.

Senator HUME: So would you envisage a situation, if the stakeholders were insistent where Treasury would potentially recommend that the legislation be amended or even repealed?

Ms Anderson: I think that's an unlikely scenario. Our role as the employment task force—we're a whole-of-government task force. We take into account the views of a range of different departments. It's not just a Treasury view and it will be a Government white paper. So I think it's quite unlikely that our analysis will reach that conclusion. But the analysis is just commencing in terms of the evidence collection and research we're doing to support the white paper.

Senator HUME: So at a general level, if, say, the BCA, ACCI, AIG, National Farmers' Federation, COSBOA, Qantas, the Franchise Council, the Master Builders—if they had all made a submission to you as part of the white paper process supporting, as part of the white paper, that legislation should be repealed or amended, would you consider it?

Ms Anderson: If it's in their submission. As I've said, we will read the submissions and we'll provide advice and summarise the submissions back to government. It will be the Government's decision as to where to go from there. I would add to that there are extensive consultations underway at the moment. I'm very conscious that it's a matter of public debate. At the moment they are being led by the Minister for Employment and Workplace Relations and the Department of Employment and Workplace Relations. As to the substance of future amendments and the specifics of that, that would be most likely handled by that Minister in that portfolio, rather than the white paper being used as a vehicle.

Senator HUME: Is the department actively seeking feedback on this legislation as part of its process?

Ms Anderson: No, Senator, not actively. If it's raised with us, as I said, we'll consider it. We're not actively seeking views. We are seeking views on the terms of reference, which—as I read that line in the terms of reference—covers job security, fair pay and conditions and the role of workplace relations. So if submissions are received that go to those issues, we will consider them. As I said, it's a matter for government.

Senator HUME: So it essentially covers workplace relations, but the industrial relations framework for the outcome is predetermined.

Ms Anderson: Well, I wouldn't say it's predetermined. However, I would say that the white paper is working alongside a range of government processes, election commitments, other things that the government has committed to do. We're not there to usurp those processes and to duplicate them. We are here to create a white paper that reflects the terms of reference and delivers against the commitment to deliver analysis related to the labour market by September next year.

Senator HUME: Was the white paper one of the 36 recommendations to come out of the Job and Skills Summit?

Ms Anderson: No, the white paper was part of the election committee the government made: the Jobs and Skills Summit and the employment paper.

Senator HUME: So the 36 immediate action items are entirely separate?

Ms Anderson: No, they're not entirely separate. The task force that I run is monitoring the implementation of those outcomes. We also delivered the summit on behalf of the government. So we're playing, I guess, a herding role with all of those outcomes.

Senator HUME: The Treasurer in his closing remarks said 36 concrete areas of action will happen this year? So how many of the 36 action items do you expect to be completed by the end of the year?

Ms Anderson: Senator, I might ask Dr Rawlings to join me. She knows the detail better than I do. But I can say that 15 of those actions were included in the most recent budget. There are a number that don't require specific budget or legislative commitments being made to implement, so they are progressing. And then there are a few yet to be completed. Dr Rawlings, do you want to add to that answer?

Dr Rawlings: I can give an update on the 36 outcomes that were direct outcomes of the Summit. There were 15 outcomes of the 36 in the 2022-23 October budget. I might work through those systematically.

Senator HUME: If you could put them on notice, that would be really good, because I've got some more questions and I'm just a little conscious of time.

Dr Rawlings: Okay.

Senator HUME: But considering that there were immediate action items and are supposed to be implemented in full by the end of the year, how are we looking at the other ones?

Dr Rawlings: On the ones that were in the 2022-23 budget, as I said, we can provide detail and notice. There were 15 of those outcomes: 1 to 7, 10, 11, 18, 23, 28, 30, 35 and 36. And then the other 21 outcomes require legislative change to progress. There are several of those that are currently being considered as part of legislation at the moment that we're all aware of. Others require consultation or collaboration with other parties, so there are things like compacts and so forth. Again, I can run through those 36 specifically. I just didn't want to cause—

Senator HUME: No, I'd very much like it if we could take on notice if we could get an updated time line of implementation on the 36.

CHAIR: One final question, Senator Hume.

Senator HUME: On 31 August, which was the day before the summit, the Prime Minister posted a video to social media saying, 'We know that the summit has brought people together already in the more than 100 consultations and roundtables and mini-summits that have been held.' And the Prime Minister also mentioned this in his concluding remarks. What was the department's role in organising the mini-summits and the roundtables?

Ms Anderson: Those summits and roundtables were held by each minister. Almost of them were supported, I think, either by the ministers themselves and their offices or by their departments. So they were undertaken with the leadership of each minister and MP.

Senator HUME: The department of industry provided an itemised list to this committee during the last hearing. Do you think that Treasury could also please provide an itemised list of these summits, their locations, their attendees, their costs and the action items to come out of them? And let me know also how many of these mini-summits involved Labor Party branding and signage.

Ms Anderson: I could take that on notice. I would just caution, though, that they were undertaken by a number of different portfolios, so I think that would be very challenging to provide in a really short amount of time—all of that additional detail. We could certainly provide a list, but we'll do as best we can—

Senator HUME: There were 100 of them and they made it to the Treasurer's and the Prime Minister's official communications from the summit—

Ms Anderson: We do have the list?

Senator HUME: but they were party events.

Ms Anderson: It's more the attendees and the subject matter that will be challenging.

Senator HUME: On the summit itself, who was it that decided the guest list and how, and on what criteria?

Ms Anderson: That was determined by the Treasurer in consultation with the Prime Minister and the coordinating ministers for the summit.

Senator HUME: Was the process at all coordinated out of the department, or was it all out of the Treasurer's and the Prime Minister's personal offices?

