



COMMONWEALTH OF AUSTRALIA

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SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

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ECONOMICS LEGISLATION COMMITTEE

Monday, 3 June 2024

Members in attendance: Members in attendance: Senators Bragg, Canavan, Hume, McDonald, McKenzie, McKim, O'Neill, Barbara Pocock, David Pocock, Pratt, Rennick, Roberts, Dean Smith, Stewart and Walsh

TREASURY PORTFOLIO

In Attendance

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

Treasury

Dr Steven Kennedy, Secretary

Macroeconomic Group

Mr Luke Yeaman, Deputy Secretary

Dr Adam Cagliarini, First Assistant Secretary, Macroeconomic Conditions Division

Dr Shane Johnson, First Assistant Secretary, Macroeconomic Analysis and Policy Division

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

Ms Mohita Zaheed, First Assistant Secretary

Ms Ineke Redmond, Assistant Secretary, Macroeconomy Branch

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

Dr Nathan Deutscher, Assistant Secretary, Data and Structural Analysis Branch

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

Ms Eleanor Williams, Assistant Secretary, Australian Centre for Evaluation

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

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

Ms Penny Sirault, Assistant Secretary, Sustainable Finance Branch

International and Foreign Investment Group

Ms Roxanne Kelley, Deputy Secretary

Mr Chris Tinning, First Assistant Secretary, Foreign Investment Division

Ms Isobel Sloan, Assistant Secretary, Frameworks Branch

Ms Katrina Di Marco, First Assistant Secretary, International Economics and Security Division

Ms Steph Gorecki Natic, Assistant Secretary, Geoeconomics Branch

Mr Paul Cotterill, Assistant Secretary, International Engagement Branch

Mr Justin Baguley, Assistant Secretary, Indo-Pacific Branch

Ms Jennifer Farley, Assistant Commissioner, Program Lead, Foreign Investment, Australian Taxation Office

Small Business, Housing, Corporate and Law Group

Ms Victoria Anderson, Deputy Secretary

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

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

Mr Ben Kennedy, Acting Assistant Secretary, Small and Family Business Division

Ms Kerren Crosthwaite, First Assistant Secretary, Housing Division

Ms Vera Holenstein, Assistant Secretary, Housing Division

Mr Christian Vallence, Assistant Secretary, Housing Division

Mr Nicholas Dowie, Assistant Secretary, Housing Division

Dr Angela Barrett, Chief Operating Officer, Corporate Division

Ms Tarnya Gersbach, Chief Finance Officer, Corporate Division

Mr Heath Axelby, Assistant Secretary, Corporate Division

Ms Erin Wells, First Assistant Secretary, Law Division

Ms Jessica Robinson, Assistant Secretary, Law Division

Ms Kate White, Assistant Secretary, Law Division

Dr Marcus Spiller, Deputy Chair, National Housing Supply and Affordability Council

Fiscal Group

Ms Sam Reinhardt, Deputy Secretary

Ms Philippa Brown, First Assistant Secretary, Budget Policy Division

Mr Luke Spear, Acting Assistant Secretary, Budget Policy Division

Mr Mark Bott, Acting Assistant Secretary, Budget Policy Division

Ms Natalie Horvat, First Assistant Secretary, Commonwealth-State and Population Division

Mr Nick Latimer, Assistant Secretary, Commonwealth-State and Population Division

Ms Jaclin Craig, Assistant Secretary, Commonwealth-State and Population Division

Ms Mohita Zaheed, Former First Assistant Secretary, Labour Market, Environment, Industry and Infrastructure Division

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

Mr Nick Loan, Assistant Secretary, Labour Market, Environment, Industry and Infrastructure Division

Mr Michael Gardner, Acting Assistant Secretary, Labour Market, Environment, Industry and Infrastructure Division

Mr Nick Mowbray, Acting Assistant Secretary, Labour Market, Environment, Industry and Infrastructure Division

Ms Anthea Long, First Assistant Secretary, Social Policy Division

Ms Marg Thomas, Assistant Secretary, Social Policy Division

Ms Kristen Baker, Assistant Secretary, Social Policy Division

Ms Karishma Pettit, Assistant Secretary, Social Policy Division

Mr Adam Bogiatzis, Assistant Secretary, Social Policy Division

Ms Heather Cochrane, Assistant Secretary, Commonwealth-State and Population Division and Social Policy Division

Markets Group

Mr Brenton Philp, Deputy Secretary

Ms Nghi Luu, Acting First Assistant Secretary, Financial System Division

Mr Robb Preston, Assistant Secretary, Banking, Credit and Insurance Branch

Mr Tim Baird, Assistant Secretary, Payments System and Financial Innovation Branch

Ms Khanh Hoang, Assistant Secretary, Regulators and Capital Markets Branch

Mr James Kelly, First Assistant Secretary, Market Conduct and Digital Division

Mr Tom Dickson, Assistant Secretary, Corporations Branch

Mr Tony McDonald, Assistant Secretary, Registry Data and Digital Branch

Mr Jason McDonald, First Assistant Secretary, Competition Taskforce Division

Mr Marcus Bezzi, Chief Adviser, Competition Taskforce Division

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

Dr Andre Moore, Assistant Secretary, Advice and Investment Branch

Ms Shibani Iyer, Acting Assistant Secretary, Member Outcomes and Governance Branch

Mr Adam Hawkins, Assistant Secretary, Tax and Transfers Branch

Revenue Group

Ms Diane Brown, Deputy Secretary

Mr Damien White, First Assistant Secretary, Tax Analysis Division

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

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

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

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

Dr Yi Yong Cai, Assistant Secretary, Tax Analysis Division

Mr Darren Kennedy, Assistant Secretary, Tax Analysis Division
Dr Louise Rawlings, Assistant Secretary, Tax Analysis Division
Ms Emma Baudinette, Assistant Secretary, Personal and Indirect Tax and Charities Division
Mr Richard Maher, Assistant Secretary, Personal and Indirect Tax and Charities Division
Mr Bede Fraser, Assistant Secretary, Personal and Indirect Tax and Charities Division

Portfolio Agencies

Australian Taxation Office, including Australian Business Registry Services

Mr Rob Heferen, Commissioner of Taxation
Ms Jacqui Curtis, Chief Operating Officer, Enterprise Strategy and Corporate Operations
Mr Jeremy Hirschhorn, Second Commissioner, Client Engagement Group
Ms Kirsten Fish, Second Commissioner, Service Delivery
Ms Fiona Dillon, Acting Second Commissioner, Law Design and Practice
Mr Matthew Hay, Acting Chief Information Officer, Enterprise Solutions and Technology
Ms Janine Bristow, Chief Finance Officer, ATO Finance
Mr Bradley Chapman, Deputy Commissioner, Enterprise Strategy and Design
Ms Jennifer Farley, Assistant Commissioner, Program Lead, Foreign Investment
Ms Clare Gunning, Deputy Commissioner, ATO Corporate
Ms Emma Rosenzweig, Deputy Commissioner, Superannuation and Employer Obligations
Mr Nicholas Shizas, Assistant Commissioner, ATO General Counsel
Ms Rebecca Saint, Deputy Commissioner, Client Experience
Ms Alison Stott, Deputy Commissioner, ATO People, Workplace Relations and Strategy
Mr Ben Kelly, Deputy Commissioner, Policy, Analysis and Legislation
Ms Elissa Walker, Deputy Commissioner, Digital Delivery
Mr Grant Brodie, Deputy Commissioner, Client Account Services
Ms Jillian Kitto, Acting Deputy Commissioner, Lodge and Pay

Tax Practitioners Board

Mr Peter de Cure, Chair
Mr Michael O'Neill, Chief Executive Officer and Secretary
Ms Janette Luu, Assistant Secretary

Australian Charities and Not-for-Profits Commission

Ms Sue Woodward AM, Commissioner
Ms Natasha Sekulic, Acting Assistant Commissioner and General Counsel

Committee met at 09:02

CHAIR (Senator Walsh): I declare open this hearing of the Senate Economics Legislation Committee into the 2024-25 budget estimates. I begin by acknowledging the traditional custodians of the land on which we meet today and paying respect to their elders past and present. I extend that respect to Aboriginal and Torres Strait Islander people here today.

The committee is due to report to the Senate on Tuesday 2 July 2024 and it has fixed Friday 26 July 2024 as the date for the return of answers to questions taken on notice. The committee's proceedings today will begin with the Department of the Treasury's Macroeconomic Group and International and Foreign Investment Group. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence.

The Senate has endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has

resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or committees, unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

Witnesses are reminded of the Senate order specifying the process by which a claim of public interest immunity should be raised. I incorporate the public interest immunity statement into the *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

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

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

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

(1) If:

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

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

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

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

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

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

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

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

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

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

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: I remind all senators that, as we continue our work implementing the *Set the standard* report, as chair I will ensure that proceedings are conducted in an orderly, respectful and courteous way.

The committee has agreed to authorising all media outlets to record the proceedings of the public hearings subject to the broadcasting resolutions in the standing orders and the following conditions: media entry is subject to not exceeding the maximum capacity of the hearing room, and social distancing must be observed; the committee or a witness may object to being recorded at any time, and the committee may require that recording

cease at any time; recording must not occur from behind the committee or between the committee and witnesses and must not otherwise interfere in the proceedings; computer screens and documents belonging to senators, members and witnesses must not be recorded; flashes must not be used; and the directions of the committee secretariat must be followed at all times.

I also remind senators that, in line with the *Set the standard* recommendations for improved workplaces, the committee has resolved that the hours of this budget estimates will be from 9 am to 10 pm with modified breaks. I draw the attention of all senators wishing to participate to the hard marker of 10 pm tonight.

Department of the Treasury

[09:06]

CHAIR: I now welcome Senator the Hon. Katy Gallagher, Minister for Finance. Good morning, minister.

Senator Gallagher: Good morning.

CHAIR: I also welcome Dr Steven Kennedy. Dr Kennedy, do you wish to make an opening statement? Good morning.

Dr Kennedy: Good morning, Chair. I will make an opening statement if it suits the committee.

CHAIR: Thank you.

Dr Kennedy: Most advanced economies recorded subdued growth in 2023, with around one-third of OECD economies experiencing a technical recession. This follows the fastest synchronised tightening of monetary policy in decades. Global inflation has fallen but remains elevated. There are concerns that inflation is not falling as quickly as had been expected earlier this year, with many central banks noting the persistence in services price inflation in their economies, and most central bank targets are not expected to be achieved until next year. Consequently, markets have pushed out the expected timing of policy rate cuts in many advanced economies. Notable exceptions are in Europe, where the Swedish Riksbank and the Swiss National Bank have commenced policy easing and the European Central Bank is moving closer to easing monetary policy, and Canada, where markets have fully priced in a rate cut for the Bank of Canada's meeting in July. This reflects recent weak economic growth outcomes and confidence that inflation targets can be sustainably achieved. With monetary policy still restrictive in most advanced economies, we expect global growth to remain subdued over the next three years at around 3¼ per cent.

China is facing structural headwinds such as lower productivity growth, a shrinking working-age population and a slowing urbanisation rate. The property sector has been a concern for a couple of years now, and how those issues are resolved is a key source of risk for the global economic outlook, and particularly the outlook for our own economy. Heightened geopolitical tensions in a number of regions continue to create uncertainty for the global economy, particularly for trade and commodity prices.

The Australian economy grew by two per cent in 2023, and it is clear that growth in household spending has softened considerably as a result of high inflation and elevated interest rates. The contribution of household consumption to economic growth was the weakest it has been in the past decade outside of the pandemic. The run of recent weak retail trade data suggests consumption is expected to remain subdued into the first half of this calendar year as households continue to prioritise essential spending. More broadly, we expect activity to be very weak in the March quarter GDP to be published on Wednesday this week. That said, the expected moderation in inflation, higher nominal wage growth, and tax cuts are expected to bolster real household disposable incomes, which we expect will support a recovery in household spending from the second half of 2024.

In contrast to household spending, private business investment has been growing strongly. Last year, business investment grew by 8.3 per cent and was underpinned by stronger business balance sheets and high capacity utilisation. The upswing in business investment is expected to continue through to 2025-26. If realised, it would be the longest sustained period of annual increases in investment since the mining boom that occurred between 2002 and 2012.

The investment in coming years is expected to be driven primarily by the non-mining sector, particularly in non-residential construction, including investment in renewable energy and data centre projects. Businesses are investing in software to automate more of their processes and to secure their systems from cyberthreats. Public investment is expected to grow, supported by a large pipeline of infrastructure projects at both the state and federal level. Overall, we expect real GDP to grow by two per cent in 2024-25. This is more subdued growth than we expected at MYEFO.

The size of the population is an important input into economic growth, with one driver being net overseas migration, or NOM—a concept based on a person's place of usual residence. A person counts as an arrival for net

overseas migration purposes if they are in Australia for 12 months out of a continuous 16-month period. Likewise, they count as a departure if they have been out of the country for 12 out of 16 months. The recent highs in NOM have been driven by both higher arrivals and fewer departures post pandemic. In the decade prior to COVID-19, temporary migration accounted for more than half of NOM arrivals. The remainder consisted of permanent visa holders and travellers with essentially free movement across the border, namely Australian and New Zealand citizens.

Forecasting net overseas migration during and since the pandemic has proved challenging. The 2023-24 budget forecast for the year 2022-23 was 24 per cent lower than the latest ABS estimate. Other countries have faced similar challenges—including New Zealand, where the equivalent forecast was 42 per cent lower than the latest estimate, and the United Kingdom, where the forecast was 58 per cent lower.

Following the relaxation of COVID-19 border restrictions, we saw a large catch-up in arrivals as many people who wanted to come to Australia to work or study during the pandemic arrived in a compressed timeframe. While there has been a catch-up in arrivals we are yet to see a pick-up in departures, predominantly because many of the international students who arrived over the past couple of years are still studying and are yet to depart. This has driven an increase in the stock of temporary visa holders in Australia. Looking at comparable periods, there were 1.9 million temporary visa holders in Australia at the end of the March 2019 quarter, 1.7 million at the end of the March 2020 quarter and 2.4 million at the end of the March 2024 quarter, of which roughly 670,000 were student visa holders and 185,000 were working holiday-makers. We expect arrivals to ease and departures to pick up over the next few years, with the number of temporary visa holders in Australia to be consistent with pre-pandemic trends. Treasury expects net overseas migration to have peaked in 2023. In the budget we forecast NOM to approximately halve to 260,000 in 2024-25 before falling to 235,000 in 2026-27, in part due to actions outlined in the Migration Strategy.

The budget did contain moderate upgrades to MYEFO. The biggest driver of these upgrades was working holiday-makers staying longer in Australia. We also forecast slightly higher net migration by those on temporary skill visas. Although student migration had previously been the biggest driver of forecast upgrades the budget slightly downgraded the forecast for student NOM, with fewer arrivals expected in part due to the government's actions to improve the integrity of international education. Within Treasury, we are making changes to improve our net overseas migration forecasts, including working with the Department of Home Affairs to delve further into administrative datasets to seek indicators that can help us forecast migration better; introducing a formalised peer review process with experts across government; and investing additional resources to forecast NOM.

Despite the recent slowdown in economic activity the labour market has remained resilient, and the unemployment rate only recently increased to 4.1 per cent in April. This is around a full percentage point below pre-pandemic levels and has occurred while we have had record participation in the labour market. In response to weaker growth firms have mostly chosen to reduce hours worked rather than their headcount, which has delayed the expected increase in the unemployment rate. The tighter labour market and recent administrative wage decisions have resulted in nominal wages growing near their fastest rate in nearly 15 years. This has happened while medium-term inflation expectations have remained well anchored. Employment growth in Australia has been stronger than any major advanced economy over the past two years. Employment has grown even after accounting for population growth.

Despite the recent strength, broader indicators of labour demand suggest that labour market conditions are softening. For example, while most indicators of job advertisements and vacancies are still quite elevated they have been declining. Similarly, underemployment and underutilisation rates have risen slightly. We are expecting that labour market conditions will continue easing over the year ahead and the unemployment rate to rise to 4½ per cent by June 2025. This rate of unemployment is still well below pre-pandemic levels.

Like other advanced economies, inflation is still above target but good progress has been made in inflation returning to the Reserve Bank's target band. Inflation is now less than half of its peak in 2022. Australia has benefited from the disinflation in goods prices but services price inflation remains high. Services inflation has likely peaked and is expected to steadily decline and become consistent with inflation being sustainably in the target band.

The government announced in the budget a couple of measures to directly ease cost-of-living pressures for households. Energy bill relief will continue for another year and be extended to all households, and maximum Commonwealth rent assistance will be increased by 10 per cent. We estimate these measures will directly take about half a percentage point off headline inflation. This could result in inflation returning to the target band by the end of this year.

Productivity outcomes in Australia have been similar to those in comparable advanced economies like Canada and New Zealand but below those recorded in the United States. It has been difficult over the past few years to get a good read on productivity because of COVID related factors. GDP per hour worked has only recently returned to pre-COVID levels. However, GDP per worker has been declining since December 2021, and this trend is yet to be reversed. The extent to which productivity growth recovers in a cyclical and trend sense remains uncertain and has implications for the risks to the outlook for both growth and inflation.

The rapid fiscal consolidation since the pandemic has had a welcome flow-on effect on debt burden reduction. Despite projections of a larger and more persistent increase early in the pandemic, gross debt-to-GDP was stabilised and has since been reduced by about 4.7 percentage points over the two years to 2023-24. Australia's debt levels remain low compared to international peers.

Following a \$22.1 billion surplus in 2022-23, the government is expecting a second surplus of \$9.3 billion in 2023-24. The budget is then expected to return to deficit in 2024-25, growing to 1½ per cent of GDP in 2025-26 before beginning to improve. Primarily as a result of the improved outlook for 2023-24, gross debt relative to the size of the economy is lower than anticipated at MYEFO.

Tax receipt upgrades in this budget are much smaller than in previous budget updates. This budget sees tax receipt upgrades, excluding GST and policy decisions, of \$27 billion over the five years to 2027-28. The mining sector continues to be a significant contributor to company tax and is estimated to contribute two-fifths of company tax payable in 2022-23. In the past year many companies in the oil and gas sector that hadn't previously paid company tax have moved into a tax-paying position after exhausting past losses. These losses reflected significant depreciation and other deductions associated with large capital investments. This is expected to lead to an increase in the company tax base for the foreseeable future.

The fiscal tightening since the pandemic is the fastest and largest on record in Australia, and more than double what was seen after previous downturns. The rapid fiscal tightening has seen fiscal policy work with monetary policy to reduce inflationary pressures. Cost-of-living support has been designed so as not to undermine policy efforts to reduce demand pressures and lower inflation. The budget's fiscal policy settings are consistent with Treasury's expectation for inflation to return to the target band. The budget strikes an appropriate balance in addressing inflation and supporting sustainable growth.

As inflation eases, it is appropriate that the focus of fiscal policy transition towards its longer term objectives, rather than short-term macroeconomic management, for which it is less well suited outside of large shocks or crises. Fiscal policy has an important role to play in delivering long-term prosperity by helping to deliver strong productivity growth and a sustainable budget position over the medium to longer term.

The market supply of housing continues to be too low to meet demand, particularly in recent years. This is despite a large number of medium- to high-density dwellings being built between 2014 and 2018, when low interest rates encouraged a significant pick-up in investor activity. A limited supply of dwellings creates affordability pressures for households and makes it difficult to find a property to buy or rent. We have seen declines in the number of homes being offered for sale since 2015. The number of homes for rent has also been falling since early 2020, while the national rental vacancy rate is well below the rate considered to reflect a balanced rental market. This has implications for the affordability of, and access to, adequate housing for many people. Nominal dwelling prices and advertised rents have more than doubled since the mid-2000s, having increased sharply in the past five years. Households are taking longer to save for a deposit and more people are renting. These impacts are disproportionately felt by those on lower incomes.

The government has addressed some of these distributional effects through changes to Commonwealth rent assistance. Both this budget and the 2023-24 budget included assistance for renters on low incomes by increasing the maximum rates of Commonwealth rent assistance. The further 10 per cent increase in this budget is in addition to the 15 per cent provided in September 2023. The current lack of new supply has been exacerbated by several factors flowing from COVID-19, including supply chain bottlenecks in inputs to construction and higher inflation, both of which have increased the costs of materials and financing needed to build homes. This is compounding structural barriers in the system itself.

The reasons that Australia's housing system is less responsive to evolving demands are complex and have built up over time. They involve all levels of government, as well as industry and community housing suppliers. Industry's capacity to add new supply has also been hampered by a lack of essential infrastructure in greenfield development sites, while there have been critical shortages of skilled labour and low productivity in the sector in recent years. According to the National Housing Supply and Affordability Council, the average time from approval to completion for a new home is around 12 months, up from nine months in 2019-20. New townhouses currently take around 15 months from approval to completion and new apartments around 29 months.

At the same time, there has been a long-term underinvestment in social housing by governments, leading to lengthening waitlists. Because of the complexity of the system and the responsibilities sitting with all levels of government, concerted action is needed to address these barriers and increase supply for the long term. The government's policies are sensibly focused on boosting the supply of housing. However, meaningful progress cannot occur unless the states use their policy levers to boost supply and, in the longer term, allow the housing supply to adapt more flexibly to changes in housing demand.

Over the coming decade, the strong fundamentals that have underpinned Australia's economic success will continue to be critical to our competitiveness. This includes a strong commitment to open trade and investment, sound macroeconomic management, and fostering competitive, flexible and dynamic markets. However, heightened geostrategic competition and the net zero transition are transforming the global economy. As a medium-sized open economy, there are risks that Australia may become reliant on global supply chains that are highly concentrated and vulnerable to disruptions. In addition, policies are needed to allow markets to internalise the negative externalities from emissions, drive efficient decarbonisation, and spur long-term investment in clean, low-emissions technologies and industries, in line with our significant long-term comparative advantages.

The Future Made in Australia package sets the government's framework for enabling the substantial transformation ahead. Treasury is responsible for developing legislation for, and the application of, a national interest framework. The National Interest Framework will help identify priority sectors that may warrant government intervention to attract private investment at scale. For the net zero transformation, the framework will identify priority sectors where Australian industry can make a material contribution to reducing domestic and global emissions, and will have a sustained comparative advantage in a net zero global economy and where public investment is required to address market failures and incentivise and attract private sector investment.

For economic resilience and security, it will identify those sectors of the economy where some level of domestic capability is a necessary or efficient way to protect our economic resilience and security and where the private sector will not deliver the necessary investment in the absence of government support. In each of these areas, the role for government usually arises from a market failure, where incentives for business are not always aligned with the national interest. The Treasury will also be establishing a taskforce to consult on the design of a new front door to help streamline investors' engagement with the government and to make it simpler to invest

Chair, I have also a few remarks on the foreign investment framework, but in light of the time I've taken, I might leave those as unsaid and tabled in the document so that we can go to questions and not hold the committee up. Thanks for the opportunity to make an opening statement.

CHAIR: Thank you very much, Dr Kennedy, as always, for your opening remarks. The committee tables them now. We also welcome officials from the department for Macroeconomic Group and International Foreign and Investment Group. We will go to questions, and I will go to Senator Hume.

Senator HUME: Good morning, Dr Kennedy, Minister and officials. This is the third budget that this government has delivered. How much has bracket creep contributed to the bottom line over the last three budgets?