Ms Anderson: The decision around attendees, Senator, you mean?

Senator HUME: Yes.

Ms Anderson: That was largely led by the Treasurer's office. We did provide advice, when asked, on particular representatives or geographic representation experts, those sorts of things.

Senator HUME: So you did provide a recommended list of attendees?

Ms Anderson: No, we provided a response to questions when they were asked of us.

Senator HUME: Right. And what was the cost of the summit in the end?

Ms Anderson: We're still finalising a few invoices, but the direct costs of the summit look like they're coming in at just a little under \$280,000.

Senator HUME: How much did the dinner in the Mural Hall cost on the first night of the summit?

Ms Anderson: I might ask Mr Latimer if he could join me. I'm not sure if we have the precise breakdown of the dinner, as opposed to catering. We can give you a catering number potentially. Mr Latimer will know what we have on hand.

Mr Latimer: Senator, I'm going to disappoint you on the dinner. I have the catering figure for the summit overall, which was \$63,783.98. That includes the dinner as well as the lunch and other catering that was provided during the two days of the summit.

Senator HUME: What was the price per head for each attendee?

Mr Latimer: Senator, I'll have to take that on notice. We also provided catering to workforce as part of the same invoice and there were a number of observers in the room, so expressing it in terms of the 146 attendees might not be the most accurate way to think about it.

Senator HUME: Were all the attendees invited to the dinner, or was it a reduced list?

Mr Latimer: All of the attendees were invited.

Senator HUME: Right. And the department facilitated that list, or was it just simply a—

Mr Latimer: It was the same list.

Senator HUME: And what about the band? Is that included in the costs there? Have you got a cost for the band? Who was it, by the way?

Mr Latimer: I don't think I've brought the name. They were booked through Artist Bookings—that's the name of the company. The cost for the band was \$7,930.

Senator HUME: And what about the MC?

Mr Latimer: The MC was Helen McCabe; the cost was \$15,000.

Senator HUME: And what about the keynote speaker, Mr Garnaut? Was he paid?

Mr Latimer: He wasn't, no.

Senator HUME: He wasn't paid?

Mr Latimer: No.

Senator HUME: What about the AV setup and the bump-in cost?

Mr Latimer: The AV cost, which was provided through the supplier that we have to use at APH, was \$130,860.

Senator HUME: And what about the seating arrangements? Could they potentially be provided on notice, and perhaps let me know whether the department facilitated that?

Senator HUGHES: For what purpose, though?

Senator HUME: I'm interested to know. The Prime Minister said he was sitting next sitting next to the head of COSBOA. Is that correct?

Senator Gallagher: People moved in and out.

Senator HUME: Surely they had name—

Senator Gallagher: Sure. But we all moved and sat and networked throughout the two days, so there was a whole range of—

Senator HUME: Maybe I can ask you these questions, then, Minister. Were there any registered lobbyists in attendance?

Senator Gallagher: I don't recall specifically. I'd have to check against the list. But I don't recall.

Senator HUME: Can we also then ask you to check whether the public service organised the lobbyists to be in any attendance?

Senator Gallagher: Whether the public service organised—

Senator HUME: Yes—whether anyone in the public service organised for lobbyists to sit on the same table as ministers, for instance?

Senator Gallagher: Well, I don't know. Have you been provided the list of—

Senator HUME: No.

Ms Anderson: The attendance list is on our website, Senator, so it would be quite easy to do a cross-check

Senator HUME: That's not what I'm asking for. I'm just asking to know whether anyone in the public service organised the seating arrangements, organised any of the lists and organised for any lobbyists to sit with ministers.

Ms Anderson: The seating list on the floor for the summit was largely done in alphabetical order by organisation. There were some minor changes to ensure state premiers were seated together and those sorts of things. But for the most part, that was how it was done. And I think there was a randomised tool used to allocate people to seating at the dinner, again with some amendments.

Senator HUME: Can the department rule out any departmental resources being used to organise the mini-summits and the roundtables that have been used in so much of Labor Party ministers' advertising and social media?

Ms Anderson: Yes, Senator, I can.

Senator HUME: You can rule that out?

Ms Anderson: I can.

Senator HUME: Thank you.

Senator CANAVAN: Thank you, Ms Gallagher, for clarifying the position on the mining tax. I go to a transcript of the Prime Minister's interview on 11 November, where Mr Fordham asked the Prime Minister:

There's a report in The Australian today that Cabinet will consider a new tax on gas and thermal coal and the idea is that money will then go towards power bill relief for Australian households. Is that on the table?

The Prime Minister says:

Well, what we have said is that all sensible measures remain on the table.

Minister, you've just said that you've ruled out the tax. But the Prime Minister only a few weeks ago was saying it was on the table. What is the position and how can the mining industry have any trust in the mess that this policy is?

Senator Gallagher: God, the outrage of you coming in here, being in government for nine years, leaving us the chaos and mess that you have. The absolute gall of you, honestly.

Senator CANAVAN: Just answer the question. The mining industry wants to know: are they going face taxes? The Prime Minister is saying it's on the table; you're saying it's not.

CHAIR: Have you finished asking your question to the minister?

Senator Gallagher: Our preference is regulation. Our preference is not tax. We are not playing the rule-in, rule-out game. We are trying to make, and we will make, sensible decisions on the information before us. But I think we have leaned in very heavily to indicate to you what our preference is: going down the regulatory path.

CHAIR: Thank you, Minister. Thank you, everyone. Particular thanks to Dr Kennedy for making yourself available. Thank you to all the Treasury officials. Congratulations again to Mr Cully on your impending retirement. Thank you for your service. Thank you to Hansard, broadcasting and the secretariat.

Committee adjourned at 20:00