Dr Kennedy: We do have a chart in the budget, which describes how much bracket creep had contributed to income tax payable. The people who are more across this in detail are in Revenue Group, of course. I will just see if my colleague Mr Yeaman can at least start a discussion with me, and then we'll go from there.

Senator HUME: Which chart are we looking at?

Mr Yeaman: In Budget Paper 1, on page 170, there is a box on 'Growth in incomes driving personal income tax' which endeavours to come at this issue. I'm not sure if it looks at all three budgets, but it comes at this issue. Chart 5.1 shows the drivers of growth in personal income tax compared to 2021-22 on an income year basis. It says:

Two thirds of the increase in 2024-25 relative to 2021-22 is driven by strong expected growth in incomes, while around a quarter is due to tax filer population growth ... The impact of bracket creep is much smaller, accounting for less than 10 per cent of the forecast increase in 2024-25.

So it seeks to—

Dr Kennedy: I might just point out that that's for 2024-25. If you're interested in the years earlier, the contribution of bracket creep in the years 2023-24 and 2022-23 is significantly larger, and it's set out in the chart on that page.

Mr Yeaman: That's the increase in 2024-25 relative to 2021-22.

Senator HUME: The *AFR* have estimated that it's around \$60 billion for the three budgets. Does Treasury have an estimate of that figure? Does that sound about right?

Dr Kennedy: I'll get my colleagues to confirm that when Revenue Group turns up.

Senator HUME: If you've got a chart of it, it sounds like it's something that has been calculated.

Dr Kennedy: Yes. They will have the estimates in front of them. It sounds roughly right, yes.

Senator HUME: Secretary, is that the chart that you used in your speech to the Australian business economists?

Dr Kennedy: Yes, it is.

Senator HUME: In that speech, you said:

Bracket creep has been a helpful stabilising force over the past 3 years, contributing significantly to the automatic stabilising influence of the tax system. This stands in stark contrast to the US for example, where noted earlier, the indexation of income tax brackets has worked against monetary policy and been pro-cyclical.

Not indexing income tax brackets, within a medium-term fiscal framework, allows fiscal authorities to both assist in the management of business cycles and ensure fiscal sustainability.

The tone of your speech last week suggested that bracket creep was a good thing for the budget balance. Is that your evidence to the committee?

Dr Kennedy: I was talking about it in the context of being an automatic stabiliser. What I mean by that is changes in the fiscal position that don't require a decision of government. Of course, there is one important decision of government, and that is that governments can choose to spend additional revenues, so it's important that the subsequent increase in revenue that might automatically arise is saved for the automatic stabilising impact to work. It's a longstanding feature of the Australian system that our income tax brackets have not been indexed. There are a variety of arrangements across the world. Occasionally people call for them to be indexed. My sense is that, in this latest period, with this very significant global supply-driven inflation shock, it has been helpful for them to have worked in conjunction with the imbalance of supply and demand to help constrain demand. As I said, it still requires a government to take the decision to save the revenues that are automatically being generated. Then, of course, any government at any stage can take a decision to return that bracket creep and keep average tax rates at around their longer-term level, which is, from memory, around 25 per cent. I made it in the light of a debate that had been emerging around: should we automatically index income tax brackets? My sense was, no, I would prefer to leave that decision with governments.

Senator HUME: Thank you. You might have answered just a few more of my questions there. The RBA obviously have said that bracket creep is an automatic stabiliser. They said that to us in questions on notice. Last estimates, I asked Ms Reinhardt a question about an element of the government's fiscal strategy being a reference to those automatic stabilisers. It was particularly that line about allowing tax receipts and income support to respond in line with the economy. I asked Ms Reinhardt back then if it was correct to interpret that as the automatic stabilisers running their course. Ms Reinhardt said, 'Yes, that would be my interpretation of the first part of that.' So, if bracket creep is an automatic stabiliser, and the fiscal strategy's first prong is to allow the automatic stabilisers to run, does that imply that letting bracket creep run is essentially a core tenet of the government's fiscal strategy?

Dr Kennedy: I made my comment about income tax brackets, and I think I made it at the same time in the context of a sustainable medium- to long-term fiscal strategy. My comments really, I suppose, are about, in a way, the way we have been surprised at how effective this has been with a type of shock we didn't anticipate getting. It's a really longstanding feature of Australia's income tax system to not index these tax brackets, and so they've always had this effect over a long period of time, and then governments have always taken a decision about when they will return bracket creep and just exactly how they will leave income tax rates and income tax brackets in place.

The reason I said in the context of a medium-term fiscal strategy is, of course, if you never take a decision to return them, then revenue rises on an ongoing basis, hence the need to have a medium-term framework with which to stabilise spending and taxing. As I said, there are a wide variety of arrangements around the world. Some countries index them every two years. Some countries have paused indexation. The UK paused indexation for four years. It normally indexes. The US indexes. Looking at how strong household consumption has been, for example, in the US, it has probably been unhelpful in managing the cycle there.

Senator HUME: I'll just ask the question again. Is letting bracket creep run a core tenet of this government's fiscal strategy?

Dr Kennedy: It's just a feature of the tax system.

Senator HUME: It's not a core tenet?

Senator Gallagher: The fiscal strategy is outlined on page 79 of BP 1.

Senator HUME: Yes, and in the last budget it was confirmed that this was, as an automatic stabiliser, a feature of your fiscal strategy. Does it remain so?

Dr Kennedy: The logical extension of that is it's a feature of everybody's fiscal strategy, since these arrangements have been in place for decades.

Senator Gallagher: It was a longstanding feature of your fiscal strategy, Senator Hume.

Dr Kennedy: Obviously thought is given to how the tax system will respond to cycles, but the longest-standing institutional arrangements of the tax system are taken as a given as people think through the fiscal strategy.

Senator HUME: So if you remove the fiscal guardrails of a tax to GDP ratio, if that cap has been removed, which definitely was a core part of a coalition fiscal strategy, surely then the other side to that coin is that allowing bracket creep to run is a core part of this government's fiscal strategy?

Senator Gallagher: No.

Senator HUME: The answer is no? Minister, did you say bracket creep is not a core part of your fiscal strategy?

Senator Gallagher: The fiscal strategy is outlined on page 79, so it is there; it's clear.

Senator HUME: And it refers to automatic stabilisers, which we've confirmed one of which is bracket creep.

Senator Gallagher: Which we have confirmed are longstanding features of the Australian tax system for both major parties when in government.

Dr Kennedy: If we think about it this way, Senator, the government chose to reshape what was previously known as the stage 3 tax cuts and proceed with them. They're very substantial tax cuts; they lead to a very substantial reduction in the average rate of income tax paid. They don't see, for example, tax receipts to GDP rise to the level that were under the previous government's guardrail.

Senator HUME: What do they rise to in this budget?

Dr Kennedy: I haven't got the 2034-35 number in front of me, which is the 10-year number, but off the top of my head I think I said in my speech that they hit about 24 in 2030-31.

Senator Gallagher: All things being equal.

Dr Kennedy: I would have thought, as has been the case in the past, that gives government substantial time to consider what they might do with the tax system over that period, as they always have done.

Senator HUME: Chart 5 in your speech, and I have copies of your speech here if you would like me to table them, shows real consumption flatlining through the middle of this year and real consumption per capita remaining negative into 2025. Can you explain to the committee how those forecasts link into the inflation outcome forecast in this budget?

Dr Kennedy: Certainly. The weakness that we're seeing in activity and consumption—and I noted in my opening remarks we're expecting the GDP outcome for March to be very weak, reflecting that weak consumption that you're talking about—is flowing through as a result of inflation itself. Real incomes have been reduced and higher interest rates for some consumers lean against those effects. As I said, in terms of automatic stabilisers, part of that fiscal drag, as it drags through household disposable incomes, also reduces incomes, though, as that chart points out, a lot of the additional income tax payable has come from people working more hours, working more and more people effectively.

Those things are leading to that weak per capita consumption. The economy becomes weaker, it takes more demand out of the economy, supply and demand is balanced. It becomes more balanced and, over time, that means we expect prices to come down. Effectively, we're seeing a run of cycles run through the economy. The supply shocks hit; they drive prices up. They have an equilibrating factor in and of themselves in that they reduce real household disposable income. Other things are reducing household disposable income, such as the RBA's moves; we see demand come down to match supply, because supply has been negatively affected; and then the price pressures leave the economy. That's effectively what sits behind our forecast.

Senator HUME: So this chart essentially shows that the return to inflation band in December that you referred to is essentially entirely built off a prolonged collapse in living standards for Australians, and particularly in households. Is that right?

Dr Kennedy: There are two things to think about with economic cycles. The first and most important are what it's going to do to employment and what it's going to do to income growth. What the RBA is trying to do, and

what the government has foremost in its mind, is reduce the demand in the economy and not lead to further inflation, while preserving, as I said, those employment gains. That naturally means that consumption has to fall. If demand is ahead of supply and consumption is, off the top of my head, roughly 60 per cent of the economy, then that is part of the expected adjustment. That is what, as a member of the board, we are trying to do. It's not unusual. It's a sensible response to one of the largest global shocks we've seen in generations.

Senator HUME: When you say consumption is falling and you look at that chart, it really is a euphemism for a collapse in living standards, isn't it? If you're in the household and you're saying consumption is falling, so that's a good thing—people are genuinely feeling the pain, are they not? That's what this chart is saying.

Dr Kennedy: I guess we have to think about what they're doing with their incomes. Normally, when we think about living standards, we think about what's going on with people's real household disposable income. Part of the reason consumption is falling is that their real household disposable income has been falling. That's—

Senator HUME: By how much has it fallen in the last two years?

Dr Kennedy: While I finish this off, I will get Mr Yeaman to find it for you. That's a part of the story. Consumption is falling. Another more recent part of the story is that people can save out of their income. While their savings rates were falling, they have picked up a bit more recently, which suggests perhaps people have been a little bit more precautionary in the period ahead. We'll find, as I'm finishing up, that real household disposable income falls.

As I noted in my opening remarks, we do expect it to now rise. More recently we have seen our first increases in real wages for some time. Unfortunately, and no-one is happy about it, when you get shocks of this size, this is what the implications are for all of us. The question is how that shock is absorbed effectively, keeping as many people in work as they can, making our way through it and then seeing things improve.

Senator HUME: You speak of a shock and yet, at the same time, the RBA governor has said that inflation in Australia is largely homegrown now, and services price inflation is what's driving it. How do you reconcile the two?

Dr Kennedy: I don't think anyone disputes that the inflation rates that we saw in December 2022 were driven by massive energy price shocks and shocks coming out of COVID. That's the goods, particularly the increase in goods prices that we observed.

Senator HUME: That's a two-year-old shock.

Dr Kennedy: I expect the echo of that shock, which I also spoke about in light of the housing market. The fact that we have not seen many materials prices fully deflate back to the level they started at pre COVID—it takes a long time for that to flow through services. Goods go up quickly and they have come down relatively quickly. Services go up more slowly because those costs get passed through over time. They're coming down more slowly. That's the sense of the composition of inflation that we're expected to see. I also made the point that, in some other countries, services inflation is persisting a little more than expected. That's about the balance of supply and demand. I don't think there is any doubt about where the shock came from. It didn't come from domestic sources.

Senator HUME: But it is now being persistent because of domestic sources. That's what the RBA governor has said.

Dr Kennedy: The managing of our economy in the light of that initial shock is the important part.

Senator HUME: Exactly. Bracket creep and collapsing living standards, the two things we've just spoken about, seem to be the main tools of this government to bring down inflation.

Senator Gallagher: That's not correct. In this budget you'll see cost-of-living support and tax cuts, which return a lot of that bracket creep, going to households. Whilst we've certainly been making sure that fiscal policy aligns with monetary policy in dealing with the inflation challenge, we have been providing support where we can to ease some of the pressure on households. We acknowledge that households have been feeling it. The secretary has taken you through why. I think the decisions in this budget show a government that is focused on the cost of living and is focused on providing support to households. We're doing that through the energy bill relief, the tax cuts and some targeted support to households on concessions.

Senator HUME: Minister, there are countless economists out there that have said that this budget is expansionary, not contractionary, and not aligned with monetary policy. Wouldn't it just be easier to reduce the size of government spending, rather than growing it, to bring down inflation?

Senator Gallagher: This is a responsible budget. We have been returning the overwhelming percentage of revenue upgrades to the budget to help support monetary policy. We've delivered a budget surplus. We've got another one to come. The revenue upgrades are going to budget repair. We're lowering debt. We're lowering the

interest on that debt. All of that makes a difference to the work that the RBA is doing. At the same time, the cost-of-living measures we have agreed to take half a percentage point off inflation. They're putting downward pressure on inflation and, at the same time, helping households. You can see that from the decisions that we've taken: responsible, focused on the cost of living, focused on delivering those tax cuts and repairing the budget we inherited, including paying down debt and delivering surpluses.

Senator HUME: Secretary, how is new policy spending of \$4 for every \$1 raised aligned with a contractionary monetary policy?

Dr Kennedy: The level of monetary policy is considered contractionary at the moment. It's the level of interest rates that people focus on to judge where fiscal policy sits. The really important thing that we have to do is also look forward. What the government has tried to do in this budget is strike a balance between what it has done in the past, which has been a very substantial consolidation, and then take a set of decisions that, in our forecast, still see inflation returning to the band.

As I said, it's a fine balance to be struck. As you just pointed out in those consumption numbers, activity is weak. Going further at the moment may well not be helpful. We will see what the March quarter outcome looks like on Wednesday. There is a fine balance to be struck here. One of the things I've been at pains to talk about in more recent times—I might also point out it's a credit to the former government that they included full employment in their fiscal strategy—is that we do our best to keep the unemployment rate as low as possible. The government has struck that balance in this budget. Frankly, it's also not an unusual experience all around the world, as I described. We are seeing countries—some a little faster, some a little slower—making their way back towards their targets trying to keep their unemployment rates as low as possible.

Senator HUME: Is it a contractionary budget or is it an expansionary budget?

Dr Kennedy: The government has clearly taken a set of decisions. The fiscal consolidation has been significant. It remains significant in the year we are in, 2023-24. Beyond that, as I said, the deficit widens. A big part of that widening is the income tax cuts. I don't have that number in front of me, but I can only imagine, from memory, it must be worth about a percentage point of GDP, about \$20 billion. I think it is wise to proceed with those income tax cuts. Average income tax rates have been rising. They have been reshaped to assist in the distribution of the difficulties that people have been struggling with in the cost-of-living crisis, as the minister just pointed out. It's consistent with inflation returning to the band.

Senator HUME: Again, is it a contractionary budget or is it an expansionary budget?

Dr Kennedy: As I said, the government has made a set of decisions that have assisted monetary policy. The decisions around the energy rebates assist on prices, and beyond that it's made a balance of spending and taxing decisions that are consistent with inflation returning to the band.

Senator Gallagher: It's responsible, it's restrained and it's doing the work it needs to do now. We took a different view to the view that I've heard some of your colleagues put, which was that it's time to slash and burn. We don't accept that view. We think the improvements we've made to the budget, the repair work that's underway and the pressures we inherited from a government that had failed to deal with them for so long mean that we have to keep going in areas of reform.

Yes, we have to spend in areas. We want the aged-care system to keep functioning, so yes, we have to spend to make sure that the IT system is able to do that. I think two-thirds of the spending in the 2024 budget year is unavoidable, and we had this discussion in Finance estimates last week. We have said, 'We have been restrained in the decisions we've taken and mindful of the responsibilities we have in this budget.' But it is a responsible, restrained budget that focuses on cost of living, delivering tax cuts, improving the budget repair, paying down debt, lowering the interest costs on debt, keeping people in jobs, supporting wage increases—it does a lot of those things.

Senator HUME: I'm sorry. You've answered this question before, Secretary, and it is a pretty binary question. This is the third time I'm going to ask it. Is it an expansionary budget or a contractionary budget?

Dr Kennedy: My answer is the same as the one I gave previously. It's a budget that's consistent with macroeconomic stability with inflation returning to the band, and it takes a balance of decisions around spending and taxes that are consistent with that.

Senator HUME: Government spending is at its highest level as a share of GDP in 38 years, outside the emergency pandemic years. Is that expansionary or contractionary?

Dr Kennedy: As I explained in the speech that you referred to earlier, the level of government spending as a proportion of GDP is not driven by discretionary decisions to expand demand, for example. It's driven by five key

factors, but there are three in particular that have been realised more recently. One is a very significant increase in debt servicing costs. The second is, since 2020, the crystallisation of a very large increase in spending on NDIS. The third is aged-care costs, which have been rising substantially, in part reflecting very significant increases in the number of home-care packages that have been offered over some period now. The final two are an increase in defence costs and an increase in health costs.

What I tried to point out in that speech was that this is not about macroeconomic management. They're about structural spending, and in terms of structural spending as a proportional part of GDP, that number comes down to about 26 per cent across the second two years of the forward estimates. But from my perspective that will only be solved through continual reform of those programs and lowering the rates at which they grow. I wouldn't regard the movements in those programs and them turning up in that significant increase in spending—and it is, as you point out, a significant increase—as a proportion of GDP. Part of the government's macroeconomic management is the crystallisation of a number of spending risks that are now all coming home to roost, and they need to be addressed.

Senator Gallagher: Senator Hume, are you arguing against, say, tax cuts or—

Senator HUME: I'm talking to the secretary.

Senator Gallagher: funding the NDIS or funding aged care properly or funding wages—

Senator HUME: I would like to understand—

Senator Gallagher: in the early childhood sector—

Senator HUME: from the secretary if nominal spending growth of 16 per cent is considered restrained?

Senator Gallagher: The budget is restrained.

Senator HUME: Secretary, can you look me in the eye and tell me that nominal spending growth of 16 per cent, which is almost double that of economic growth, is contractionary?

Senator Gallagher: What would you not fund?

Senator HUME: That's not the question that I asked. Minister—

Senator Gallagher: It sounds to me like you don't support tax cuts.

Senator HUME: In estimates, I get to ask the questions, not you.

Senator Gallagher: It sounds to me like you're arguing against tax cuts. It sounds to me like—

Senator HUME: It sounds to me like—

Senator Gallagher: you're arguing against funding the NDIS—

Senator HUME: both of you are avoiding answering a question—

Senator Gallagher: against funding aged care—

Senator HUME: which is very basic.

Senator Gallagher: against funding wage increases.

CHAIR: Alright—

Senator HUME: Is it a contractionary budget or is it an expansionary budget?

Senator Gallagher: It's a responsible and restrained budget, Senator Hume, and it sounds like you would not be supporting a whole range of important investments in this budget.

CHAIR: I'll just make a chair's intervention and say it's time to share the call, but would you like to conclude, Senator Hume?

Senator HUME: I would like the secretary to answer the question.

CHAIR: Would you like a final question, Senator Hume?

Senator HUME: I'd just like the question answered.

Senator Gallagher: We've answered the question, Senator Hume.

CHAIR: I'm not sure where to go.

Senator HUME: No, I'm sorry. The minister answered what I asked the secretary to answer.

Senator Gallagher: He's answered the question, and you're going to get the same answer: responsible and restrained and dealing with a lot of pressures coming our way. This budget has got a lot of reform in it to deal with those areas which are having a structural impact on the budget.

Senator HUME: If you won't let the secretary answer the question, that's fine, Minister.

Senator Gallagher: He's answered it.

Senator O'NEILL: Three times.

Senator HUME: No. He's avoided answering the question.

Senator O'NEILL: That is not true.

CHAIR: I'll share the call. We do have the secretary for a limited amount of time, so I'll move to some shorter blocks of 10 minutes. I'll go to you, Senator McKim.

Senator McKIM: Dr Kennedy, wherever you look at the moment, young people are kind of getting smashed. You've got ecological collapse, climate breakdown, student debt, food prices, rents, mortgages. Do acknowledge that, at the moment, the chances of financial security and opportunity are receding rapidly for young people in Australia and that the future is actually looking pretty bleak for them?

Dr Kennedy: I don't think the future is looking bleak for young people in Australia. I do think it has some very substantial challenges. They include responding to the ones that you spoke about—the environmental challenges, the climate change challenge and the structure of the housing market, which I spoke about in my opening remarks. But I think we're fully capable of responding to those challenges. They just require us, over time, to take the right policy choices. I do think, though, that there is, perhaps, more importance on this than we've seen in the past—perhaps, for two reasons.

The first is that there are more risks to manage, and they include the climate and environmental ones you outlined, and also geopolitical risks. Then, second, it's not clear that we can rely on a globe that's generating a reasonably high productivity rate to generate income growth. So, in dealing with those risks in the future, we want our own economy to be going as well as it can because, to be able to deal with those risks, we want to be able to give the income and wealth to future generations. That's become a little less certain, not particularly because of domestic circumstances but because there has been this slowdown in global productivity.

I'm still optimistic that, with the right policy choices, we can, as we have done in the past, leave future generations better.

Senator McKIM: There's been a bit of discussion about inflation this morning. Would you accept the proposition that, as interest rates have risen, people with debt, which is mostly younger people, get smashed and pay the price, while people with savings, who are mostly older people, make bank? There's plenty of research out there that shows spending for 25- to 34-year-olds is decreasing while spending for people over 65 years old is increasing above the rate of inflation. So aren't we collectively sitting back and allowing young people and people who are carrying debt to get smashed by higher interest rates and therefore pay the price for a problem that they're not actually causing? It's not their spending that is driving inflation; it is actually the spending of people with savings that is driving inflation at the moment. Do you accept that proposition?

Dr Kennedy: I'll just make two comments. Maybe it's because I've been a public servant for 30 years, but I don't think the language of groups being 'smashed' is, frankly, that helpful. Older people today would have gone through interest cycles in the past. I understand that we have to be very careful about intergenerational equity issues; I completely accept that. But the younger people today will be the older people of the future, and so it goes on.

Part of the way monetary policy works is through the household channel—that is, through debt and debtors. It is as you described, and I do not want to diminish your point that it's having a very significant effect on those groups, and no-one's pleased about it, but that is the way our monetary policy works. Some of the decisions the government have taken around reshaping the income tax cuts and a range of other issues is them trying to spread the distribution of accommodating this supply shock. But it is best that we accommodate this supply shock, because it is absolutely best that we get inflation down on an ongoing basis.

I accept there are distributional consequences, and they are for the fiscal—I'll call them governments—authorities to handle. The Central Bank is given an instrument to manage demand, and it manages demand with that instrument as best it can. It flows through business credit channels and the housing channel—as you described. Interestingly, there is some research which shows older people's consumption is now falling, but it is true what you're saying: that they are a beneficiary of higher interest rates, and it may well be because they're taking the option to save.

I agree with you and I share your empathy for those people who are being badly affected; I would just caution the sense in which managing a cycle does have distribution elements. The intergenerational piece you're talking about, I think, is more aptly looked at more carefully in the structure of the housing market, where young people are not getting the same opportunities that older people got.

Senator McKIM: That's exactly right. Minister, Dr Kennedy has referenced your fiscal responsibilities in his previous answer; isn't it a fact that Labor's just refusing to act to stop young people getting smashed by things like rent increases, mortgage increases and corporate price-gouging? You won't control rents. You won't use the powers you have to stop the RBA putting up interest rates. You won't even admit that corporations are price-gouging, let alone do anything about it. You've given tax cuts to the super wealthy, which is increasing inflation, then sitting back and watching the RBA increase interest rates, which smashes younger people but folks with savings are making bank and increasing their spending—which then stokes inflation, which increases interest rates. And so the vicious cycle continues! How is it intergenerationally fair that young people are getting smashed to try to solve a problem they didn't even cause?

Senator Gallagher: The government, through the decisions that we make—particularly if you look at the tax cuts, which the secretary just outlined. We did reshape those so that more Australians would get—

Senator McKIM: It's \$4,500 a year for billionaires—how's that a fair tax cut?

Senator Gallagher: to keep more of what they earn, including those right down across the income scale, which wasn't a feature of the original stage 3. We are taking action in the area of rent where we have capacity to do so. We have made some changes around HECS and HELP debts to reflect a response to what we're seeing and the feedback that we're getting from young people at uni and others, to make sure that we are being fairer within the confines of all of the budget decisions we make.

We do have an independent Reserve Bank—they make decisions about monetary policy. The government don't accept the Greens' view that we should be overturning or directing the Reserve Bank. We have a fundamental difference of opinion on that.

Senator McKIM: Isn't it the case that Labor is simply using young people as cannon fodder—

Senator Gallagher: No

Senator McKIM: in the war on inflation—smashing them for a problem they didn't cause—

Senator Gallagher: No, we are not.

Senator McKIM: using strategy that's not even working? Neoliberal monetary policy is broken, and it is young people that are paying the price; isn't that the case?

Senator Gallagher: I don't accept the proposition that you're putting. The government is taking action. Look at our housing plan—we're focused on supply. We're determined to ensure that the housing market is fairer and works better for all demographics, including young people. This budget is full of measures and policy decisions that we've taken to make sure that Australia is a better and fairer place for all. Whether it be through the income support system; the tax cuts, the cost-of-living relief, the changes we're making through skills and training, the development of the Future Made in Australia, all of these measures are about supporting generations, including young people. Our focus on net zero and addressing climate change—I don't think you can dismiss that as not doing anything. We're responding to the challenges that we see younger people are concerned about.

CHAIR: Last question.

Senator McKIM: Dr Kennedy, we've seen inflation now going up. It went up slightly in April compared to March. This was contrary to market expectations, and it's significantly against trends in other comparable economies around the world. Why is inflation going up in Australia against market expectations and against the trend of comparable economies around the world? And what would you say to the proposition that it is being driven by increases in spending by mostly older people who've got savings in the bank? Younger people are actually decreasing their spending because they simply can't afford to spend.

Dr Kennedy: On the first part, one thing the governor has made clear in a couple of her press conferences is that we expect the decline in inflation, which we still expect, to be bumpy. It's absolutely the case that that has occurred in other countries. Inflation has declined. It's dumped back up. It's then gone back down again and has continued to decline. That's what I expect to happen in Australia. It rose from 3.4 to 3.6, of the top of my head. Yes, it's still a good half a percentage point outside the band, but that is substantial progress compared to the above seven per cent that we saw some time ago, a shock that many of us had not seen. Well, I had. But many Australians would not have experienced such high inflation rates. My own view is inflation is headed in the right direction. The balance of policy is working towards it. I'm confident of that outcome, and I have not been particularly concerned by changes in the monthly statistics.

Senator McKIM: But younger people—

Dr Kennedy: On the younger and older person thing, the question we talked about a bit earlier, I can often share your concern around the way different markets might be working. For example, the government is doing a

lot of work on mergers in competition policy—you referred to gouging beforehand. I would caution this younger and older person dynamic. I don't think it's helpful for the policy discussion. There's nothing particularly unusual in the way macroeconomic policy is working at the moment. The best thing we can do for younger people is give them jobs and ensure the economy is growing strongly.

CHAIR: Senator Hume.

Senator HUME: Secretary, I want to ask some questions about whether you think that Australia's company tax rate is internationally competitive.

Dr Kennedy: I'm quite comfortable with where Australia's company tax rate is. Business investment has been growing strongly, as I pointed out in my remarks. There is a long debate around the shape of taxes in Australia. Many of my predecessors—well, not many; there are not that many of them. A couple of my predecessors enter that debate. They know, as I know, one of the challenges for governments is the one that you spoke about earlier—fiscal sustainability. In the light of the current circumstances, the company tax rate is appropriate. If the government is minded to think about tax reform in the future, then, of course, it would be one of those things it would think about. But, at the moment, as you also spoke about earlier, it is undertaking substantial reforms on the spending side, and I would be encouraging the government see those reforms through in aged care and the NDIS. There will be plenty of time to be thinking about the tax system over time.

Senator HUME: When you say 'at another time', would you like to see a lower company tax rate in the medium term, for instance?

Dr Kennedy: The balance of the Australian tax system internationally is not unusual or not particularly uncompetitive. There's a long debate in Australia that we rely too heavily on income taxes, and particularly company tax, and people would encourage various governments to, for example, increase the consumption tax, GST, or change the tax mix in some other way. I think such conversations should be had and can be had over a long period of time, but I personally don't see anything fundamentally unsustainable about the Australian tax system. The question always is: can we find better ways to apply it so it works more efficiently—or, if you like, we'd reduce the inefficiencies that any tax system puts in place? But it is really crucial—and I made some remarks about this a couple of years ago—that we tax at an appropriate level to meet our spending obligations and that we keep a focus on the fiscal side of things. So that's where my focus is at the moment.

Senator HUME: Minister, do you think that Australia's company tax rate is internationally competitive?

Senator Gallagher: Yes, and I think the government has taken some decisions in this budget to incentivise investment. I think that's an important part of the budget that we have handed down. It's a big feature of it to use the tax system to incentivise investment, in particular, through the transition to net zero and our production tax credits, which I note you oppose.

Senator HUME: In 2017, Minister—and this is on the *Hansard* record—in the Senate you called the passage of the coalition's tax cuts to the small business company tax rate an 'absolute disgrace'. You called it a handout to 'the big end of town', and you said it was a 'wasted opportunity'. Is that still your view?

Senator Gallagher: I'd have to refresh my memory on whatever that was.

Senator HUME: Company tax.

Senator Gallagher: You're quoting something there that I don't have in front of me.

Senator HUME: *Hansard*.

Senator Gallagher: Yes, but I don't have it in front of me.

Senator HUME: Answer me this question then: do you believe that a small or family business with a turnover of \$50 million is the big end of town?

Senator Gallagher: I don't know what you're reading from.

Senator HUME: Now. Today.

Senator Gallagher: I don't know what you're reading from.

Senator HUME: I'm just asking you a question. Is a small or family business—

Senator Gallagher: I think our tax settings are appropriate, and I believe that the focus in this budget has been to look at how we can use the tax system to incentivise investment.

Senator HUME: I'm sorry; again, do you believe that a small or family business with a turnover of \$50 million is the big end of town?

Senator Gallagher: I support the tax settings in the budget.

Senator HUME: In 2017, you said in the Senate that cutting the company tax rate would be an 'enormous unfunded tax cut for foreign multinationals and the big banks' and 'magic pudding economics'. You also said that it was 'lazy policy' and 'unimaginative' and 'ultimately exposes the government for its lack of vision'. You also said, 'Any relatively minor reduction in our corporate tax will struggle to attract significant additional investment.' You went on to say that the company tax rate 'will not meaningfully grow the economy'. You said:

It will not deliver meaningful wage growth; it will not improve our capacity to fund services, nor will it genuinely improve our competitiveness internationally. It simply does not stack up as an economic plan.

I'm just wondering whether you stand by those claims and whether you've communicated them to your colleague, Mr Husic?

Senator Gallagher: This is a first—to have the *Hansard* from 2017 read into budget estimates of 2024. I've got to say that it doesn't sound like me. I think you reading me sounds very different to me.

Senator HUME: We'll get you a printout.

CHAIR: Would you like the document tabled, or are you okay to proceed?

Senator Gallagher: No. I don't imagine we're going to continue reading Katy Gallagher out of the *Hansard* from seven years ago.

Senator HUME: It's the gift that keeps on giving.

Senator Gallagher: I think the point Minister Husic was making was about the need to continue to incentivise investment across the economy. The budget does that with the production tax credits that you oppose. That is the measure that the government has decided to ensure that we are providing the right tax settings and the right incentives to drive investment, and it's reflected in the budget.

Senator HUME: Do you agree with Minister Husic that we should cut company tax?

Senator Gallagher: Again, my reading is that Minister Husic's comments are about the need to continually look at ways to incentivise investment, and we are doing that in the budget with the production tax credits.

Senator HUME: He suggested that you do it with company tax. Do you agree with that?

Senator Gallagher: Again, my answer will remain the same. I think governments always need to look at the ways that they can incentivise investment in the economy. The government has made some decisions about that in the 2024 budget that's before you—incentives that I note the coalition oppose, which I am quite surprised about.

Senator HUME: Dr Kennedy, Minister Gallagher has made some pretty strident statements on her opinion on company tax in the past. Do you agree with Minister Gallagher or Minister Husic?

Dr Kennedy: I'll make a couple of quick remarks about the tax debate. Perhaps not surprisingly, I find that most people can agree with the idea that the government should either spend more on them or tax them less. The difficult decision for the government is that it has a budget to deliver. It has to work out how much revenue it's going to raise, and it has to work out what the appropriate level of spending is—something I thought we had a productive conversation about earlier, but you probably thought it was less productive. All these tax debates have to be nested within that broader context. We can all say, 'Wouldn't it be wonderful if this tax rate was lower or this tax rate was lower?' The challenge I often put to people, because that question is often put to me, is: where else in this budget would you also recommend I make a change in either raising taxes on someone else or lowering spending to other groups? So the first point I would make is that all conversations about tax reform, in my view, should be nested in our budget and our ongoing budget position. So, at the very least, one would think they would start from the position of being revenue neutral.

Secondly, there's a long ongoing debate about the shape of taxes in Australia and the level of company tax. We should all remember, particularly from a Commonwealth perspective, that Australia still remains a relatively low taxing jurisdiction, mostly because it has a fairly targeted welfare system. It does lead to taper rates, which are difficult, but it doesn't have universal access in the same way that some northern European countries do, for example. So there are two things to think about here: what's the level of spending and the level of taxing we want to make on aggregate, and then what is the composition? You're absolutely right that it's quite reasonable to have a debate about how exactly we raise those taxes, but, in the context of our long history, it doesn't seem to have been a significant drag to me.

Senator HUME: And it's not just about raising taxes, obviously; it's whether it drives productivity, too. Are company tax cuts good for the economy or bad?

Dr Kennedy: Company tax cuts that led to an unsustainable fiscal position would clearly be bad. That's why it always needs to be set in a broader context. I would not want to be in the position that other countries are with fiscal deficits in the order of six per cent, rapidly rising debt-to-GDP ratios and potentially much lower tax rates

than us. That is an unsustainable, unproductive position to be in, and in the longer term it will lead to higher interest rates and the potential for debt crises. Australia would do well to avoid those positions. That means it needs to focus on its fiscal position and tax rates that accompany that fiscal position.

Senator HUME: Secretary, I'd say that you are agreeing with Minister Gallagher, but, to be honest, I'm not entirely sure what Minister Gallagher's position is on company tax.

Senator Gallagher: My position reflects the budget. From what I hear from you today, you're saying that the coalition will have a cut to company tax—that's what I'm picking up—and that you're going to index income tax thresholds as well. That's what I've picked up from this morning.

Senator HUME: I'm just interested in how you're managing the split in your cabinet on economic policy.

Senator Gallagher: There is no split in the cabinet.

Senator HUME: Then why have you got two cabinet ministers saying different things?

Senator Gallagher: What we've got here this morning is you, the shadow finance minister, arguing for indexing the income tax rates and that you're going to go forward with a cut to the company tax rate. That's what I'm hearing.

Senator HUME: I'm not arguing for anything. I'm asking questions. That's the point of Senate estimates, isn't it?

Senator Gallagher: Certainly the line of your questioning would lead one to believe that you are going to cut company tax and index income tax.

Senator HUME: You can imply anything you like, Minister, but I'm the one asking the questions, and you're the one not answering them.

Senator Gallagher: Well, I've answered.

Senator HUME: Let me ask you this.

Senator Gallagher: I think that speech you read out was from the Turnbull-era unfunded company tax cut, which—

Senator HUME: So you just change your mind depending on the era?

Senator Gallagher: didn't pass the Senate, from memory.

Senator HUME: Are you changing your mind depending on the era?

Senator Gallagher: No, I'm not changing my mind. The budget reflects the decisions we've taken. It uses the tax system to incentivise investment in a way that's going to grow the economy in industries of the future. It's a responsible decision taken by the government and one that you oppose.

Senator HUME: On company taxes, wouldn't a broad based measure, either a company tax cut or a sector-neutral investment allowance, have a more broad based economic benefit on productivity than a production credit, for instance? Does a production credit support current investment or does it support existing production?

Senator Gallagher: Yes, it incentivises investment, because we are guaranteeing a tax credit on the production through those industries. That's exactly what it is. So you are arguing for a company tax cut.

Senator HUME: I'm asking you whether your understanding of the economic benefit—

Senator Gallagher: You are arguing for a company tax cut. Okay. You'll have to fund that. You'll have to tell everybody how you're going to fund that.

Senator HUME: of a company tax cut or a sector-neutral allowance would mean more broad based economic benefits, particularly on productivity, which is very sluggish under this government.

Senator Gallagher: Again, Senator Hume, the decade that you were in government was the slowest productivity—

Senator HUME: I'm not asking about the decade I was in government. I'm asking about your position now—

Senator Gallagher: Well, it provides context, doesn't it?

Senator HUME: on this budget.

Senator Gallagher: It provides context. It was the slowest productivity growth in 60 years.

Senator HUME: No, it wasn't.

Senator Gallagher: It was, so let's just put that fact on the table. The government has decided—

Senator HUME: To make up facts.

Senator Gallagher: On the one hand, you're arguing for us to spend less, and then you're asking why we don't have a broad based company tax cut. It's inconsistent.

Senator HUME: No. I'm asking about the thinking behind the decisions you made.

Senator Gallagher: Your entire line of questioning this morning is: 'You're spending too much. You're not doing enough. It's got to be contractionary. Why don't you give a broad based tax cut to everybody?' It's ridiculous.

Senator HUME: I know you want to think that, Minister, but I'm asking you about a specific measure that is in your budget, and you are dancing around the topic.

Senator Gallagher: I'm not dancing around. The budget is the budget.

CHAIR: Okay. We've got to the moment early in the day—

Senator Gallagher: It shows you the decision we've taken about changes to the tax system to incentivise investments in industries that we believe are going to have an increasing role in the economy.

Senator HUME: So it's picking winners. Thank you.

Senator Gallagher: The government has made that decision. We have not determined to have a broad based investment allowance that you seem to be arguing for—

Senator HUME: You'd rather pick the winners.

Senator Gallagher: because the budget is responsible and restrained.

CHAIR: We've got to that moment where it's difficult to distinguish between the questions and the answers, so we'll ask that, once a question is asked, the person has a chance to answer it. Also, I will just seek to share the call, Senator Hume, and get some advice over here about where we're going next. Are we going to Senator Smith?

Senator HUME: Senator Smith has some questions.

CHAIR: Senator Smith.

Senator DEAN SMITH: Thank you, Secretary and officials, for your participation today. Minister, I will start with you. Could you explain the logic of delivering a budget that puts more pressure on interest rates and inflation after families have endured more than two years of above-band inflation under your government?

Senator Gallagher: I don't agree with that. You're arguing the opposite position to the one your colleague just argued to give out a broad based tax cut.

Senator DEAN SMITH: No, no. I'm just asking questions. Can you explain the logic of delivering a budget that will put more pressure on interest rates and inflation at a time—

Senator Gallagher: Well, it doesn't.

Senator DEAN SMITH: when families have already endured—

Senator Gallagher: Well, it doesn't.

Senator DEAN SMITH: more than two years of above-band inflation.

Senator Gallagher: It doesn't do that, and the inflation forecasts are contained in the budget. They take into consideration all of the decisions that we have made in this budget, including those that put downward pressure on inflation. But I would welcome areas within the budget where you wouldn't spend, or that you don't agree with, in the next couple of years. Is it the wages for aged-care workers and early childhood educators? Is it going to be the money we need to invest in aged care?

Senator McKENZIE: Senator Smith's asked a fair question, and if we want the talking points from the government we can download them from—

CHAIR: Senator McKenzie, this is an outrageous intervention.

Senator Gallagher: If they're going to criticise our spending, they should explain the areas that they think aren't worthwhile.

Senator DEAN SMITH: Thank you for that, Minister. You characterise your budget as being responsible and restrained, but that's not the view of respected economic commentators. Chris Richardson says:

My big ask of the Budget was that it didn't poke the inflationary bear.

I don't think it passed that test.

The government said it would be careful not to frontload its new costs.

But that's exactly what it did—and its new dollars are both big and fast.

In the coming year they're eight times the size of what they are by 2027-28.

So this Budget narrows the Reserve Bank's already narrow path.

What is it in the budget that Chris Richardson can't see when you characterise it as 'responsible and restrained' and he characterises it in a very, very different way?

Senator Gallagher: Commentators will commentate, Senator Smith. That's how they get time on slots.

Senator DEAN SMITH: So they're just media appearances, rather than economic commentators?

Senator Gallagher: No, economists will have a range of views as well. That's not unusual. The budget that we have handed down is responsible. It will deliver a surplus again, taking pressure off inflation. We're lowering debt. We're lowering the interest on that debt. We're banking the vast majority of the upward revisions to revenue. The spending and the pressures are, in many ways, unavoidable.

Senator DEAN SMITH: When Michael Blythe, the chief economist from PinPoint Macro, characterises the budget as something that 'adds to the higher for longer interest rate thesis', what can't he see in the budget?

Dr Kennedy: Maybe I could comment.

Senator DEAN SMITH: Sorry, Secretary. I do have some questions for you.

Dr Kennedy: No worries.

Senator DEAN SMITH: This is the political part of my questioning, but I do have an economic set of questions for you.

Dr Kennedy: In that case, I'll stay right out of it.

Senator Gallagher: Again, my answer to this is going to be the same. Economists will have their views.

Senator DEAN SMITH: So the economists' view is wrong?

Senator Gallagher: The government has a broader set of responsibilities. Perhaps some of the economists would think that providing wage increases for Australia's highly feminised and lowly paid industries was something that could be put off. Maybe some economists think that paying super on PPL is, again, something that could be put off. Maybe it's the investments that we're making into the NDIS. Maybe it's the energy bill rebate. Maybe it's the tax cuts. Are they things that you support or are they things that you think should be put off? We've taken a range of decisions about those, and they're reflected in the budget. The timing of the spending matters. The quality of the spending matters. The composition of the spending matters. We have considered all of that in the budget.

Senator DEAN SMITH: And they've failed the test when measured by economic commentators—economists. Cherelle Murphy, the chief economist of EY, says:

With billions being spilled into the economy from 1 July, and without offsetting new spending with cuts elsewhere, the Budget has thwarted the task of tightening the structural deficit.

It also undermines the Government's inflation forecast—which was lowered below the Reserve Bank's forecast and assumed to drop into the 2-3 per cent target band by the end of this year.

That's just three. So perhaps you might like to, for the interest of the committee—

Senator Gallagher: I don't accept that either, because there are offsets and there are savings in the budget. We have found \$70 billion of savings compared to a big fat zero from the last time you were in government. So I don't accept that.

Senator DEAN SMITH: In contrast, Minister, can you identify some economists that don't believe your budget is inflationary?

Senator Gallagher: I don't spend my time looking for people to agree with—

Senator DEAN SMITH: You're not interested in the views of others? You're not interested—

Senator Gallagher: I read—

Senator DEAN SMITH: in the economic views of others?

Senator Gallagher: the financial papers—

CHAIR: Senator Smith, you asked a question; wait for the answer.

Senator Gallagher: I read the financial papers, I keep abreast of matters, but I don't pursue people that are supporting my world views.

Senator DEAN SMITH: It would have been a very lonely read to have read the financial papers or the mainstream papers after the release of the budget.

Senator Gallagher: Senator Smith, I have done a fair bit of travel since the budget and met with a lot of members of the Australian community, and the response to the budget has been overwhelmingly positive.

Senator DEAN SMITH: That's not true.

Senator Gallagher: It is true.

Senator DEAN SMITH: I would love to go and meet the same families that you do. Let me share with you what Australian families are telling me. They're now telling me that they thought that high inflation and high interest rates were temporary. They have now come to the conclusion that these are permanent features that they must now prepare for in their household budgets—that this is the new normal. I'd add that, when you look at—

Senator Gallagher: That's not what's reflected in the Treasury forecasts in terms of inflation. It does return—

Senator DEAN SMITH: You just said that the budget had been overwhelmingly well received by people—

Senator Gallagher: It has.

Senator DEAN SMITH: that they were cheering from the sidelines: 'Go, Dr Chalmers and Senator Gallagher!'

Senator Gallagher: The two things that jump out in my discussions with people have been the tax cuts—a tax cut for every taxpayer in Australia—and the energy bill rebate. They are the two things that people have overwhelmingly endorsed and certainly raised with me.

Senator DEAN SMITH: The two things that Australians talk about are inflation and interest rates.

Senator Gallagher: They talk about the cost of living; I would agree with that—

Senator DEAN SMITH: Agreed, of which inflation and interest rates—

Senator Gallagher: which is why energy bill rebates and tax cuts are so important—

Senator DEAN SMITH: are the two key drivers.

Senator Gallagher: and that's how the government's responded.

Senator DEAN SMITH: Do I have a little more time?

CHAIR: Yes.

Senator DEAN SMITH: Great.

Senator Gallagher: You had some questions for Dr Kennedy, I believe.

Senator DEAN SMITH: Thank you for your patience, Dr Kennedy. I want to go to the matter of the budget forecasts around the CPI and those of the Reserve Bank of Australia. On page 6 of Budget Paper No. 1, in table 1.1, the consumer price index measurement or forecast is recorded as being 3½ per cent for 2023-24, 2¾ per cent for 2024-25, 2¾ per cent for 2025-26, 2½ per cent for 2026-27 and then 2½ per cent again for 2027-28. The RBA's forecasts for annual consumer price index inflation are 3.8 per cent for 2023-24, 3.2 per cent for 2024-25 and 2.6 per cent for 2025-26, and they're drawn from their most recent *Statement on monetary policy*. So there is a particular point where there is a significant divergence between the budget forecast for inflation and that of the RBA drawn from its May *Statement on monetary policy*. Beyond that, they are actually in line with each other. Is the explanation for that difference the fact that they don't include the impact of the government's policies around the electricity and rent relief measures? Is that the explanation that is given for that difference?

Dr Kennedy: That's true for the June 2025 number, the 3.2 versus the 2¾. There's about a half a point difference there. It's not true for the June 2024 number, where you pointed out the RBA was at 3.8 and we're at 3½. We were previously 3¾ at MYEFO, and we took that 3¾ down to 3½. The difference is looking a bit more stark between 3½ and 3.8, but, sitting in both rooms, if you like, the differences are not huge. They're simply petrol prices and a range of assumptions about how other prices are passing through. So the significant difference is the June 2025 number, which is the half a point that we talked about.

Senator DEAN SMITH: Then at page 5 of Budget Paper No. 1, it says:

... energy bill relief and Commonwealth Rent Assistance in this Budget are expected to directly reduce inflation by ½ of a percentage point in 2024-25 ...

Dr Kennedy: Yes.

Senator DEAN SMITH: So it's correct, then, that the effect of Treasury's and the RBA's inflation forecasts are exactly in line for 2024-25?

Dr Kennedy: Well, not exactly. There are two things on which I have to be cautious here. The RBA will draw its own view and should speak to its own view entirely independently, so I'll leave that to Michele and her colleagues on Wednesday. But I think it is fair to say: they are very similar. There is a small difference I will just

draw out. We are probably a little more concerned about the weakness in growth and the potential for the unemployment rate to be a little higher. So we are forecasting the unemployment rate to hit 4½ per cent. The RBA has it, I think, getting up to about 4.3 per cent. Then that is reflected in us having slightly weaker inflation and them having slightly stronger inflation from general demand. But, frankly, in the scheme of differences, that's very small.

Senator DEAN SMITH: So then—

CHAIR: I'll come back to the coalition, Senator Smith—

Senator DEAN SMITH: If I could just round this off—

CHAIR: Is it just a final question on this?

Senator DEAN SMITH: Yes. So, in the Treasury's view, the half percentage point difference is an amalgam of the electricity and rent relief plus a slightly different view in regard to unemployment?

Dr Kennedy: The vast majority of it is the energy rebate.

Senator DEAN SMITH: Yes, which was where I was going to come to next.

Dr Kennedy: Only a very small portion of it is the rental assistance. I was just drawing out that very slight difference in our broad assessment of the overall economy, and that's really more just a near-term story. As you pointed out, Senator, in your remarks, as we get into 2025 and beyond, our estimates tend to converge and are quite similar.

Senator DEAN SMITH: Yes.

CHAIR: I will have to go to Senator McKim—

Senator DEAN SMITH: When the call comes back to me, I do want to explore the electricity bill relief and its application for one year or a bit more.

CHAIR: I will come back to you. Senator McKim.

Senator McKIM: Dr Kennedy, in estimates earlier this year, I asked the governor of the RBA some questions around corporate price gouging and, because I want to be really accurate, I'd just like to read to you parts of the exchange. These are direct quotes from the *Hansard*. I asked Ms Bullock this question:

... do you think that some firms or some sectors are using the cover of a significant rise in inflation and a lack of competition to boost their profits over and above what would be required to meet increases in their input costs?

And Ms Bullock's answer was:

I think that, yes, there probably are firms that are using the circumstances of lack of competition, strong demand and, as you mentioned, the cover of higher inflation.

So I wanted to ask you, Dr Kennedy: do you agree that some firms or some sectors are actually price gouging—that is, boosting their profits over and above what would be required to meet increases in their input costs?

Dr Kennedy: I think, at any given time in the economy, it would be very surprising if there weren't a wide distribution of outcomes, including the potential for firms, if you want to be polite about it, to do margin rebuilding—you used the language of 'gouging'—and that, when demand is strong, and particularly, for example, if firms' profits had been low for some period and they were trying to rebuild those margins and rebuild their balance sheets, they would take the opportunity of strong demand, as the governor, as Michele, was talking about. The key thing is: is this a firm or two, or is this a structural or sectoral issue? I think you said 'sectors' or industries.

Senator McKIM: Yes.

Dr Kennedy: In some cases, there may be sectors that are rebuilding after periods of very low margins. One of the strongest price increases running through the CPI at the moment is for insurance costs. Insurance premiums are increasing very significantly.

Senator McKIM: That's right. We've just established a Senate inquiry to have a look at that actually, Dr Kennedy.

Dr Kennedy: It's well worth looking at. That was after some years in which, from what we could see and what APRA has told us, insurance companies were not doing especially well. Distilling the different effects of, for example, the repricing of insurance as everything has become more expensive and hence more expensive to insure—larger and fancier houses, more expensive cars et cetera cost more to insure—and the risks around reinsurance that some Australians, such as those in northern Australia, face more than others has meant there have been a number of interventions to try and lower those costs. I just thought I'd draw that one out because that is

probably the most significant price increase that we're seeing in a sector at the moment. Distilling competitive market forces versus basically what the economy has given you as a repricing of risks is not straightforward. It's well worth looking at, and I commend the Senate for having a look at that issue.

The issue we've got to focus on—and it's why the government has moved forward with this mergers reform—is: Are there structural reasons that these things don't come and go? Do sectors remain competitive over time, be it retail trade or a variety of sectors? In Treasury, we have a concern that, more broadly, the markets have perhaps not been as competitive as they could have been, and that's why we've advised the government and they've chosen to proceed with this significant reform around mergers, which is one of the sources of a lack of competition.

Senator McKIM: Alright. Thanks, Dr Kennedy. I acknowledge that in your answer you did kind of caveat it, which is fine, by the way. There's no criticism there. But do you accept the proposition that some corporations are raising prices over and above increases in their input costs? I would call that price gouging, and I think millions of Australians would call that price gouging. But do you accept that proposition?

Dr Kennedy: Of course it's possible that some have done that. It's a diverse world out there. It would be pretty surprising not to see a very wide range of circumstances. As Michele pointed out, the question is: Is it going to disappear naturally because of competitive forces? Are the policy settings right? Has the ACCC got the appropriate tools to chase it when it happens? That's something that all governments should constantly reassess, and I think Gina is highly focused on those issues. You'll probably get a more sophisticated answer from her about particular sectors, when you talk to her later on. But I can assure you there's no lack of effort going on in looking at those issues from the ACCC perspective.

Senator McKIM: Thanks, Dr Kennedy. Minister, you've heard Dr Kennedy's answer. You've got Ms Bullock, the chair of the RBA, accepting the proposition that price gouging is going on. You've got the OECD accepting it. You've got the IMF accepting it. You've got the European Central Bank accepting it. You've got the Bank of England accepting it. You've got the Federal Reserve accepting it. You've got President Biden, who said directly to corporations, 'It's time to stop the price gouging.' I have literally spent years trying to get you to admit that corporate price gouging is happening in Australia. Will you now finally admit that corporate price gouging is going on in Australia?

Senator Gallagher: I think the government's job is to make sure that the settings are right—

Senator McKIM: It's a 'yes' or 'no' question, Minister.

Senator Gallagher: Well, I get to choose how to answer the questions. You ask them in the way that you ask them. I think the government's responsibility is to make sure that, where there are concerns, we are responding to them, and that's the work that the ACCC is doing.

CHAIR: Senator McKim, I'll need to share the call.

Senator McKIM: Sure. I just want to press the minister one more time.

CHAIR: It's your final question.

Senator McKIM: Minister, will you finally accept that corporate price gouging is happening in Australia? You've heard what Dr Kennedy said. You know what Ms Bullock has said. You've got a range of people around the world, from central banks through to US President Joe Biden himself, saying directly to corporations, 'It's time to stop the price gouging.' Will you finally admit that price gouging is happening in Australia?

Senator Gallagher: You ask the question in a very broad way. You basically say 'corporate price gouging', and you're asking for a response to that.

Senator McKIM: Is it happening? Yes or no?

Senator Gallagher: I don't accept that corporate Australia in general is—

Senator McKIM: That wasn't the question.

Senator Gallagher: That's the way you put it.

Senator McKIM: No, it's not. That's not the way you put it.

Senator Gallagher: It is always the way you put it.

Senator McKIM: 'Is it going on?' is the question.

Senator Gallagher: The answer I will give you—and I'm like everyone else, going around, doing my shopping and all of that. When you look at some of the prices, there is sticker shock. You look at them—anyone who's out consuming anything at the moment gets sticker shock.

Senator McKIM: It's because the supermarkets are price gouging. That's what's going on. It's because the supermarkets are price gouging—Coles and Woolworths.

Senator Gallagher: The government's response is to ensure that we are looking at everything that might contribute to that and see if there's anything that's wrong. That's the inquiry that we've put in place, along with the work of Dr Emerson and the work that the ACCC is doing.

Senator McKIM: Is it happening or not?

CHAIR: I'll go to you, Senator Hume. I just want people to understand that Senator Roberts and Senator Rennick each have a couple of questions. Senator Hume.

Senator HUME: Secretary, as part of the annual wage review, Treasury responded to questions on notice from the Fair Work Commission on business conditions and said that the business outlook was positive, the investment pipeline was going to grow and that business profits and balance sheets were at pre-COVID levels. They merely noted that insolvencies have increased of late. Is it Treasury's position that business conditions in Australia are currently positive?

Dr Kennedy: It is absolutely the case that business investment has been growing significantly, and we continue to expect it to grow significantly. For some businesses, particularly those that are trade exposed, there are some positives, particularly in East Asia. But there are also the risks that we raised around China, which those companies would be watching carefully. As we spoke about earlier, with the economy weakening, business conditions will obviously come back somewhat. Our sense is that, particularly with employment growth having been what it is and strong population growth, conditions for business are going to remain quite positive.

Senator HUME: So is Treasury's position that insolvencies reaching the highest level since the GST are something to just 'note' when talking about increasing business overheads?

Dr Kennedy: Do you mean the GFC rather than the GST?

Senator HUME: Yes.

Dr Kennedy: We have been carefully following the increase in insolvencies. From memory, there has been a strong focus on them in the construction sector, where we've talked about the difficult housing cycle that we are going through. They are definitely coming back to pre-COVID levels. At this stage, we've not seen anything that would alarm us that goes beyond that. The same is true of household arrears and financial circumstances, just to add the things that would normally come together in financial markets. But it's one of the reasons we're watching those things closely, and it's perhaps one of the reasons why we, a bit more than others—from the wide variety of economists that Senator Smith was speaking about earlier—are watching very carefully the balance on activity and constraints. Everyone is focused on a one-sided risk here, I think. They're focused on a one-sided upward risk to inflation and things being too strong. In my experience, it's always best to be thinking about both sides of the risk. You're now talking very sensibly about some of the downside risks that could come through activity and the increases we're seeing in insolvency. So, frankly, you've got to strike a balance.

Senator HUME: It's good to be glass-half-full. I'm concerned, however, that in the same question on notice Treasury also said:

A key driver of Australia's current inflationary episode was supply side shocks, driven by the COVID 19 pandemic and Russia's invasion of Ukraine in 2022.

We agree on that.

These global shocks have eased considerably, and inflation is moderating in the Australian economy.

So is Treasury's position that inflation is still driven by international factors when domestic inflation is outpacing imported inflation by five to one?

Dr Kennedy: The echo of the earlier increases in input costs will turn up in services costs, so the goods piece has fallen out largely as we expected. As we spoke about earlier, the goods part is quite down. The balance of supply and demand that we also spoke about is turning up particularly in services. Services are seeing higher input costs. Housing is another good example that I spoke about earlier. They are working their way through, and, as we spoke about earlier, the balance of supply and demand should see inflation fall.

So, as to this notion of whether the shock is now a domestic shock rather than an international shock, honestly, I'm not sure it's that helpful. It clearly was a very large, significant international shock that reverberates through the economy and that domestic policy has to respond to.

Senator HUME: Yes.

Dr Kennedy: If we come along and make the world a little bit less efficient and we make the costs of the products that we bring in a little bit more expensive, we have to find a way to adjust to that, and that will happen on the domestic side. The really crucial bit for the fiscal authorities is to make sure that that difficult adjustment is shared reasonably.

Senator HUME: Can you explain to the committee, then, why Treasury supported a CPI linked wage increase while at the same time noting, in response to questions on notice from the Fair Work Commission:

Whether the recent cyclical improvement in productivity continues and the timing of the return to trend productivity remains highly uncertain. On a heads basis, productivity has been declining since December 2021 and this trend is yet to be reversed.

That is obviously something very different from Minister Gallagher's testimony just moments ago. Can those statements also support a CPI linked wage increase?

Senator Gallagher: Are you arguing against wage increases for minimum-wage workers?

Senator HUME: I'm not arguing; I'm asking about Treasury's position.

Senator Gallagher: That's astounding. It is so barefaced that you would be arguing against wage increases.

Senator HUME: That's obstructive. I'm asking the secretary in the last few minutes I have with him.

Senator Gallagher: That's extraordinary.

CHAIR: Senator Hume!

Dr Kennedy: I have to be careful—or I don't have to be careful, but I will be. The submission to the Fair Work Commission is the government submission, which we prepare. From memory, I'm going to say that talked about real wages not going backwards, which I interpret as staying broadly consistent with inflation. The productivity bit, of course, for real wages, is the bit you get on top of inflation, and that's the thing we're talking about. There's this global uncertainty about how productivity will recover in the medium term, and that's really where we should keep our focus. Then there are all these ons and offs that are going on at the moment through cyclical productivity. My advice, and my personal strong focus, is on where productivity is going to settle down more in the medium term. That's the crucial bit, because that's what will drive real wage growth in the longer term.

I think it's perfectly reasonable for the lower end to keep up with inflation, though of course we have to be careful of that when we see very large inflation shocks. For example, we saw wage increases in some countries that got up to six or seven per cent. It was very pleasing we did not go to that here. Our system has been more stable through that period. It's difficult, but it's a sensible response to that shock. Really what we're talking about on the productivity side is: where will real wages settle down? It is not so much about keeping up with inflation. What we all want is inflation averaging 2½ per cent and productivity growth averaging one to 1½ per cent—

Senator HUME: Yes.

Dr Kennedy: which allows us to see wage growth of 3½ to four per cent. That's the strong focus.

Senator HUME: Treasury's answer to questions on notice from the Fair Work Commission said:

Productivity growth is expected to return to a trend that is broadly consistent with the 20-year average to 2021-22 of 1.2 per cent.

When does Treasury expect this to occur?

Dr Kennedy: I will just confirm with Mr Yeaman.

Mr Yeaman: We haven't opposed improvements. There's obviously been a small improvement so far in the cyclical productivity numbers, but we trend that in over about five to seven years, I think from memory, over the transition from the short term to the medium term.

Senator HUME: Isn't the best way to deliver sustainable real wages to boost productivity and bring inflation down back into band, neither of which have happened over the last two years of this government according to Treasury's own answers to questions on notice to the Fair Work Commission?

Senator Gallagher: You have zero credibility on productivity or wage increases.

Senator HUME: Minister, I have minutes left with the secretary and I am asking him—

Senator McKENZIE: We've had all day with the minister—

CHAIR: Dr Kennedy.

Dr Kennedy: The proposition I agree with about real wages and sustainably low inflation. The assessment that, having gone through this shop, we haven't been focused on that is one I don't agree with.

CHAIR: Senator Roberts.

Senator ROBERTS: My questions are to do with immigration numbers. I want to know whether Treasury got it wrong or if the government isn't telling us the truth, basically. I'm not going to ask you to decide! Right up and down our coast—and we've got a very long coastline in Queensland—we've got thousands of people without houses. We've got working families going home to their car to sleep. And we're a wealthy state. There is a statement that has often been made by the government in relation to its high immigration—that we're just catching up. Pre-COVID, the number of temporary visa holders in the country was roughly 2.3 million. It's now at 2.8 million. That is 500,000 more people in the country. A lot of them will need a house. We haven't just caught up; there is a record number of temporary visa holders in the country, isn't there?

Dr Kennedy: I did some numbers in my opening statement. They're a little different to yours, but, certainly, the current number was similar. The earlier number that you cited was a bit lower. I'll find it in a moment. But it has been the case that Treasury significantly underestimated the recovery in temporary visa holders—I pointed that out in my opening statement—in the order of nearly 25 per cent. That is, frankly, poor performance on our behalf. We simply underestimated how many students would flow back into our universities and our higher education sector more broadly, and students were the most significant part of that increase. I just want to add that it's an incredibly important sector, generating—I possibly won't have the number quite right—over \$8 billion, from memory, in export services. I'll confirm that number for you.

On the question 'did Treasury get the numbers wrong?' yes. Temporary migration recovered from the pandemic much more rapidly than we anticipated. It was predominately driven by students. The other thing that's happened is that they came for the first year of their course and now will stay for three years. Normally we'd have a pattern of the first years coming and the fourth years leaving. We haven't got that at the moment because they left during COVID. So we've got this quite substantial inflow. And, overall, the numbers as you described have comfortably recovered the levels that we were at pre the pandemic.

Senator ROBERTS: And exceeded.

CHAIR: I'll have to share the call with Senator Rennick.

Senator ROBERTS: I'd like to come back to this question after Dr Kennedy leaves.

CHAIR: Yes. Senator Rennick.

Senator RENNICK: The RRAT Senate committee just handed down a report on the closure of banks in the regions. One of the recommendations was that the government work with both Australia Post and the RBA to create government owned facilities, I guess you'd say, to make sure that regional Australians and all Australians have access to banking facilities. I know the RBA is an independent authority, but ultimately the buck stops with the government, and I assume that Treasury would need to be involved in this in some way. Is the government prepared to look at ensuring that all Australians have access to banking services across Australia?

Senator Gallagher: I haven't seen the report that RRAT's handed down, but the government will respond to that in the normal way. I think, from our point of view, there are a couple of things. One is that we need to ensure that banking services are available to all Australians in the way that Australians choose to engage. Some people want to do it online; others don't. I've certainly been aware of more concern, particularly around the availability of facilities. I think we need to make sure that the banks themselves provide a minimum level of service, particularly to rural and regional customers, that is commensurate to what they would get in the cities. On the Australia Post thing, that sounds like that was a recommendation. I think one of the challenges with that, and I'm sure RRAT probably had a look at it, is the capability of some of those outlets, particularly the small mum and dad owned Australia Post outlets, to essentially perform the function of a bank, with the security, training and all of those things. For many of those owners of those businesses, it's not necessarily something they want to take on.

Dr Kennedy: From a Treasury perspective, the proposition that regional people could expect banking services, as the minister outlined, of similar or same quality is well accepted. How to solve that problem is an important issue. I haven't had a chance to read the inquiry, but I'm broadly aware of the recommendations and will take a look at them.

Senator RENNICK: I have one more quick question, Chair.

Senator HUME: Chair, I know that we have to go to a break, but the coalition still has lots of questions for the secretary. I know you're due to leave us, Secretary, but I wonder if there's any chance that you could stay on for a little longer?

CHAIR: I'd like us to stay with the agreed program as much as we can, and this topic has been agreed as to the timing of Dr Kennedy. I have been balancing the call as best I can, but I've become aware that Senator McKenzie has two questions. So, if you wouldn't mind staying for those, Dr Kennedy, that would be appreciated.

Dr Kennedy: Could we do those now?

CHAIR: It will just be a couple of minutes. Senator McKenzie.

Senator McKENZIE: Thank you. It's good to see you, Dr Kennedy. These budget papers are the first time we've actually seen in black and white the impact on fuel excise and road-user charges going forward, which will be to the tune of in excess of \$470 million over the forwards. I want to understand if there has been a policy change around that social compact. We're a large country that's sparsely populated, and we've always had a rule that those who are using our roads have an obligation to contribute to their maintenance. I'd like you to comment on that. I'd also like a quick comment, given the time, on how we are going to fill that fund, understanding that it's not always hypothecated, but it is, if you like, a social contractual arrangement of our federation.

Dr Kennedy: It's always pleasant to finish by agreeing mostly with the senator's questions. Firstly, those numbers sound right. I'll get them confirmed in Revenue Group, but that was the cost of the fuel efficiency standards policy, from memory. Secondly, is that broad proposition that those who use the roads should make a contribution to their upkeep, as you rightly said. Mostly in Australia it's been soft hypothecated back to roads. In the case of heavy vehicles, it's been hard hypothecated back. That is a good proposition. Thirdly, we're doing work in those areas. We are working with the states around a case that was known as the Vanderstock case, which was where Victoria lost the case around its intention to impose charges around EVs. We're working with them in two ways. One is to ensure there are no implications for their revenue base more broadly. The second is the broader policy problem that I think you're alluding to, which is: in a world with many more EVs on the road, what is the right way for those road users to make a contribution to our roads? The last bit I'll finish with is that, of course, there will always be a need for a broader government contribution beyond that in regional Australia as a public good, and that will continue to be the case regardless of whether they're petrol or EV vehicles.

Senator McKENZIE: I guess we are agreed. You and I tend to do that. But in, I think, Budget Paper No. 1, the fuel excise take is actually increasing. So I'm trying to understand the assumptions that you've based that on, being population and EV uptake. Or is Treasury, like me, assuming that, given this government's policy on the fuel efficiency standards, Australians will be holding onto their internal combustion engines longer because they can't afford the ticket price?

Dr Kennedy: No. I'm going to have to get Revenue Group to confirm, but the loss of revenue is lower fuel excise because we've lowered our expectation for the use of those vehicles that would have used that fuel because of the impact of the fuel efficiency standard. I'll have to get my colleagues to confirm this. That doesn't mean it doesn't necessarily rise over time. What's in the budget is the difference between the previous estimate and this estimate, and, on the basis of that policy, from memory, we expect to raise less fuel excise. That's the cost that you spoke about.

Senator McKENZIE: Okay. I'll follow up with Revenue Group.

CHAIR: Thank you very much for appearing before us today, Dr Kennedy. You go with our thanks. As always, we appreciate your time. The committee will now break and resume with the same groups.

Proceedings suspended from 11:07 to 11:17

CHAIR: The committee will resume with Macroeconomic Group and International and Foreign Investment Group. Welcome, again, Mr Yeaman and team.

Senator McDONALD: Mr Yeaman, the budget explains that Export Finance Australia's remit will be expanded to have a national interest framework 'to guide the identification of priority industries and prudent investments in the national interest'. What will be described as a 'prudent investment'?

Mr Yeaman: The National Interest Framework, which was outlined by the government in the budget and in the supporting paper by the Treasury, outlined a set of criteria under both a net zero stream and an economic security and resilience stream, which would guide the government's investments in this space. The intent of the National Interest Account is that, when there are substantial investments identified through those mechanisms but there are not existing channels to fund those investments—for example, through our existing special investment vehicles, such as the Clean Energy Finance Corporation, ARENA or the Northern Australia Infrastructure Facility—the National Interest Account under EFA will provide an avenue to fund those investments, but all of those investments will be subject to the normal government decision-making processes through ERC.

Senator McDONALD: So 'prudent investment' was not defined? You don't have—

Mr Yeaman: As I said, the National Interest Framework was outlined in the supporting paper that Treasury produced in the budget. That outlines the broad criteria under which government will look to invest to enable private investment at scale. There are a range of tools then that could be used. Some of them could be measures,

as we've seen, to the tax system—production tax credits—or direct grants. It could be concessional financing. That depends, on a case-by-case basis, on what the particular barriers are and what the needs are of the sector or the business in question. That will be considered on a case-by-case basis by ERC and government.

Senator McDONALD: For some time now, it's been the expectation that EFA must not provide financial services or products on its commercial account unless there's satisfactory evidence that private sector providers are unable to support these activities. In effect, EFA serve to fill a market gap as a lender of last resort. Will that still be the expectation of EFA under a revised national interest framework?

Mr Yeaman: The details will still be settled in the final arrangements through legislation over the coming months, but certainly the government's been clear that the intent of its investments in this space is to fill market gaps and to only invest where there are significant barriers to private sector investment. So, in short, yes, that's my expectation.

Senator McDONALD: It would seem that a number of priority industries identified, such as clean energy, hydrogen or green metals, would see no shortage of private sector investment.

Mr Yeaman: There is a certainly a substantial amount of capital interested in investing in the net zero transition and some of these areas that you identify. There is certainly capital out there. However, as we've identified through the budget, there are also substantial barriers, particularly in areas like hydrogen. Those barriers are multifaceted. The most significant one is that there are incumbent production methods and goods that can be produced that are not subject to a global carbon price. That means they are more cost effective than some of these other alternatives which are lower carbon and help with the net zero transition. So that lack of what we've described as a 'green premium' in the market is a significant barrier.

There are also very significant technology risks and policy risks associated with these long-term investments. So what the Future Made in Australia national interest framework policy is seeking to address is those barriers that I've just described.

Senator McDONALD: The secretary told the Australian Business Economists that he believed we shouldn't understate the benefit of imported solar panels. Can you explain what he meant by that?

Mr Yeaman: It's certainly the case that, to the extent that other countries wish to subsidise production of goods that are going to be important for our transition, that, in aggregate, benefits Australia if we're able to access those cheaper goods because it means we can access goods at a lower price and, if that's the direct result of an overseas subsidy, then it doesn't affect our taxpayers. That's what he was referring to in that case.

Under the framework, there are also examples where, under the national security and economic resilience stream, it may be sensible for Australia still to retain some small level of sovereign capability in order to prevent disruptions to our supply chains. So those two things can work in tandem.

Senator McDONALD: Okay. Do you believe Australia has a competitive advantage in manufacturing solar panels?

Mr Yeaman: I think the advice that we've provided is contained in the supporting paper that was published alongside budget. There was a quite a meaty and substantial paper published which contained our advice in this area. Government has taken a decision under the national interest stream of the national interest framework and the Future Made in Australia policy that it is sensible for Australia to have a modest level of domestic capability in those areas.

Senator McDONALD: What about in manufacturing batteries? Does Australia have a comparative advantage in manufacturing batteries?

Mr Yeaman: It's the same answer, Senator.

Senator McDONALD: The national interest framework published by Treasury argues that any investment from a government:

... needs to be partnered with rigorous assessment of where there may be a case for public investment to incentivise private investment at scale in the national interest.

What does a 'rigorous assessment' look like?

Mr Yeaman: There are a series of criteria which I'd be happy to run through, but, in the interests of time, I won't unless asked. But there are a series of criteria in that paper that explain, under the two streams, what those tests or gates would look like.

In the net zero stream, it's that the product or the sector in question has the ability to contribute substantially to the net zero transition where Australia has a reasonable prospect of having a long-term comparative advantage in that space and where there are direct barriers to private sector investment.

In the economic security and resilience stream, it goes to other issues around criticality to our economy, concentration of global supply chains, the risk of disruption and, again, whether the private sector can adapt in the event of a shock. Those are the assessment criteria that we will apply.

Senator McDONALD: What rigorous assessment was undertaken for the \$1 billion Solar Sunshot program?

Mr Yeaman: As I said, there were a range of advice provided through the budget process in the normal way to government against the framework and in a broader sense. And government's taken the decision to invest in this area.

Senator McDONALD: The government's taken a decision, or did it pass the rigorous assessment test?

Mr Yeaman: Our advice, as I said, is contained in the supporting paper, and rigorous advice was provided to government on these issues.

Senator Gallagher: Those decisions were made mindful of the national interest framework.

Senator McDONALD: Given that we've identified that Australia may need a small national interest supply chain—a billion dollars is a significant amount of money—I'm seeking to understand Treasury's advice that would support a billion-dollar investment.

Mr Yeaman: It is a significant amount of money. But if you look at it in the context of other investments that were made under the strategy—for example, the production tax credits for both critical minerals and hydrogen, where more substantial investments were made in those areas—I think the government has looked to make targeted investments according to the framework where it can.

Senator McDONALD: What rigorous assessment was undertaken for the PsiQuantum funding?

Mr Yeaman: The PsiQuantum funding was done through a different process. We make the point in the budget and in the supporting paper that under a Future Made in Australia there will be a range of existing frameworks applied. Future Made in Australia is, if you like, the aggregate, overarching policy framework, and it covers a whole range of issues, including skills development, improving investment, climate, defence capability, critical technology. There has been a very substantial body of work over some time in government around critical technologies that identified quantum computing as an important feature and element of the economy. Those investments were led through our Department of Industry, Science and Resources. Again, it went through a cabinet process, but they would be better placed to speak to that specific process.

Senator McDONALD: Who will own the IP for that project?

Mr Yeaman: Again, we haven't been involved—certainly in this group—as directly in that project. That was done through our Industry colleagues.

Senator McDONALD: What rigorous assessment was undertaken for the \$566 billion battery manufacturing scheme?

Mr Yeaman: Again, similar to solar, the government looked at the battery supply chain. There was substantial analysis done around the battery supply chain as part of both the renewable energy super power work the government has been engaged in for some time and as part of the national interest framework. That advice was provided to government, in line with the framework that we've just described, and government then took the decision to make that investment.

Senator McDONALD: Did Treasury apply the national interest test to supply chains such as fertiliser—phosphate?

Mr Yeaman: As yet we have not. We have done some preliminary assessment and analysis but haven't yet done a full detailed assessment.

Senator McDONALD: The national interest framework notes transport costs make exporting renewable hydrogen less viable than its use onshore. Are you aware of a single commercially operating green hydrogen project in Australia?

Mr Yeaman: I might ask my colleague Dr Heath to speak to that.

Dr Heath: Renewable hydrogen projects are relatively nascent at this point, so some have been financed through the Hydrogen Headstart program. One of the motivations for supporting renewable hydrogen as a part of the Future Made in Australia package and under the national interest framework is that it is going to be an important foundational input into our ability to achieve net zero. It's an important foundational input into other sectors like the prospective green metal sector. So it is an important industry. There are investments being made, but they are relatively nascent.

Senator McDONALD: Are you aware of a single commercially operating green hydrogen project in the world?

Dr Heath: I would have to take that on notice.

Senator McDONALD: It's a big investment for being at the cutting edge of technology, isn't it?

Dr Heath: The technology itself is proven. It's a question of how that scales up successfully. When Mr Yeaman spoke about some of the barriers to investment, one of the externalities, if you like, is that, if you're an early mover, you're investing in new processes and in innovation, and the benefits of that go to the broader industry rather than to yourself specifically. So there is actually a case for the government to be more involved in those investments, to overcome that barrier, to allow that innovation and that scaling-up process to occur.

Senator McDONALD: Hydrogen projects tell me that they have no method of shipping available to them yet. That will be a more significant investment, won't it?

Dr Heath: If we look at the case of green metals, or the prospective case for green metals, the point being made there is that it is expensive to export hydrogen. So it could make more sense if you can produce renewable hydrogen that is quite closely located to the ores that are being dug up. Then you can produce green metals more effectively than exporting the two pieces of the production, if you like. So, in that sense, you're exporting an embodied renewable hydrogen product rather than a raw hydrogen—

Senator McDONALD: I understand. But nobody says they're capable of doing it in any affordable timeframe. Anyway, government has made a decision to invest in something that businesses are telling me they just can't do—it's physics.

Mr Yeaman: While there are known challenges, particularly around the transport of hydrogen, it is being seen both globally and here in Australia as a very significant part of our future green economy, and there is a lot of activity and investment underway. As Dr Heath said, it is in the early stages. That's what these investments are targeting. They're targeting early-stage sectors that will grow over time. But I think it's a very prospective area, where there is a lot of activity, globally, in this area.

Senator McDONALD: Turning back to the rigorous assessment process for this public investment, you mentioned that the most significant one is that they're incumbent production methods and goods that aren't subject to a global carbon price, which means that they are more cost-effective than some of those other alternatives which are lower carbon and help with the net zero transition. That lack of what would be described as a green premium in the market is a barrier. Do you accept then that taxpayers are subsidising the green premium as a solution for carbon pricing?

Mr Yeaman: No, that's certainly not what I said. Your question was: what is the barrier to private sector investment for these major firms who are looking to invest in these areas? One of the barriers that they are facing is that currently it is cheaper to invest to continue to produce in other ways inside the economy, and that means that, when they're looking at these long-term investments and trying to judge what that future market's going to look like over time, they are trying to assess how that will play out and how those cost curves will shift. So that is something we are trying to de-risk at the front end here, by providing certainty around investment. We are trying to say to them that, if you invest early in this new technology, which will be very important for both our economy and the green transition, you will see a level of surety around that investment that will help to de-risk those large upfront investments.

Businesses are trying to make judgements all the time about what the future looks like both here and particularly overseas—more so than in Australia—in terms of how markets will value these new products. So that is what we're trying to drive towards. The other barriers that Dr Heath mentioned go to technology and policy risk.

Senator McDONALD: I'm still unclear as to why the taxpayer needs to subsidise that investment. That's the bit I'm trying to understand.

Mr Yeaman: As laid out in the framework, the argument here is that there is a market externality, a market failure of some kind, that needs to be tackled. In order for Australia and for the globe to hit the bipartisan targets that have been established by governments around net zero, there are going to need to be new investments in these technologies that bring on these technologies quickly, whether that be hydrogen or green metals. We need to bring on these technologies in a quick timeframe. So, given the risks that I've described about the global investment landscape, there are current barriers. These are areas where we have assessed Australia has a comparative advantage, and we need to bring on those technologies and overcome those private-sector barriers. That's what the intent of these investments is.

CHAIR: I just need to share the call. I will come back to the coalition, but I had committed to Senator Roberts that he could conclude his questions as well. Senator Roberts.

Senator ROBERTS: I'll conclude the immigration question and then whatever I can before handing back the call and then stay around for some more. The Treasury secretary's opening statement and my figures agree that there's a discrepancy of half a million people in the estimates. Last time, someone from the Treasury—I can't remember who it was—disputed me on some of the migration numbers at the last estimates, and I want to revisit that. I said that in October 2022 you predicted a net overseas migration of 235,000 for the 2022-23 financial year. Someone in Treasury said that wasn't correct, but I've got it right here. In table 2.2, page 47, Budget Paper No. 1 one of the October 2022 MYEFO or budget. You say 295,000 will arrive. Eight months later 518,000 had arrived. You got that really wrong in October 2022, didn't you? There's been a pattern of errors here.

Mr Yeaman: I will endeavour to be as helpful as I can. The colleagues that focus specifically on our forecasts for population are in our Fiscal Group—the Centre for Population do those numbers—but I can speak in broad terms, and you can follow up with them if you would like more. As the secretary said, it is clear that our forecasting performance in this area has not been as strong as we would like it to be and we have been caught out by the strength of the recovery in migration. I would say for the record that that is not a unique position that we are in as Australia. Generally, there was an underestimation across many advanced economies about the speed at which people would return to travel, particularly in the education market but also elsewhere. We expected that, post COVID, there would be a slower ramp-up; in fact, people that came back very quickly once the borders opened. I think Dr Kennedy also referenced—the speed of arrivals and returns has caught us out, and the second part is that the rate at which people who are in the country choose to depart has been slower than we had anticipated. That's been a factor that's played out more recently. The arrivals rate caught us in the early days. This has been an issue later.

Senator ROBERTS: He pointed out that the graduates haven't started graduating yet.

Mr Yeaman: That's correct. My understanding is also that, generally, people who previously may have stayed nine months or 12 months on a visa and have been staying longer than we had expected and anticipated. I'm essentially agreeing that, yes, our forecasting performance in this area has not been as strong as we would like it to be. There are a range of factors for that.

Senator ROBERTS: Thank you for that admission. It is important because we can't know everything as senators. We can't be experts across everything. We make mistakes, or sometimes we are misled. I believe I was misled by the Treasury spokesman last time in connecting me when I was in fact correct. That's something where you have already acknowledged your error in numbers.

Minister, working families in Queensland in cars—I don't know where they go to the toilet or where they shower the kids if they are sleeping under bridges in tents. How can that continue? These errors are either due to Treasury, as they have admitted, for valid reasons, or to excessive immigration from the government. What I would like to know from the Treasury is: we are in a per capita recession and have been for the last three quarters, I believe. Is that correct? There is negative growth per capita?

Senator Gallagher: That is to the Treasury.

Senator ROBERTS: Sorry, Minister; that is to the Treasury.

Mr Yeaman: Yes, we have been experiencing negative per capita growth.

Senator ROBERTS: Thank you. Minister, are you using record high numbers of immigrants and sustaining that quarter after quarter to cover up a per capita recession so that we don't go into a technical recession?

Senator Gallagher: I think you can see from the decisions we have taken, which are to get net overseas migration back to a more sustainable level, that that is not the case. They're making changes through the migration review that will see those numbers come down. In relation to your question about the family in Queensland, that is why we're so focused—

Senator ROBERTS: No, it's families—many families.

Senator Gallagher: Families. That is why we've been focused on increasing housing supply: we want everybody to have a roof over their head. The only way we're going to deal with that is to increase the supply of housing. We don't have enough houses to accommodate people. That's what's creating pressure, which is why we've set ourselves the target we have in housing and why we have been investing, with this budget, \$32 billion into various programs to increase the supply of housing.

Senator ROBERTS: If we have more people coming in, we will have a worse housing crisis. It's going to be worsened. We need to remove some people. Will the government look at reducing the numbers of people in this country by cancelling some of the visas? People in Queensland are desperate for housing.

Senator Gallagher: We've set out what our forecast net overseas migration in the budget. That is outlined in the budget and does bring those numbers back to a more sustainable level over time.

Senator ROBERTS: Minister Watt gave me an answer to question last Wednesday night. He said we are depending now on people on temporary visas in this country to do the work that Australians used to do, so we can't afford to ship them out. My question to the Treasury and also to the minister is: are we now structurally dependent upon people from overseas to muddle our way through living as it is?

Senator Gallagher: I think we've always had migrants—skilled, unskilled and student visa holders—coming to Australia. That's been a feature of our economy for as long as I can recall. I don't know the context in which Minister Watt made those comments and what he was responding to, but we have certainly seen higher numbers than were expected and we're getting that back to more sustainable numbers over time with a combination of policy responses, including improving the integrity of international education. This requires a measured and rational response, and that's what the government is doing.

Senator ROBERTS: We have record immigration still. Every person that comes in here needs a bed and a roof over their head, needs a house. We've got families in Queensland without house at all. These are working families. Every person who comes in adds to that demand for housing. Can't we stop? Can't we remove some people who are on temporary work visas or temporary student visas from this country? We've got to help the people without homes.

Senator Gallagher: The net overseas migration is a combination of things. It does include arrivals to the country, but it also includes departures. We've been seeing fewer departures than we have in the past as well. So it's a combination of things and more complex than just putting a hard stop in it. Many industries rely on workers coming from overseas. The working visa holders certainly—if you talked to people in Queensland, I think they would be most concerned if you said that you were not going to allow them to come into the country anymore. It's not as easy as you are outlining here. We have a measured, responsible response to this because that's what is warranted, not pretending that there is a quick fix.

CHAIR: I will share the call now go back to Senator McDonald.

Senator McDONALD: Mr Yeaman, we were talking earlier about market failure. Is part of the market failure a lack of a carbon price?

Mr Yeaman: Page 5 of the supporting paper provided by Treasury lays out the role for government. We're trying to support the net zero transition and also build significant economic resilience into the Australian economy. We've said:

...Given the major forces shaping our external environment, more direct government interventions may be justified where particular market failures are present, such as:

- Where the negative externalities from more emissions-intensive production methods are not appropriately priced into global markets, so cleaner production methods that present cost effective abatement opportunities are not able to compete on a level playing field with existing industry ...
- Where private firms fail to appropriately price in the required level of economic resilience ...
- When technologies that are critical to the net zero transformation or broader national interest are nascent, and public investment in innovation can generate important learnings that help those that come later to produce at a lower cost ...

Those are the key rationales for why the government is choosing to invest in these areas.

Senator McDONALD: Just yes or no: is part of the market failure a lack of a carbon price?

Mr Yeaman: I think I just read that. The first dot point I read out covers that point.

Senator McDONALD: You have read a lot, but that's not really answering the question, which is: is it or isn't it?

Mr Yeaman: Across a whole range of areas, this government and previous governments have chosen to make direct government investments to help support—

Senator McDONALD: I understand that. I'm sorry to interrupt you, but is part of the market failure the lack of a carbon price?

Mr Yeaman: I'll repeat that part of the market failure is:

Where the negative externalities from more emissions-intensive production methods are not appropriately priced into global markets, so cleaner production methods that present cost effective abatement opportunities are not able to compete on a level playing field with existing industry.

Senator McDONALD: So that's a yes?

Mr Yeaman: That's my answer.

Senator McDONALD: Chart 5 of the Treasury paper was where I was turning. It notes that most of the renewables supply chain is in India and China. Given the government's goal is for 82 per cent renewables by 2030, how much of the generation technology is going to be made overseas as opposed to in Australia?

Mr Yeaman: Are you referring now to the overall transition to 82 per cent renewables?

Senator McDONALD: Yes.

Mr Yeaman: We haven't done direct analysis over time. That's going to depend on a whole range of factors going forward. It is certainly the case that most manufactured goods related to the net zero transition but also related to a whole range of other aspects of the economy are produced in those economies that you mentioned and others. I'm not seeking to contest or blur the question, but we haven't looked at what percentage of the entire net zero transition of the goods that will support that will be created in one country or another.

Senator McDONALD: That would be a significant outflow from Australia, though—wouldn't it?—to meet an 82 per cent renewables by 2030 goal with Australia's higher cost production. We've already talked about the cost of solar panels and emergency—

Senator Gallagher: I think we're talking about two different things.

Senator McDONALD: An 82 per cent renewables supply chain? The Treasury paper says that that supply chain is in India and China, and I'm trying to find out how much of that generation technology is going to be made overseas as opposed to in Australia. Despite the government's rigorous assessment to invest, I'm trying to ascertain how much you think is going to be manufactured in Australia.

Mr Yeaman: Sorry, I may be missing the question a fraction. There are a few things running through that. We have always expected and I think the government would say that it will remain the case that the majority of inputs in these sectors into the Australian transition will still come from overseas. That could be from a range of countries, whether it's China, India or the US. That is not in question. I would agree with that.

Senator McDONALD: You would agree with what? That most of it is coming from overseas?

Mr Yeaman: Australia will need a substantial number of solar panels in order to transition from where we are today to a net zero economy. I think it is understood and expected that a very significant number of those inputs will come from overseas, and there are a whole range of countries seeking to move into this area. The government has made targeted investments to ensure that Australia has some level of sovereign capability in that area, but the vast majority would still, I imagine, come from overseas, as they do now.

Senator Gallagher: But our national renewable energy target of 82 per cent is different to the national interest framework, which is looking at driving private sector—they're part of the same response—

Senator McDONALD: I would hope so.

Senator Gallagher: Yes, but I thought you were making a different point about how you get to 82 per cent when you're looking at some of the technologies under the national interest framework.

Senator McDONALD: I guess I would have hoped that some of the billions of dollars invested under the national interest framework would have contributed to the 82 per cent renewables, but it looks like that's not going to be the case based on the higher cost and the small proportion that would be constructed in Australia.

Senator Gallagher: The national 82 per cent target is by 2030. Our production tax credits and things like that are not kicking in until 2027, and it's based on getting to the point where they are producing in order to get that. So they're aligned, for sure, but not dependent on it.

Senator McDONALD: Do we think the \$1 billion Solar Sunshot program will be contributing to the 82 per cent renewables by 2030, Minister?

Senator Gallagher: It's certainly aligned with and consistent with that overarching target. But, as Mr Yeaman said, under the national interest framework there is the resilience and security stream, which is around making sure we have some capacity to ensure sovereign capability in technologies that we're increasingly going to rely on as a population and not being completely dependent on another country.

Senator McDONALD: How much more expensive are renewables made in Australia going to be relative to, say, India? And what costs will that pass on to the consumer? Mr Yeaman?

Mr Yeaman: I'm not sure that I have a dollar figure that I can share with you here. I'm just looking to see if we referenced this in the—

Dr Heath: I think it would depend on the specifics of what you're talking about. There are a whole range of things.

Senator McDONALD: I'm specifically talking about solar panels made in Australia versus those made in somewhere like India.

Dr Heath: I don't have the numbers in front of me for how much it costs to produce. First of all, the Solar Sunshot program is prospective, so we don't have exact numbers. They would be forecasts. And I don't have numbers to hand on the cost of producing solar panels in India.

Senator McDONALD: A 440-kilowatt rooftop solar system costs roughly four times the cost of a Chinese system. Are those the sort of premiums that you would expect the taxpayer to subsidise as part of that Future Made in Australia policy?

Mr Yeaman: As I said, under the national interest framework, there are two streams. One is about achieving net zero, and one is about economic security and resilience. The investments the government has made in solar and battery manufacturing are under the national security and economic resilience stream. The intent here is to provide, as the minister said, a level of resilience and a level of domestic sovereign capability in the Australian economy.

As I said right at the very start of this line of questioning, it has always been our expectation—and it would remain our expectation, I think; the government's been clear on this point—that it is not for Australia to produce all of these goods. The Future Made in Australia agenda is not designed to see everything made here in Australia. We will continue and should continue to benefit from those cheaper goods overseas because it will help the cost of our transition stay at an affordable, lower rate. The intent here is not to displace those imports; the intent is to ensure that we have some level of sovereign capability, essentially an insurance policy we can take out for the Australian economy to be able to produce these goods and maintain these skills in Australia. So I think it's a slightly different question. As I said, I would still expect the vast majority of the inputs to our transition to be coming from overseas, as it does across a whole range of different parts of the economy, but this allows for a small level of domestic capability.

As to the cost comparisons that you're doing, I would imagine that over time Australia's costs would be higher than some of those other countries that you mentioned. It depends on the individual companies and how the technologies evolve. But the intent here is not to displace foreign inputs into the transition; it's to provide resilience for the Australian economy.

Senator McDONALD: Do any of the streams prioritise bringing down the cost for consumers?

Mr Yeaman: There is an overarching stream of work through the Future Made in Australia agenda that is about improving the overall investment climate for Australian businesses generally in all of these areas, and that includes better facilitation, improving skills and speeding up environmental approvals. All of that is about trying to make the investment climate better in Australia for business and for investment, and that will help to bring down costs overall. As I said, in the net zero stream the intent is to bring on technologies that can help with the transition, creating private sector investment at scale, and help reduce cost. But it is the case that, in the economic resilience and security stream, there may be a case to invest in some areas to provide, as I said, an insurance policy where those costs are slightly higher.

Senator McDONALD: If we're not displacing imports, then who is the customer? Is there a customer for the manufactured solar panels?

Senator Gallagher: Yes. There are customers already for Australian made solar panels.

Senator McDONALD: At what price is that, then?

Senator Gallagher: They usually are more expensive than the Chinese solar panels, in particular, but people will make that choice.

Senator McDONALD: Who are those manufacturers? Do you know who they are, Minister?

Senator Gallagher: I'm sure I can get you a list of them.

Senator McDONALD: Treasury, earlier I asked if you had an idea of the price for Australian made solar panels versus the imported ones. Given it appears that the minister has a list of who's manufacturing them in Australia, you would have those costs as part of your rigorous assessment.

Mr Yeaman: We can take it on notice. With our colleagues at the department of climate change and energy, we have done substantial work looking at these different cost streams across sectors. I'm not contesting that solar panels produced in China are cheaper currently than the versions produced in Australia; that is absolutely the case. It's just that different productions, different technologies and different companies in these countries all have different price points, and so I can't give you one particular point on the spot that syncs that up.

Senator McDONALD: So you will, on notice, provide the cost for Australian made solar panels from this list that the minister has?

Senator Gallagher: We've already said that we'll see what we can do to help you, but, again, I'm not sure—

Senator McDONALD: It's not really to help me. It's that we were just talking about Australian manufacturing and what price that would be, and you have just asserted that there are Australian manufacturers making those panels. I'm just trying to test that and understand. As part of the rigorous assessment that Treasury has done, surely they've examined that.

Senator Gallagher: This investment is about growing that. What have you got against Australian manufacturing?

Senator O'NEILL: Exactly.

Senator Gallagher: It's incredible this morning.

Senator McDONALD: Sorry, who's running the commentary?

Senator Gallagher: And I would say that ARENA is managing this program. Under your government, investments were made in solar PV projects. ARENA has invested more than \$830 million towards 233 solar PV projects. Our program that we've agreed to and ARENA will be managing will help take it to the next level and create a domestic solar manufacturing industry.

Senator McDONALD: That's terrific. Then Treasury will have a whole lot of data on manufacturing costs and prices.

Senator Gallagher: But there is a reason why we need and want a local solar manufacturing industry here—

Senator McDONALD: Mr Yeaman described—

Senator Gallagher: from our economic resilience and sovereign capability.

Senator McDONALD: I'm just trying to get an answer.

CHAIR: I'll share the call, but if you have a final question—

Senator McDONALD: Yes, could I just finish that point?

Senator Gallagher: I know, but you're only concentrating on one aspect of it. You don't seem to be accepting that there might be a national interest in actually providing some resilience to our reliance on a particular type of technology.

Senator McDONALD: No, I'm trying to understand what work Treasury has done to understand the cost comparatively, who will be the consumer and whether or not this—

Senator Gallagher: But, as part of that, the cost is the economic resilience. We can answer that, but it's—

CHAIR: Sorry, Minister, but I'll let Senator McDonald conclude her block with a last question.

Senator McDONALD: If you'd return the call, I'll come back to further that.

CHAIR: Okay. Senator Canavan.

Senator CANAVAN: I might just start here with this hydrogen issue. When was the national interest framework paper finalised?

Mr Yeaman: Late in the budget process, in the normal way.

Senator CANAVAN: Can you take on notice the exact date of that?

Mr Yeaman: I can.

Senator CANAVAN: Did the Solar Sunshot investment go through the national interest framework? Is it subject to the—

Dr Heath: I think the point to make here is that the priority industries that we run through as a part of that supporting paper were actually arrived at through the renewable energy superpower process. There's been a long conversation about how we're going to achieve 82 per cent renewables in the grid et cetera and how we're going to become a renewable energy superpower. If you refer to the Treasurer's speech late last year, he had already identified these priority industries.

Senator CANAVAN: Sorry, but I don't want to waste the committee's time. My question was a pretty simple one. Was the Solar Sunshot project subject to the national interest framework? I didn't ask generally what it was; it was just yes or no. Was it subject to it?

Senator Gallagher: It was subject to the criteria outlined in the national interest framework.

Senator CANAVAN: Was the national interest framework finalised before the Solar Sunshot project was announced?

Senator Gallagher: There's a document that's been finalised for publication alongside the budget, but the budget consideration framework is entirely consistent with that publication.

Senator CANAVAN: Can anyone answer me this? I haven't got an answer.

Senator Gallagher: I've answered it.

Senator CANAVAN: No, you haven't.

Senator Gallagher: Yes, I have.

Senator CANAVAN: Was the national interest framework paper finalised before the Solar Sunshot project was announced? Surely someone can find that out.

Senator Gallagher: I've answered it.

Senator CANAVAN: Or it's very clear it wasn't. That's why you don't want to answer it.

Senator Gallagher: No, that's not correct. The document that was published alongside the budget papers, as with all of the budget papers, is finalised at the end of considerations, but, yes, it was. All of those investments we've made—

Senator CANAVAN: Can I just get that date? Surely someone can find the date when the—

Senator Gallagher: That is the date that it's finalised for publication, not for consideration by the cabinet.

Senator CANAVAN: But surely this committee has the right to ask when a government document was finalised. I'm asking for that. We were told it was late in the budget process, so it sounds like it was after the Solar Sunshot project was announced—

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

Senator CANAVAN: which was a couple of weeks before the budget.

Senator Gallagher: I don't accept that.

Senator CANAVAN: Surely someone in Treasury could find the date for me, while we're here today. I can't see how that couldn't possibly come back to this committee.

Mr Yeaman: The national interest framework—the paper itself—as the minister said, was finalised in the late period for the budget the same the way all the budget papers are, because they're subject to clearance and so on. That's what I meant by that. In terms of the national interest framework itself, as Dr Heath mentioned, we've been in Treasury for now probably 12 or 18 months to two years trying to grapple with this challenge of how best to advise government to deal with these large shifts that are occurring in the economy and how to think about that in a sound way and a robust way. The national interest framework that's outlined in the paper is the culmination of that, but our thinking has been developing for some time, and we have been advising government for a substantial period of time around where best to invest, particularly in the renewable energy superpower space and around economic resilience. So I think what I can say is that the decision by government to allocate clean energy manufacturing as a priority sector, which led to the decision to invest in Solar Sunshot, was based on ongoing advice from Treasury, consistent with the framework that's laid out in this paper.

Senator CANAVAN: There should be no problem giving me the date then. So, if someone could grab me the date, that'd be great. I note that, in an article in the *Australian* on 30 May, headlined 'Treasury Secretary fails to back Labor's one billion dollar bet on solar panels', the former Productivity Commission chairman Gary Banks is quoted as saying that the Solar Sunshot investment would have failed Treasury's national interest framework in his judgement. That's why I'm asking these questions. Can you give us any records or information that show that Mr Banks is wrong—that it went through the national framework and it was subjected to it rigorously and he's wrong?

Mr Yeaman: The government makes the final decisions on whether or not sectors should be identified as priority sectors. We've provided substantial advice to government, as have other parts of the bureaucracy, as against the framework and aligned with the framework. We've outlined some of those arguments that are in the

paper that we put out. We put out a very substantial paper in this area, and government then took a decision that clean energy manufacturing should be a priority sector, based on that range of advice. I can't say more than that.

Senator CANAVAN: In the national interest framework, is there any restriction—I couldn't see any—on what type of water is used to create hydrogen exports?

Mr Yeaman: No. This consultation is still to occur.

Senator CANAVAN: I struggle with this. I'm based in Rockhampton in Central Queensland. At the moment, the Queensland government proposes to take 22 gigalitres of water a year from the Fitzroy River, which is the major river that goes through Rockhampton. They're going to take fresh water, burn it and extract the hydrogen atoms through the electrolysis burning process and export that to North Asia. Why is it in our national interest to export fresh water from the driest continent on earth?

Dr Heath: The incentives in the renewable hydrogen space are subject to consultation, as Mr Yeaman said, so there is an opportunity to—

Senator CANAVAN: So I could give you feedback that maybe we should think about whether we should export fresh water?

Dr Heath: I was—

Mr Yeaman: The normal environmental approval processes would occur for these projects. They're very rigorous as you know well. In fact, in some cases—

Senator CANAVAN: This is broader than an environmental issue; this is in my view a national security issue. We are a dry continent. Twenty-two gigalitres of fresh water a year is a lot of water. If it's just that alone, it's not the end of the world, but 22 gigalitres of year, potentially forever—has anyone looked at the science of this? I know you're not a scientific body, but you've established the national interest framework. I would imagine that our water security is a key element of our national security. Can anyone who has investigated tell me, 'No, you're wrong; there's no threat to our water security from exporting 22 gigalitres of fresh water a year from our country'?

Mr Yeaman: I take the feedback. I haven't seen work connecting the two discussions at this point, but I would just say that there are very rigorous environmental approval processes around each of these projects, whether they're mining projects or hydrogen projects. I assume that, at state level, they're looking at the aggregate effect of these projects on our industry, but I understand your point—

Senator CANAVAN: You can see my problem here, though, Mr Yeaman. Suppose someone came to us and said: 'Japan and Korea want to pay a lot of money for our fresh water. We'll make a lot of money.' You'd be laughed out of this place if you said you were going to put fresh water onto a ship and sail it to another country. You'd be laughed at. Why would we do that? But that is what we're doing. It's just got this fancy name, and it uses technology that people don't understand, but let's be very clear what's happening here: we are exporting hydrogen molecules that make up H₂O to Japan and Korea. They do get re-formed towards the cycle, so the water will re-form in those countries when it's burnt and exported as water vapour out of an exhaust. But then the water is there; it's not here anymore to go through our water cycle and continue to feed our water needs.

Mr Yeaman: It's an interesting point. I would just bring up the point that Dr Heath mentioned earlier which is that, actually, because of some of the difficulties in transporting hydrogen, it may well be that much of the hydrogen produced under these measures is actually retained in Australia and used for—

Senator CANAVAN: That's a different issue, then?

Dr Heath: I was just going to point out—

Senator CANAVAN: Obviously then we won't have this export green superpower returns that—

Mr Yeaman: To the extent that it's embodied in other export goods.

Senator CANAVAN: I'll move on. Chair, if you need to take the call from me, I can come back later. On a different topic, I want to get to the bottom of the materiality of these migration figures that Senator Roberts mentioned before. We've established that there are 500,000 more people here than expected. What's the average household size of people on temporary visas? Do we have any estimates of that?

Mr Yeaman: We track estimates of average household size, but I haven't seen it broken down.

Senator CANAVAN: Across the country, I think it's about 2.5 at the moment. but I'm just trying to establish whether it's higher than that.

Mr Yeaman: I haven't seen that.

Senator CANAVAN: If it were the average, that means we need 200,000 more homes than we otherwise thought; is that roughly right?

Mr Yeaman: At eye level, yes, but people will then adjust that and adjust their household size based on need and availability.

Senator CANAVAN: Correct me if I'm wrong, but it looks to me like we only completed 172,000 homes last year.

Mr Yeaman: Sounds correct. I haven't got the figures in front of me but it sounds correct.

Senator CANAVAN: So, effectively, the number of people with housing needs is more than the annual housing construction of our country.

Mr Yeaman: We're happy to answer the macroeconomic elements of this. I'm a little out of my lane because the Centre for Population looks much more deeply at these issues. There are some offsetting factors. Essentially when COVID hit, the borders were closed and there were a series of previous investments where the population didn't increase as much as people had expected. Then there was uncertainty about how the markets should respond, not knowing where the COVID trajectory would take us and then we saw, as I mentioned to Senator Roberts, a sharper increase than we had expected previously and, I think, sharper than many housing investors had expected as well. So the market is adjusting, but it is certainly the case that that surge in migration was unexpected on our part and, I suspect, on the part of many housing investors as well.

Senator CANAVAN: What has been the average net overseas migration number over the last couple of decades or so? Have you got a measure of what you generally would see as the long-term average?

Mr Yeaman: On that timeframe, I wouldn't want to give you an exact answer, Senator, but in the order of 230,000 to 250,000, I would imagine. But I would want to confirm that.

Senator CANAVAN: I think it's quite a bit more.

Mr Yeaman: I'm winging it slightly, but I think it's around 250,000 to 260,000, maybe.

Senator CANAVAN: That seems a little higher. I'm looking at some stats here, where it peaks. There's one year at 300,000 in 2009. But, except for 2017 at 260,000, every other year is well below that—more around the 200,000 average. That's from the early 2000s—

Mr Yeaman: I haven't gone back that far.

Senator CANAVAN: It seems to me that the government has chosen, I think, 235,000—is that the figure?

Mr Yeaman: Correct. Migration drops back to 255,000 in 2025-26, and then 235,000 next year.

Senator Gallagher: It goes down—

Senator CANAVAN: It goes down to 235,000. This question is probably more for the minister: why has the government chosen a net overseas migration figure which, on my reading of these ABS numbers, is above average for the last 20 years? We're potentially facing a year's worth of housing deficit, but the actual target net overseas migration rate is still above the long-term average or the average over the last 20 years.

Mr Yeaman: If I may, Senator, in terms of the 235, I don't question your numbers there. I haven't looked back that far, to the early 2000s period. But, over the last decade or so, 235 would be around the average, I imagine, but I'd need to check it.

Senator CANAVAN: But we have to play catch-up here, even if it was at the average, while we're going below average for a little while.

Senator Gallagher: I think the government's been clear—

Senator CANAVAN: Just to be clear, I downloaded the ABS data going back to 2001. These are all pre-COVID figures, so from 2020 to 2021—I'll take out 2020, even though that was 192,000; it was still pretty high. If I take it out, it's still the same. The average is 194,000.

Mr Yeaman: I was talking about over the last decade or so.

Senator CANAVAN: Why are we having a target net overseas migration rate of 40,000 people above average despite having these massive housing problems in the country that are clearly exacerbated by this excess?

Senator Gallagher: The government have been clear that we think migration is too high at the moment, and we're working to bring it back to a more normal level. Net overseas migration is on track to half from its peak by the end of next financial year. It's already forecast to be at 110,000 lower over the forwards because of the actions we've taken.

Senator CANAVAN: How did you choose the figure? Was it just because it is half and it sounded like a round number? How did you choose?

Senator Gallagher: No, it was based on advice, taking into consideration a whole range of factors.

Senator CANAVAN: Okay. I'll ask Treasury: What advice was that? How did you provide that advice? How did you come to a figure of 235,000? On what basis?

Mr Yeaman: I haven't got the data quite to hand, as you do, but my colleague just handed me a chart showing net overseas migration since around 2013, and it's moved between 200,000 and 260,000 over that period.

Senator CANAVAN: Yes. I obviously went back to 2001.

Mr Yeaman: I think the 235,000 is consistent with the last decade.

Senator CANAVAN: If you start the clock at 2013, the average is 217,000. You've still chosen a rate above average. Obviously, it all depends; it's got a lot of start and end point issues. But I'm still struggling to understand. The minister just flick passed it to you; she hospital passed it to you.

Senator Gallagher: I did not.

Senator CANAVAN: She's said—

Senator Gallagher: There's no need to editorialise.

Senator CANAVAN: Hang on. I've got the call, Minister. You seem very defensive about this now.

Senator Gallagher: No. I've answered your question and then you said—

CHAIR: I'll share—

Senator CANAVAN: I've got another question, and the minister is interrupting me now.

CHAIR: I'm trying to stop that happening.

Senator Gallagher: 'How did you come to that?' and I said, 'On advice, which takes into consideration a range of different elements.'

Senator CANAVAN: I would appreciate being able to finish my question.

CHAIR: Final question, Senator Canavan.

Senator CANAVAN: You're welcome to make commentary on my question when I'm finished, as you often do.

Senator Gallagher: I don't need to because I accurately represent you.

Senator CANAVAN: My question is: the minister has hospital passed to you. You said it was based on advice; you chose the 235,000 figure on advice. So I'm trying to establish what the advice was. It's still above the long-term average. You don't know what the average household size of migrant communities is or temporary visa holders is, so why have you chosen the 235,000 figure?

Mr Yeaman: Our colleagues at the Centre for Population will be able to talk to you about that. There was advice provided to government about what the current and future settings should be for the migration program. We weren't involved directly in macro group in setting that advice, so I won't speak to it. I was simply trying to clarify the averages over that period myself. Our colleagues in the Centre for Population can speak to the advice that was provided.

CHAIR: Some of these matters are best dealt with in fiscal and perhaps also the next group with housing. Senator McKim.

Senator McKIM: I raised this at the estimates post the last budget, and, just a heads up, I'm going to keep asking it until something gets done about it. I want to know when future climate change statements in the budget are going to include all climate change measures in the budget, not just the good bits. For this budget, in the Greens' view, the climate statement should have included things that will make the climate crisis worse, like the fossil fuel subsidies, in the budget. Why are we using the climate statement as a propaganda opportunity for the government rather than actually—

Senator Gallagher: That's unfair.

Senator McKIM: Well, it is fair. You want to tell the good news, but you don't want the bad news in it. So when are we going to have a climate statement that actually encapsulates all the measures in the budget that impact on the climate? That's my question.

Mr Yeaman: I doubt I could add much to my answer from last time—if it was me who gave it. We are trying to be clear and transparent with where government is making new investments that support the climate transition. We review the budget documents each year and we'll take your feedback on, but, ultimately, it's a matter for government what's contained in the budget papers.

Senator McKIM: I absolutely accept that it is a matter for government, and, just for the avoidance of any doubt, that's who I was directing my propaganda comment at. But the budget papers state that this kind of reporting will continue to evolve over time 'as the government works with and learns with reporting entities and partners around the world'. Minister, do you accept that in this budget there are public subsidies to burn fossil fuels?

Senator Gallagher: I know the Greens political party labels, essentially, the fuels tax credit scheme that's available to everyone as fossil fuel subsidies.

Senator McKIM: That's part of it.

Senator Gallagher: So, no, I don't agree with that. They're available to all industry sectors and are consistent with—

Senator McKIM: The Future Gas Strategy is literally about fossil fuels.

Senator Gallagher: No, I don't agree with you labelling fuel tax credits as fossil fuel subsidies.

Senator McKIM: Middle Arm's a fossil fuel subsidy, isn't it?

Senator Gallagher: No, I don't agree with that either. It's an equity injection to make sure that infrastructure—

Senator McKIM: So we can export gas from the Beetaloo basin.

Senator Gallagher: will support users to export clean energy critical—

Senator McKIM: Gas is not clean energy, Minister.

Senator Gallagher: to meet our commitment to net zero, including green hydrogen, lithium batteries et cetera. We have changed from the previous government's approach to Middle Arm, which was to give direct grants, to an equity injection into the shared infrastructure of Middle Arm. So, no, I don't agree with that.

Senator McKIM: Are you suggesting that Middle Arm will not export gas? Is that what you're suggesting?

Senator Gallagher: No, I am responding to you saying that Middle Arm is a fossil fuel subsidy.

Senator McKIM: It is.

Senator Gallagher: I am saying, no, it's not. It's an equity injection into the shared infrastructure facilities at Middle Arm.

Senator McKIM: Will Middle Arm be used to export gas?

Senator Gallagher: The government's investment is in the shared infrastructure at that site. I imagine it will export a range of things.

Senator McKIM: Including gas.

Senator Gallagher: I imagine it will export a range of different things.

Senator McKIM: I guess we can look forward to the climate statement continuing to be Labor propaganda under this government.

Senator Gallagher: I don't accept that either.

Senator McKIM: That's what I'm taking from your answers, Minister. At the start of the COVID pandemic, 43 per cent of Australia's rental properties cost less than \$400 a week. That figure has plummeted today to 10.4 per cent, down from 43 per cent at the start of the COVID pandemic. The percentage of first home buyers now in the market is at its lowest share since 2016. So, if you're renting, you're getting absolutely smashed, and, unless you're born into generational wealth, young people are facing a future locked out of the housing market. When is Labor going to stop tinkering around the edges with bandaid solutions and actually take action, like freezing rents and phasing out the massive tax concessions that property investors with multiple properties enjoy?

Senator Gallagher: Firstly, I don't accept that a comprehensive package of \$32 billion is tinkering at the edges. I do not accept that. We have done more in this space in the first two years of our government than any other Commonwealth government I can think of. But I accept—and those statistics that you outlined are the reason why we're investing so heavily in it. We have to get the supply side right, and we have to make sure we're doing it for people who are homeless, for people who need social and community housing, for people who need affordable housing, to target the general housing market and for renters and buyers—all of that. And that's why our comprehensive program targets all the different—

Senator McKIM: It's a pittance.

Senator Gallagher: It's not a pittance.

Senator McKIM: It's a pittance, Minister.

Senator Gallagher: Well, you can say \$32 billion is a pittance.

Senator McKIM: Compared to the scale of the problem, it's a pittance.

Senator Gallagher: Go and find any other government anywhere else investing that sort of money into housing supply. You won't see it.

Senator McKIM: You're spending more on tax breaks for property speculators than you are on building new homes.

Senator Gallagher: You won't see any level of investment like that from any other government in the history of the Commonwealth government and in state and territory governments.

Senator McKIM: The budget concedes that growth in rental costs is expected to remain elevated, yet the budget gives a small fraction of renters, if they're on Commonwealth rent assistance, \$1.30 a day, while most renters get no relief at all out of this budget. Rents are forecast to go up by \$46 in the next year on average. Why won't Labor put in place rent controls to provide some relief to Australia's millions of renters?

Senator Gallagher: As you and all of your colleagues know, that is a state and territory responsibility. Where we have responsibility, with the Commonwealth rent assistance, we have indicated in two budgets the premium we place on that.

Senator McKIM: It's \$1.30 a day.

Senator Gallagher: No other government has done back-to-back Commonwealth rent assistance increases until this government. We've done that, and that will help out households on the lowest incomes who are using Commonwealth rent assistance. At the same time, we are working with state and territory governments, through National Cabinet, on everyone's response to housing, whether it be through renting, local government, shared infrastructure, enabling infrastructure—you name it. The Commonwealth is at the table not only arguing for change but actually funding it.

Senator McKIM: Is Labor considering ending, reducing or phasing out the massive tax concessions in negative gearing and the capital gains tax discount that flow to property speculators?

Senator Gallagher: Our focus in housing is on increasing supply and is outlined in the \$32 billion in new-housing initiatives over the next decade, including \$6 billion in this budget.

Senator McKIM: So that's a no, is it, Minister?

Senator Gallagher: We've been clear what our tax changes are. Some of them are before the Senate: PRRT—

Senator McKIM: Yes. Tax cuts for the wealthy.

Senator Gallagher: income tax changes that will go to every taxpayer in the country, high-balance super accounts and multinational tax reform. It's a reasonably full agenda, including some that are stuck in the Senate.

Senator McKIM: I'm sure all the senators would be happy with their \$4,500 a year tax cut, but I'm asking you about the tens of billions of dollars per year that are contained in this budget that flow to people through negative gearing and the capital gains tax.

Senator Gallagher: I've answered the question; our focus is on supply.

Senator McKIM: So that'll be a big hard no then, will it?

CHAIR: Last question, Senator McKim.

Senator Gallagher: Our focus is on supply.

Senator McKIM: Mr Yeaman, I wanted to ask what Treasury's doing to monitor changes in financial stress, particularly default risk, amongst borrowers. The context for this question is that repayments on average new-housing loans have jumped from below \$2,500 in early 2021 to about \$4,000 a month today. Notices of financial hardship to lenders have increased by 54 per cent over the last year. Last week, CommBank indicated mortgage holders are increasingly falling behind on home loan repayments. What do you do to monitor that, and what are your projections in terms of the increase in financial stress and loan defaults into the future?

Mr Yeaman: We and our colleagues in our markets group monitor these trends and statistics quite closely, including through the Council of Financial Regulators, who look closely at bank solvency and risks in that area. It is the case that indicators of mortgage stress have been moving up, but generally speaking they still remain well within tolerances for financial stability and so on. Most households are still managing to service their debts well and obviously making adjustments to their spending patterns as a result. We are tracking it closely. We're aware that there has been an increase in those indicators of stress, but we think they are still at manageable levels

overall. That's not to say that individual households aren't obviously facing very difficult times and aren't having to make some difficult decisions around their consumption choices, as we discussed earlier.

Senator McKIM: Do markets group look at this stuff as well?

CHAIR: Final final question, Senator McKim.

Mr Yeaman: Yes.

CHAIR: Senator Smith? I'm coming back to Senator McDonald as well.

Senator DEAN SMITH: Great. Thank you, Mr Yeaman. I just want to return to the matter that we explored briefly with the secretary in regard to the Treasury forecasts and the RBA forecasts regarding inflation.

Mr Yeaman: Certainly.

Senator DEAN SMITH: You're familiar with that, so I'll continue my questioning rather than go back to the beginning. Can you confirm that the government's electricity bill relief is treated as a one-off relief measure in 2024-25?

Mr Yeaman: Yes, it is.

Senator DEAN SMITH: That's at page 79 of Budget Paper No. 2, where it details the measure?

Mr Yeaman: Consistent with current policy, yes.

Senator DEAN SMITH: Is it also true that state based electricity relief measures like the one in Queensland are also officially only one-year measures?

Dr Cagliarini: That's correct.

Senator DEAN SMITH: So it's true to say that relief or energy relief measures of both Commonwealth and certain states are one-off in their nature and restricted to 2024-25?

Mr Yeaman: At present. If they wish to extend them, that's a matter for government. As was done this year, the governments could choose to extend them, depending on the state of the market and pressures on households at that point.

Senator DEAN SMITH: At present?

Mr Yeaman: But at present they've been announced as one-year policies.

Senator DEAN SMITH: Therefore, not continued in 2025-26. When we consider the direct impact of one-off relief measures on overall inflation and when we think about them mechanically, why isn't it true that whatever downward shifts such measures generate when they commence are not then offset by an equal and opposite measure when that relief measure ceases?

Mr Yeaman: Assuming that those measures were to be discontinued in the way that's expected, there would be an effect—

Senator DEAN SMITH: No. But they're not going to be continued.

Mr Yeaman: Assuming that that's the case—that that's right—then, as those rebates roll off, there will be a mechanical increase in inflation at that point. That is factored into our forecasts and incorporated within our estimates.

Senator DEAN SMITH: Can you just explain to me how that is incorporated into the forecast?

Mr Yeaman: The estimates that we have provided for financial year 2025-26 for CPI of two and three quarter include that mechanical effect that you describe.

Senator DEAN SMITH: So, then, you expect the inflation without that mechanical effect upward to have been 2.25?

Mr Yeaman: In rounded terms. There's variation in the rounding, but, by June 2026, we do expect inflation to be well within the band and towards the middle or lower end of the band. That is reflecting Dr Kennedy's comments earlier about our view of unemployment at that point having risen to 4.7 per cent and the economy to have slowed substantially over this immediate period.

Senator DEAN SMITH: Just to be clear, when the state and federal electricity bill relief ceases after the June quarter of 2025, as it does under the current settings, that doesn't mean that the half percentage point of direct reduction in inflation that's generated by this relief measure in 2025 should be matched with a corresponding half per cent point of direct increase in inflation in 2025-26?

Mr Yeaman: If the policy operates as it's currently stated to operate, that's a mechanical effect, which was the case this year before the new measures were announced.

Senator DEAN SMITH: Thank you very much for that. I'm happy to defer to Senator McDonald for a moment.

CHAIR: I'll go to Senator Roberts for five minutes then come back to Senator McDonald. You have the call, Senator Roberts.

Senator ROBERTS: I'd like to table the transcript of a broadcast by Ben Fordham. Reporting from radio station 2GB indicates that foreign buyers bought 11 per cent of all new housing stock in this country. How are you letting this many foreign buyers snap up houses out of the hands of Australian homebuyers?

Ms Kelley: As we've talked about previously, our latest statistics show that foreign investors purchased around 5,360 houses in the 2022-23 financial year.

Senator ROBERTS: It's been claimed by some that foreign buyers don't make a material impact on the average Aussie because they're only buying trophy homes—\$30 million mansions down at Point Piper and so on. Looking at the \$5.3 billion for 4,700 properties purchased by foreigners, according to these figures, that's an average price of \$1.1 million. The combined capital cities average median house price is \$1 million. Those foreign buyers are actually directly competing in the middle of the market, aren't they?

Ms Kelley: I should note again that the level of foreign investment in residential real estate is under one per cent of the total purchases that occur in Australia. In terms of residential properties with values under \$1 million, that accounted for about 78 per cent of the purchases.

Senator ROBERTS: Minister, your government is increasing the fines and fees for foreign buyers of Australian houses. You're acknowledging that it needs to be controlled. Why don't you just stop fiddling around and ban foreign ownership of Australian houses altogether, like we've advocated, like the Canadians are now doing and like the Kiwis are now doing?

Senator Gallagher: We welcome foreign investment in our country. It plays an important role across our economy. But those changes we have announced to foreign investment, both for the application fees and double vacancy fees, are about ensuring foreign investment aligns with our agenda to lift housing supply. It's aligning it with the other work we've been talking about this morning in Homes for Australia.

Senator ROBERTS: Working families who are returning home at night to sleep in their car won't be encouraged by that. But let's move on. How does the Foreign Investment Review Board treat defence-related companies in its approvals? If a company is producing a defence-related product, how is it treated?

Ms Kelley: The foreign investment review framework takes a case-by-case risk based approach. On 1 May the Treasurer announced a range of reforms to the framework. Under that framework we were very clear about the areas we would scrutinise more strongly. The government has made some decisions around those areas, and we are now actively implementing them.

Senator ROBERTS: It doesn't sound like being a part of the defence industry enlivens a specific criterion in your approval process.

Mr Tinning: Yes. If it's a national security business, which includes defence industries, then it's subject to a zero-dollar threshold under our framework. So all foreign investment approvals—

Senator ROBERTS: So shipbuilding would be part of that, if they're building defence vessels?

Mr Tinning: Correct. That's right.

Senator ROBERTS: Do the current rules ever allow you to approve the sale of a sovereign defence industry asset to a foreign buyer?

Ms Kelley: That would depend.

Mr Tinning: As Ms Kelley said, it's on a case-by-case basis, so we would need to see a specific application.

Senator ROBERTS: Why would we ever allow that?

Ms Kelley: As the minister has said, foreign investment is essential to our domestic economy and has been for decades. What the framework does is—we assess every foreign investment application in terms of our national interest and in terms of national security.

Senator ROBERTS: I understand that the potential sale of Austal to a South Korean bidder, Hanwha, had pretty much fallen off the radar. Then Minister Marles reignited it by saying, 'I don't see why there'd be any concerns.' Does the defence minister's view factor into your assessment at all—that the sale of Austal, the company that builds Australia's warships, wouldn't be a problem?

Ms Kelley: We take into account a range of factors when foreign investments are assessed, and the national security aspects are very important. We liaise across government for views on the issues associated with a foreign investment application and then the advice is then put forward to the Treasurer for a final decision.

Senator ROBERTS: Minister, why would the defence minister say that the sale of Austal, the company that builds Australia's warships, wouldn't be a problem? He's the defence minister and he's looking at selling a maker of some of our warships.

Senator Gallagher: I haven't seen those comments, but the defence minister would be very well briefed on all matters relating to that.

Senator ROBERTS: I'll come back to the Treasury after the opposition asks questions.

Senator DEAN SMITH: Mr Yeaman, just staying with the RBA versus Treasury inflationary forecasts: if it's true that the half percentage point uplift following the expiry of the energy relief is factored into the Treasury forecast, how can it be said, as I've heard the Treasurer say, that the Treasury forecasts are in line with the RBA forecast for 2025-26? I think the Treasurer's words might have been similar or very similar.

Mr Yeaman: Without knowing the exact quote from the Treasurer that you've described then, as Dr Kennedy said this morning, we think that the overall pattern in our forecast, and the way that the story is written in both budget statement No. 2 from our side and in the Statement on the Conduct of Monetary Policy from the RBA, shows a very similar pathway for inflation over the next two years in particular. I think our forecasts are very similar in 2023-24 and 2024-25, when you account for those policy measures. That's what I've heard generally.

When I've heard the Treasurer speaking about this he has talked about the overall inflation outlook and—obviously, and not surprisingly—with a clear focus on the near term, given the inflation pressures we face. Then, as Dr Kennedy said this morning, because we have a slightly weaker economic outlook and a slightly higher unemployment rate built into our forecasts than the RBA does, we see a slightly deeper fall in inflation in 2025-26. That is explained by those figures.

Obviously, the Reserve Bank will look at those mechanical effects, the new policy measures in the budget and a range of other factors, and put their next forecast out when they see fit. We're a little lower on inflation in 2025-26 than the RBA, but I think that the story we both tell of inflation returning to the band is very similar.

Senator DEAN SMITH: The RBA is forecasting 2.6 in 2025-26, based on its most recent Statement on Monetary Policy—

Mr Yeaman: Yes.

Senator DEAN SMITH: but they don't have the electricity relief factored into that?

Mr Yeaman: Correct.

Senator DEAN SMITH: Wouldn't that take the RBA's inflationary estimate to three-plus per cent?

Mr Yeaman: I don't want to speak for the Reserve Bank on that point. These are our estimates, and whether they choose to put that 0.5 that we've described through or whether they choose to put something different through, I don't want to speak for them. I think they will appear before the committee later in the week, and they can speak for that. It may lead to a higher inflation forecast for 2025-26 for them, but I wouldn't want to speak for them.

Senator DEAN SMITH: How can the inflationary forecast be described by the Treasurer as similar?

Mr Yeaman: We've described it that way. I think that when you look at the path of inflation, particularly while it's at its highest, over 2023-24 and into 2024-25, once you account for those impacts, we have similar inflationary outlooks. As we've said here, we are a little below the RBA ones, once all these adjustments are taken into account in 2025-26. I don't want to speak for them but, at the moment, both we and the RBA see inflation back in the band during that period. I would say that the gaps, as Dr Kennedy said this morning, are not out of the normal realm of difference between the RBA and Treasury.

Senator DEAN SMITH: Can you identify a similar example in recent times where a similar disparity has existed?

Mr Yeaman: Not off the top of my head. I'd have to go and look at that. But it's not uncommon for the Treasury and the RBA, particularly because of different timing around releases of forecasts and different assumptions used by the two institutions—Dr Kennedy mentioned petrol prices earlier. It's not unusual for there to be differences between our forecasts, particularly at different points in time.

Senator DEAN SMITH: Should the Treasurer have caveated his remarks about them being similar?

Senator Gallagher: No, they are similar.

Mr Yeaman: No, we've made similar comments here. I don't have the specific quote in front of me, but no, we think—

Senator DEAN SMITH: So they're dissimilar?

Senator Gallagher: Well, they're not.

Mr Yeaman: I don't think that's right, Senator. I would say that the Treasury and the RBA forecast both see the economy tracking in a very similar way. I'm very careful; I don't want to pre-empt and presume what the RBA will do around their forecast. They are better to speak to speak to that. My professional judgement is that the forecast between the Treasurer and RBA are quite similar, and I think it's reasonable that the Treasurer said that.

Senator DEAN SMITH: So inflation will still be outside the band two years from now?

Mr Yeaman: No, Senator. All I can do is speak to our forecasts. In our forecasts, which account for both the benefits in the near-term and the mechanical offset 2025-26 year, we see inflation inside the band at 2¾ per cent in both years.

Senator DEAN SMITH: Thank you.

CHAIR: We'll go to Senator Bragg and then to Senator McDonald and try to finish for lunch and release this group. Senator Bragg.

Senator DEAN SMITH: I have GDP questions, so they might have to stay until after lunch.

Senator BRAGG: Was there a budget policy on migration? Wasn't there a proposal by the government to reduce migration?

Senator Gallagher: Sorry?

Senator BRAGG: Is that right? Does the government have a policy to reduce migration?

Senator Gallagher: Yes, to bring it down to more normal levels. We're doing that in a range of ways, but one of the major ways is through the integrity in the international education system—another mess we inherited from you.

Senator BRAGG: Is there also a cut to permanent migration?

Senator Gallagher: Let me get you the numbers. They're in the budget, aren't they? In 2024-25 to 185, and then to 190 in 2025-26, 2026-27 and 2027-28. I think Mr Dutton's promise—

Senator BRAGG: I asked what your policy was; I didn't ask about that.

Senator Gallagher: I wouldn't either if I were you because you've got three different versions going on.

Senator BRAGG: I've asked what your policy is. You seem to have now discovered it—

Senator Gallagher: Mr Dutton plans to cut NOM by 40 per cent in 2024-25; Mr Taylor plans to cut it by 25 per cent; and Ms Ley plans to keep net migration 25 per cent lower indefinitely, so there are three positions from your party.

Senator BRAGG: This is desperate stuff. I haven't even asked the question yet. It's desperate stuff.

Senator Gallagher: It's not desperate; it's factual.

Senator BRAGG: It's desperate; it's filibustering. What modelling have you done on your changes to migration on housing?

Senator Gallagher: On what aspect of housing?

Senator BRAGG: I'm sure you understand this. Basically, if you bring a lot of people into the country and there aren't enough houses, that impacts houses and then impacts the ability of Australians to get into houses of their own. If you have a new migration policy, which you've now discovered in your papers, what impact is that going to have on housing in the country? What modelling have you done on that?

Senator Gallagher: In terms of the budget, the decisions are interconnected. But we have housing policies, including a focus on increasing supply, as you know, and we've made some decisions about the migration program.

Senator BRAGG: What impact does the migration program have on housing?

Mr Yeaman: We might defer to our colleagues in the Centre for Population on this issue. My understanding is that, once the government sets the migration settings and the population settings in the budget, we incorporate those into our macroeconomic forecast at an aggregate level—the overall level of GDP and participation and productivity in the economy. I'm not aware of specific modelling that has been done on the direct impact through to the housing market, but my colleagues in the Centre for Population may be able to add further detail there.

Senator BRAGG: Are you saying that you haven't done modelling on migration and the housing impact?

Mr Yeaman: Not specifically through to the housing market. When migration numbers move in the budget, in effect, we change the aggregate level of GDP to reflect that in our budget projections. In terms of a specific modelling exercise looking at the impact of different migration scenarios through to the housing market, I'm not familiar with that myself, but my colleagues in the Fiscal Group may be.

Senator BRAGG: So you haven't done that. I think it would seem strange to the typical person that with something as material to housing as the number of people who are coming into the country, and where you have a new policy, you haven't modelled the impact of that migration policy on housing.

Mr Yeaman: From our group's perspective, when we look at the forecast for the housing market we consider the pressures in the market. We look at overall aggregates and supply and demand. That's why we have a pickup in housing and quite a strong pickup in growing investments in our macro forecasts for 2025-26. That's off the back of some of the increased demand and, as the minister said, the need to boost supply in the housing market. We've certainly looked at that, and we track the measures of rental stress and the broader stresses in the housing market. Those are well documented in budget statement 4. So we do think about those matters, but we haven't done a specific modelling exercise.

Senator BRAGG: In terms of the overall modelling you do on housing, what's happening with housing construction in the budget papers? Is it projected to have more houses or fewer houses?

Dr Cagliariini: We have continued dwelling investment, but we have dwelling investment falling. But in terms of our forecast—

Senator BRAGG: Sorry, what was that?

Dr Cagliariini: We have dwelling investment falling this financial year—

Senator BRAGG: Yes.

Dr Cagliariini: and flat next year.

Senator BRAGG: Falling, so fewer houses?

Dr Cagliariini: No. We only forecast activity; we don't actually forecast the number of homes—

Senator BRAGG: Sorry, I'm just trying to understand your answer. Are you saying that there's going to be less construction or more construction? I thought you said less.

Dr Cagliariini: This year, dwelling investment has fallen—

Senator BRAGG: So it's falling?

Dr Cagliariini: This year.

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

Dr Cagliariini: That's a judgement statement, but I'm not quite sure—

Senator BRAGG: Do we want more houses or fewer houses?

Mr Yeaman: Senator, there have been well-documented constraints on the housing market over the past year previously, coming out of the COVID pandemic. Then we had the constraints in the housing market related to access to supply of goods—timber et cetera from overseas—and access to skills in the construction market. There have been a range of constraints in the construction sector that have acted to keep housing from growing this year.

Senator BRAGG: Yes.

Mr Yeaman: As I said, we then assume, following that period of constraint and as those constraints start to ease, housing construction to pick up quite sharply in 2025-26 as the market responds to these pressures that we're facing now.

Senator BRAGG: Okay. We can pick up on these things in the housing section. But it seems peculiar to me that you haven't modelled that particular link between migration and housing. Obviously, it's quite a depressing picture for housing and construction, isn't it, overall?

Mr Yeaman: We've been very clear in the budget that we think there's a need across all levels of government—and I would say here particularly for the state governments—to increase the flexibility and speed of supply response in the housing market. There are some obvious constraints which have held that back in the near term but there's definitely more that could be done—

Senator BRAGG: We all agree on that, but you have to commission the right modelling so you know what you're doing, otherwise you're flying blind.

Senator Gallagher: I don't accept that. There are the investments we're making, particularly into local and state government, for enabling infrastructure and the work that they have to do on planning law reform, so that approvals, from the decision to build to building completion, aren't taking as long as they currently are.

CHAIR: Senator McDonald.

Senator McDONALD: I want to turn back to a question that Senator Canavan asked about—the date that the national interest framework test was undertaken for the one million-dollar Solar Sunshot program. Nobody has discovered that in the meantime? Have you still taken that on notice?

Senator Gallagher: The framework was used in the decision-making of that program. We won't give you the dates of that, because that goes to cabinet consideration.

Mr Yeaman: They're different questions, Senator. I was asked specifically when the paper was finalised. I mean, all the budget papers are finalised in the week or two leading up to budget—

Senator Gallagher: Days before.

Mr Yeaman: and that's what I was referring to.

Senator CANAVAN: Sorry, I know you're busy, but can I take a point of order on that point? The minister just said that she won't give this committee an answer to a question on the date a policy finalised—

Senator Gallagher: No, I did not say that.

Senator CANAVAN: Hold on. I'm making a point of order. You can respond if you like—because of cabinet confidentiality. I can't see how that is at all consistent with former practice. We're asking for the date that the decision was made, not for the discussions of the decision or the deliberations of the decision. We're not even asking for the date of discussions before the decision was made. For a government decision to do something, surely the date of that decision is in the public interest for this committee to understand.

Senator Gallagher: On the point of order, Treasury have taken on notice the question that Senator Canavan asked about the finalisation of that paper in the budget process, so the publication of that paper. I am saying that the framework and the content of the framework was used in budget considerations about particular investments. I'm trying to clarify this because I think where Senator Canavan and Senator McDonald are trying to go is that the content of the framework wasn't used, when it was. But that is a separate question to the publication of a document for the budget—

Senator CANAVAN: Alright, so you've taken it on notice.

Senator Gallagher: which was in the week before the budget, I imagine.

CHAIR: Okay. The question has been taken on notice. Senator McDonald.

Senator McDONALD: If the national interest framework was used to make that decision, why does it have to be legislated then? Why does the national interest framework have to be legislated?

Mr Yeaman: The government has said that it will legislate the framework. This is going to be a framework that guides not just past decisions but future decisions, and the government is looking to put as much rigour into that process, as much certainty into that process, as it can, and legislation is one way to achieve that.

Senator Gallagher: Certainty for private investors as well.

Senator McDONALD: I'm just curious as to why Treasury is running this legislation.

Senator Gallagher: Because it's an economic policy.

Senator McDONALD: So you're able to use the framework to make decisions, but now in addition you have to legislate it as well?

Senator Gallagher: We are choosing to legislate it to provide certainty to the investment community. We are very optimistic about the level of private investment that is going to occur. But I think the investor community are keen on legislative frameworks as opposed to policy documents that could be changed. It provides certainty to the investor community.

Senator McDONALD: The national interest framework's 'Net Zero Transformation Stream' outlines the following criteria:

- Australian industry is expected to have a sustained comparative advantage in a net zero global economy; and
- Public investment is needed for the sector to make a significant contribution to emissions reduction at an efficient cost.

Given these criteria, would uranium projects be eligible under this stream, given that Australia has one-third of the world's uranium, and 22 countries pledged at COP to triple their nuclear power by 2050 to meet their emissions targets?

Mr Yeaman: We, as Treasury, haven't considered the uranium sector as part of this, so I'm not across how this would line up against the framework. Of course, that could be considered in the future, but I think government has pretty clear in its position. We haven't done analysis to test it against those criteria.

Senator McDONALD: The government's been clear on its position with regard to uranium.

Mr Yeaman: With regard to a nuclear industry in Australia.

Senator Gallagher: You're the only party that's going around saying that you're going to have a nuclear policy, which we're yet to see.

Senator McDONALD: I didn't actually say 'nuclear'.

Senator Gallagher: The 23rd energy policy yet to land.

Senator McDONALD: Uranium is a different thing to nuclear power.

Senator Gallagher: I was just presuming that's where you were going, perhaps incorrectly.

Senator McDONALD: I wasn't, so thank you for your assistance. Has the government been clear on uranium policy, then?

Mr Yeaman: As an economist, I'm not clear on the government's position there, but we have not been asked and we have not as yet looked at uranium against those criteria. We could in the future, but we haven't yet.

Senator McDONALD: The national interest framework says:

The Economic Resilience and Security Stream will identify priority sectors where:

- some level of domestic capability is a necessary or efficient way to protect the economic resilience and security of Australia, and the private sector will not deliver the necessary investment in the absence of government support.

Given this criteria, would gas supply projects be eligible for investment under this stream?

Mr Yeaman: Again, the government's put out a very comprehensive gas strategy, but we haven't formally applied this framework to the gas market.

CHAIR: I'll just conclude there because it is time for the lunch break, and we haven't been able to get to a position where you're not needed to come back after lunch. Senator McDonald, you can be in continuation.

Senator Gallagher: Chair, earlier in the proceedings I said that the Commonwealth rent assistance was the first time that there had been back-to-back increases. I should have said the first time in the last 30 years.

CHAIR: Thank you for the clarification. The committee will break and resume with the current group.

Proceedings suspended from 12:55 to 13:40

CHAIR: If we're ready to go, the committee resumes with Treasury, the Macroeconomic Group and the International and Foreign Investment Group. I table a transcript of a radio program brought by Senator Roberts earlier. Senator Smith, you have the call.

Senator DEAN SMITH: Staying with the RBA Treasury inflationary forecast and then moving on to—

Senator Gallagher: Inflation forecast.

Senator DEAN SMITH: What did I say?

Senator Gallagher: Inflationary forecast.

Senator DEAN SMITH: Oh—inflation forecast. Thank you for that.

Senator Gallagher: Sorry, you've said it a couple of times. I've resisted the urge before that.

Senator DEAN SMITH: Thank you for your diligence. So, if the RBA didn't or doesn't have the energy relief rent assistance initiatives in their inflation forecasts and if the RBA were to redo its forecasts today based on the budget and having a level of awareness of the energy relief and rental assistance, would they be forecasting headline inflation at over three per cent?

Senator Gallagher: There are a lot of 'ifs' in your question, Senator Smith.

Senator DEAN SMITH: This is to Mr Yeaman.

Senator Gallagher: I know, but, whether it's to me or Mr Yeaman, there are a lot of 'ifs'. Hypotheticals are not part of estimates proceedings.

Senator DEAN SMITH: Would the RBA be forecasting its headline inflation at over three per cent and not 2.6 per cent for the 2025-26 period?

Mr Yeaman: I won't speak for the Reserve Bank. I don't think it's appropriate for me to do so. On a separate but related point, I was reminded by a colleague in the break that the impact of CRA operates somewhat

differently to the impact of electricity price relief. Whereas electricity price relief will have that mechanical effect that we described, CRA will not because, essentially, the price of rent is now in the system forever. So the 0.5 is not the correct number to use in that context. It would be less than 0.5.

Senator DEAN SMITH: But is the rent assistance, as a proportion compared to the energy relief, not equal?

Mr Yeaman: It's not equal, no. But it's—

Senator DEAN SMITH: It's smaller.

Mr Yeaman: Smaller—correct.

Senator DEAN SMITH: And that's demonstrated by the ABS data.

Mr Yeaman: Correct, but it is a meaningful contribution. That's a factual point. To be clear, 0.5 is not the correct number to use. But also, as I said—

Senator DEAN SMITH: So what is the correct number?

Mr Yeaman: It would be something closer to 0.3 to 0.4. I don't know. I would have to seek advice, but—

Senator DEAN SMITH: So, when you're talking about 0.5, 0.3 or 0.4, what would be the correct number?

Mr Yeaman: From my memory, CRA is contributing about 0.1 of that 0.5. I'll take it on notice and get clarity on it, but it's around 0.1 of the 0.5—but it might be a little more than that. That's the first point. The second point is that, as I've said, I do not want to speak for the Reserve Bank. How they choose to put in all the information that they have in their forecast is entirely a matter for them, but, as I said, they are appearing before the committee later in the week and I'm sure they can speak to that.

Senator DEAN SMITH: Of course, the key issue here is the accuracy of the Treasurer's statement that these forecasts were similar.

Mr Yeaman: As I've said before and as the secretary said this morning, we believe the story and that the forecast between us and the Reserve Bank are very similar. We described the difference around our view of the economy and unemployment in that outyear, and I will stand by those statements.

Senator DEAN SMITH: Thank you very much for that. Turning to GDP matters, is Australia experiencing negative GDP per capita growth?

Mr Yeaman: We have experienced negative per capita GDP over the most recent quarters, yes.

Senator DEAN SMITH: How many quarters?

Dr Cagliarini: It's at least two.

Senator DEAN SMITH: And—

Mr Yeaman: It's at least two quarters, and we would have to check if it's been three. I think it was two to three.

Senator DEAN SMITH: Does the Treasury expect GDP per capita to increase with the release of Wednesday's national account figures? Actually, it's three quarters of negative GDP growth. If that's incorrect, please—

Mr Yeaman: I think that's probably right. On the spot, I had at least two in my head as a certainty, and I was wanting to check if there was a third. I'll take your word for that. We don't, as a matter of course, forecast GDP per capita. We forecast overall GDP. I think the secretary said this morning in his opening statement and in his recent ABE speech that we released that we do expect growth to be very weak or quite weak for the March quarter. Given that we are still experiencing population growth, that would suggest it's a real possibility.

Senator DEAN SMITH: Can you confirm that the Treasury's forecasts in the budget show that GDP per capita is expected to continue to decline over the forward estimates?

Dr Cagliarini: I think in our forecasts we've actually got per capita GDP in the forward estimates to be rising.

Senator DEAN SMITH: To be rising?

Dr Cagliarini: Yes, it will begin to pick up again.

Senator DEAN SMITH: Whereabouts is that? Is it in Budget Paper No. 1?

Dr Cagliarini: It is just based on our forecast of two per cent growth next year and 2¼ the year after. We've got population growth slowing a bit below that.

Senator DEAN SMITH: Where is it in Budget Paper No. 1?

Dr Cagliarini: It's in budget statement 2. We would have to confirm that.

Mr Yeaman: There is no one place where I think you can see those two figures lined up next to each other. Table 2.2 on page 53 of Budget Paper No. 1 has our GDP forecasts, which are $1\frac{3}{4}$ to $2\frac{1}{4}$ in the relevant three years. During that time, net overseas migration drops, as was discussed earlier, from 395,000 to 260,000 to 255,000. The missing ingredient in that is overall population growth, not just net overseas migration. But, as Dr Cagliarini said, as growth picks up to $2\frac{1}{4}$ per cent, we would expect that to outstrip growth in the population.

Senator DEAN SMITH: If Australia were to experience a fall in GDP per capita with Wednesday's results, are you aware of any other countries that have had a comparable GDP experience?

Mr Yeaman: I would have to look at the statistics. What I can say is that we are certainly aware of a number of countries during this period post-COVID which have experienced weak economic growth combined with very strong population growth. The one that comes to mind is Canada, where they've experienced very strong population growth—I think it's even stronger than ours—and have also been experiencing weak consumer activity. Certainly, in the UK, and in parts of Europe—there have been a number of countries that have already gone into technical recession over the past 12 months, many of which have also been experiencing a rebound in population, so it is not uncommon. It's not uncommon to experience a decline in per capita growth during this period, as we've seen high inflation and population growth.

Senator DEAN SMITH: What we're interested in is understanding the international comparison as it relates to Australia's experience.

Mr Yeaman: If the question is, 'Are we aware of any other countries who may have experienced four quarters of declines in per capita growth?' I'll take it on notice. I don't have that precision. What I can say is that (1) we haven't yet seen the March quarter outcome, so we should wait for that, but (2) there are a number of countries around the world that we are aware of which have certainly been experiencing a run of strong population growth and weak economic growth.

Senator DEAN SMITH: You will take that on notice?

Mr Yeaman: I would be happy to.

Senator DEAN SMITH: Minister, is it an endorsement of the government's economic management thus far that GDP per person in Australia continues to fall or has fallen every quarter since you've been in office?

Senator Gallagher: The economy is slowing in expected ways from the impact of higher interest rates and some of those shocks from across the globe. I would say that per capita measure of the economy has gone backwards about a quarter of the time since records began.

Senator DEAN SMITH: But that means that three-quarters of the time it hasn't.

Senator Gallagher: That's right. We've been a very lucky country with economic growth sustained particularly since the eighties.

Senator DEAN SMITH: So Australians are unlucky that GDP per capita growth has fallen—

Senator Gallagher: No—

Senator DEAN SMITH: over the last three quarters—the unlucky country? You don't expect any responsibility for that?

Senator Gallagher: The government accepts responsibility to deal with the economic challenges that we face. We came to government—

Senator DEAN SMITH: One of those variables is GDP—

CHAIR: Senator Smith, you're interrupting.

Senator Gallagher: in a high-inflation environment, which, as we know, has seen responses from both monetary and fiscal policy. And it is having that expected outcome of slowing growth.

Senator DEAN SMITH: Mr Yeaman, if we use Japan, Greece, Italy and their experiences, on notice could you share with the committee what other nations have experienced a GDP per capita recession of a similar or same magnitude to Australia.

Mr Yeaman: We can have a look at the range of countries.

Senator DEAN SMITH: That's the consecutive GDP per capita fall.

Mr Yeaman: I'm happy to have a look at it.

Senator DEAN SMITH: Broadly speaking, how does the Treasury explain the forces that are driving the negative GDP per capita growth?

Mr Yeaman: There are a number that the minister just touched on. First and foremost, growth has been slow here and in many countries overseas because of the combination of, initially, high inflation hurting consumer demand in the economy and then the monetary policy response that followed. So higher interest rates and higher inflation are eating into consumer demand in the economy in particular and driving growth down. That is a very common feature here and overseas. That means that growth is lower than it would otherwise be. At the same time, as I discussed earlier with Senator Roberts, the faster than expected rebound in population growth post-COVID has seen migration levels, population levels, rising faster than expected and faster than historical rates in many countries. So, when you put those two things together—a weak economic outlook due to those inflation and interest rate pressures combined with strong population growth as economies reopened—it is not surprising that you are getting a period of weak per capita growth here and overseas.

Senator DEAN SMITH: Where in the budget papers will I find medium-term GDP projections? Table 2.2 is projections over the forward estimates.

Mr Yeaman: There is a section on page 70 of budget statement 2 in Budget Paper No. 1 that talks about the medium-term projections and the key assumptions. We move back towards what we consider to be potential GDP and trend growth rates once we go beyond the forward estimates. Potential GDP growth is projected to average 2½ per cent per annum over the period 2028-29 to 2034-35.

Senator DEAN SMITH: In the 2023-24 budget, in Budget Paper No. 1 there was a specific section that included medium-term projections for GDP growth, and it included this table, which has the estimates period, and then it had a budget medium-term projections table—

Mr Yeaman: I think it's the same table—so page 70 of Budget Paper No. 1 in this budget.

Senator DEAN SMITH: That's great. Thank you.

Mr Yeaman: The text below the table outlines the assumptions.

Senator DEAN SMITH: Yes, I've got that. Fantastic—thank you.

CHAIR: Senator McDonald.

Senator McDONALD: In my last lot of questions we had just established that the department hasn't done any analysis on the role of uranium exports in the net zero transition globally or on gas eligible for investment under this stream, and thinking about that kept me occupied over lunch. There are now several Commonwealth investment vehicles that provide a number of financing options to the clean energy sector. We've got CEFC, ARENA, NRF, capacity investment schemes et cetera. Under the national interest framework and the banner of Future Made in Australia, would there be any limit to how much finance a project, company, project proponent or participant would be able to access from the Commonwealth?

Mr Yeaman: The government will make decisions on a case-by-case basis on the right level of investment. In terms of limits, there are no hard limits on that. The current special investment vehicles that you referred to will continue to operate according to their mandates, so they can invest through a direct engagement with companies and with corporations. But the government also announced in the budget the intention to create a new front door for investors in these key sectors, who would help to facilitate and direct investment, including to those special investment vehicles you acknowledged. So they will continue to operate according to their mandates, and then government will make decisions on a case-by-case basis from there.

Senator McDONALD: I want to turn to climate change and sustainable finance. Why is Treasury requiring Australian companies to report scope 3 estimates when the US SEC ruled it out?

Mr Yeaman: I will ask my colleagues to speak to those questions.

Dr Heath: The new climate-related financial disclosures are intended to improve the transparency of material climate-related risks and opportunities, so that's designed to facilitate information for investors and for regulators, and also, because of the way it's being rolled out, to give companies themselves a better understanding of those risks and opportunities. I don't think the way we have approached that has been influenced in any way by decisions made by US regulators.

Senator McDONALD: One party of the US election is committed to tearing up scope 1 and scope 2, let alone scope 3, if they're successful in November. Can Treasury explain how you can see that regulatory barrier working, versus one of own major sources of foreign investment? We're talking about encouraging investment into these sectors. How do you think that'll work?

Dr Heath: I think the extensive consultation we have done in the process of putting this together and through the consultation around our sustainable finance strategy has made it very clear that the investor community supports these types of developments from the perspective that they want better information so that they

understand the risks and the opportunities in the investments they are about to make. This is the sort of information that will help inform those decisions.

Senator McDONALD: Does Canada require reporting of its scope 3 emissions?

Dr Heath: I think we'll have to take that specific question on notice.

Senator McDONALD: Thank you. Does Japan require reporting of its scope 3 emissions?

Dr Heath: Again, I don't have a list in front of me of every jurisdiction that has required scope 3 emissions to be reported.

Senator McDONALD: You understand that I'm trying to tease out what the requirements of our major investment trading parties are. We've established that the US is not. Canada, I suspect, is not, but you're going to come back to me on that. Japan—you're going to come back to me on it. I am just fascinated as to why we would have made that decision in the absence of our significant trading partners doing so.

Dr Heath: The decision to include scope 3 is a recognition of the fact that scope 3 emissions are important to understand the climate risks that some companies will face. They're only required to support material scope 3 emissions. For some companies, the scope 3 emissions will be a more important aspect of the climate risks and opportunities than their scope 1 and scope 2 emissions, so it's really just about making sure that we have a comprehensive set of information about the risks individual companies are facing.

Senator McDONALD: ASIC have told this committee that the Australian Small Business and Family Enterprise Ombudsman had engaged with them on concerns regarding this policy. Has the Australian Small Business and Family Enterprise Ombudsman engaged with Treasury on the impacts of this policy?

Dr Heath: I'm not aware of a specific engagement.

Ms Sirault: We've undertaken three rounds of consultation to prepare the legislation that's in front of parliament. On the most recent round of consultation, we had almost 130 submissions. I'd have to check if we did receive a submission from that particular organisation.

Senator McDONALD: It would be very onerous on small business to have to either report themselves or report up to a larger organisation that they supply to or contract to. I think that would be an important piece of consultation.

Ms Sirault: The mandatory requirements are targeted at large enterprises and enterprises that are reporting for national greenhouse emissions reporting purposes. Small businesses are not required by the legislation to report, and when large entities are reporting on scope 3 emissions there are opportunities for them to use estimations and reasonable information available to them. There's no requirement in the legislation for small businesses or entities in a supply chain to incur costs associated with the reporting by large entities.

Senator McDONALD: So you're saying that scope 3 emissions will require large entities to estimate their small-business suppliers and customers emissions—is that right?

Dr Heath: They're required to report on material scope 3 emissions where that does not require undue cost and effort. They are allowed to use modelling and estimation methods to do that.

Senator McDONALD: Okay. So you're saying that the scope 3 reporting requirements for big business will be a bit of a guesstimate from their small-business suppliers. I just want to be clear, because small businesses will really struggle with an increased impost of reporting if they're captured under this.

Senator Gallagher: But they're not.

Senator McDONALD: So you're saying it will be modelling, it will be a finger in the breeze as to what their impact will be.

Ms Sirault: There are a few features in the design of the arrangements which will support the provision of scope 3 analysis. One of the design features is that scope 3 reporting requirements don't commence until the second year for reporting entities, and entities will be able to look back at the previous year for their estimates. Having an ability to look back means that if there is more information available in the market, they will be able to take that previous year's estimate for their own reporting.

The legislation also includes modified liability provisions in the first three years of operation, and those modified liability provisions apply to scope 3 reporting. That was to reflect that there would be an adjustment period for reporting entities to improve their ability to provide accurate information to market. There are also a couple of other supports being provided by the government. One stream is work that's being undertaken by the Council of Financial Regulators on assessing data availability and providing advice to government on how to address those gaps, and one of the streams of that work does specifically relate to scope 3 reporting. And the final

support available is an initiative that was announced in budget, but with further detail recently provided by Minister Watt related to around \$28 million to support greenhouse emissions estimates at the whole-of-economy to farm level.

Senator McDONALD: So modified liability doesn't apply to ASIC enforcement. Who decides if the risk is material when it comes to enforcement?

Ms Sirault: ASIC would be the decision-maker based on its usual approach to monitoring and enforcement.

Senator McDONALD: Right, but modified liability doesn't apply to ASIC enforcement.

Ms Sirault: No. During that initial period, ASIC is the entity which would be able to look for any breach of existing Corporations Act provisions.

Senator McDONALD: So we're saying we're going to do an estimate for small business. What about farmers? If they contract or supply with captured businesses, will they be providing an estimate as well? Or will the business be doing an estimate of them?

Ms Sirault: I think Dr Heath's answer relates to the steps the large entities are required to do for their reporting purposes. That applies regardless of the entity in the supply chain, so to small businesses and farms. The initiative, the \$28.7 million which goes to improving greenhouse gas accounting at the national and farm level, is intended to support farmers, to understand their emissions and to report those through various mechanisms.

Senator McDONALD: Right. So would that funding stream imply that there is an expectation that they report their scope 3 emissions somewhere?

Dr Heath: I think there's an expectation that the capacity and capability will build over time. I think the initial requirements understand, or recognise, that there may be challenges to doing this initially, but over time you would expect the tools available to small businesses, and to farms in particular, would improve as people get a deeper understanding of what's involved and the tools available become more sophisticated and suited to the task at hand. I think that answers the question.

Senator McDONALD: So a company subject to these laws will have to make a risk assessment and may pass it down to small business and suppliers. Presumably that is only going to be dictated by their risk appetite. So, would you rule out their consultants and modellers requiring scope 1 and scope 2 inputs from their customers and suppliers who are small businesses for their models?

Dr Heath: They won't be required to obtain scope 3 information at undue cost and effort, which is going to be partly a function of what—well, there's a materiality factor in there as well, but if you are a small business—

Senator McDONALD: So scope 1 and scope 2?

Dr Heath: A small business's scope 1 and scope 2 would be what's a scope 3 for another entity in the supply chain.

Senator McDONALD: So a company that has no risk appetite to go outside the government's framework may be requiring their suppliers to do that, despite the government's 'no undue cost and time' I think it was.

Dr Heath: The company could, and probably should, be asking for that information from companies in their supply chain, but there's no obligation on those companies to supply that information.

Senator McDONALD: It will be if they feel they are being heaved into it; 'You either supply the information or we'll find another supplier.' That's where this goes. It's brutal out there. Okay what about if a farmer wants finance from a captured business? Are they going to have to provide their scope 3 then?

Dr Heath: Sorry? If a farmer—

Senator McDONALD: If a farmer wants finance from a captured business?

Dr Heath: From a business that's required to do the reporting?

Senator McDONALD: Yes; the scope 3 reporting.

Dr Heath: I don't think the rules would be any different for the provision of that finance than the rules involved in the mandatory reporting.

Senator McDONALD: Okay. Minister, you're responsible for deregulation under the administrative arrangement orders. How does a \$1.3 million compliance cost per year for Australian companies align with deregulation?

Senator Gallagher: We had deregulation, they appeared under the finance portfolio last week, and there weren't any questions for them. They have a very ambitious deregulation agenda that they are working through. In relation to this, it's not unusual for scope 1 and 2 emissions to be recorded, and many countries are looking at

scope 3. Some have it already in place. If you read the policy position statement on the Treasury website, that takes you through exemptions, it takes you through how we expect it to work and who it applies to. This is a relatively standard process now in providing information to investors.

Senator McDONALD: Do you have a list of those countries that are requiring scope 3 emissions reporting?

Senator Gallagher: We've taken it on notice, but I'm advised that the UK and New Zealand currently require scope 3 emissions and that a number of countries, including the EU, Japan, China and others, have consulted on how to include scope 3. The UK is looking at it.

Senator McDONALD: Can Treasury explain how \$1.3 million per year across 1,800 companies, \$2.3 billion, on public reports will boost productivity?

Dr Heath: I would say in the first instance that the estimates of that cost are for the first year. They would be expected to decline in subsequent years. Basically it takes into account that there is a setup cost involved in developing the capability and putting in place the systems. It would be expected to decline quite significantly over time as people became more comfortable with the processes and as more tools and more information become available. The relationship between that and productivity is a very difficult thing to measure or estimate.

Senator McDONALD: Chair, I've got some questions on one-stop shop and FIRB decisions as my next lines.

CHAIR: For those following along: we are bang-on two hours behind in the program, with a hard marker at 10 pm. We have small business, housing, fiscal, markets, revenue and the tax related people to go by 10 pm. As noted in the—

Senator HUME: Chair, every other committee goes until 11.

CHAIR: I was careful to read this out in my opening comments: as part of the *Set the standard* report, this committee has agreed, with some discussion, to have a modified programs finishing at 10 pm, with modified breaks. That's why our breaks have been 10 minutes and 45 minutes. The total amount of time is minus five minutes.

Senator HUME: I put on the record that 10 pm is hardly family friendly work hours. I think that that's a little bit ridiculous.

CHAIR: It's better than 11 pm. That's the program that has been agreed.

Senator Gallagher: You get the same amount of time but shorter breaks. It makes a lot of sense.

CHAIR: Same amount of time; modified breaks. It has been discussed and agreed by the committee. I will do a better job of reading that out with the breaks and so on. That's where we're at. We've got a lot of program that I know people are interested in. We've got a marker of 10 pm. I will proceed now in strict 10-minute blocks. I will go to Senator McKim.

Senator McKIM: Thanks very much. I've got a couple of questions about the Future Gas Strategy. Is Treasury the lead agency for this?

Mr Yeaman: No.

Senator McKIM: Who is?

Mr Yeaman: The department of industry.

Senator McKIM: When was Treasury first made aware that the strategy was under development?

Senator Gallagher: I think it was a commitment of the previous budget or around that time. There was a decision taken to have a future gas strategy. Maybe I'm wrong.

Senator McKIM: You can take that on notice if you like, Mr Maloney.

Mr Yeaman: For some time it has been known The government have outlined their ambition to release their gas strategy. We have been involved in that process for at least 12 months.

Mr Maloney: It was a decision of the previous budget to come back and produce the strategy itself.

Senator McKIM: Given that you weren't the lead agency, is it reasonable to assume that the lead agency—I want to say took the lead, but that's obvious—produced a draft of that strategy and then provided it to Treasury for comment or engagement? Is that the process that was followed?

Mr Maloney: Yes. We were part of interdepartmental committees that looked at both the analytical report and the strategy itself.

Senator McKIM: Would you be able to take on notice the provision of a timeline in terms of when you saw particular drafts, when you fed back onto those drafts and, in particular, your engagement with the Treasurer's office or the Treasurer in relation to those? I am not asking for the content of advice, just to be clear.

Mr Yeaman: We can see what we can provide and do our best. Like all of these government and cabinet processes, there have been cabinet submissions drafted. We've fed into those processes in the normal way with IDCs. It's not that it was just a single draft. We'll give you what we can.

Senator McKIM: Perhaps I could ask for just the higher-level milestones, if that's possible.

Mr Yeaman: We'll have a look.

Senator McKIM: Thanks. I'm happy for you to take that on notice. I've also got some questions around the Foreign Acquisitions and Takeovers Act. Dr Chalmers wrote to former senator Bob Brown. I understand you wouldn't have a copy of the letter there, and I'm not going to ask you in any detail about the letter, Ms Kelley, except to say that there was a claim made by the Treasurer in the letter that the provisions of the Foreign Acquisitions and Takeovers Act mean that the government cannot comment on the application of foreign investment screening arrangements as they apply or could apply to particular cases. Is that Treasury's interpretation of the act?

Ms Kelley: There is a protected information clause as part of the act which does prevent us from talking publicly about individual cases and the specifics of the considerations. What we have done previously is, in consultation with the Treasurer, offer private briefings around specific matters, if that's where that goes to. The legislation was passed by this parliament, and it does prevent us from publicly discussing those matters.

Senator McKIM: The matters that Dr Brown sought information on related to investment in Tasmania by JBS SA. JBS are the largest meat processor in the world. They're facing allegations of bribing government officials in Brazil. They're facing legal action from a state government in Brazil for illegally raising cattle on land in the Amazon that was illegally logged. They're facing allegations of price-fixing. They're facing legal action from the Attorney General of New York in the US for engaging in deceptive acts and practices. They are a significant investor in abattoirs in my home state of Tasmania. I would submit there's a significant public interest in potential future investments by JBS SA in Tasmania. I note they were also investors in a range of other states in Australia. Is there any capacity for public interest in Treasury's interpretation of that act to provide for a greater degree of disclosure?

Ms Kelley: The legislation is pretty clear. As I said before: in other instances where people and senators have had questions, we have provided the option of a private briefing.

Senator McKIM: Thank you. The protected information section of the act is a relatively long section, but it says information is protected information if the information is obtained under, in accordance with, or for the purposes of this act. Are you suggesting that a particular framework of screening arrangements consists of information that is obtained for the purposes of the act?

Ms Kelley: That is correct.

Senator McKIM: Do you reckon the word 'obtain' is doing a fair bit of heavy lifting in Treasury's interpretation?

Ms Kelley: I'm not sure it's our interpretation of the act. I think that's what the actual act is saying.

Senator McKIM: I don't agree that the act does preclude the release of screening arrangements in regard to particular cases. Have you sought the Solicitor-General's advice on whether your interpretation of the act is correct?

Ms Kelley: I'd have to take that on notice.

Senator McKIM: I appreciate that. Isn't it the case, though, that the Treasurer could make public comment, if they wished, on screening arrangements that apply to particular cases, and in fact has done in the past?

Ms Kelley: It is usually in response to the fact that the actual investor has made some public comments. It's pretty clear, and we've had longstanding discussions about these in various Senate committees over many years. We have been consistent in our interpretation of that clause.

Senator McKIM: It's been the subject of some reporting by Senate committees which I'm aware of—including this committee, I might add. It's fair to say that not everyone has agreed with the department's interpretation.

Ms Kelley: No. I would note that.

Senator McKIM: You would note that? Nevertheless, it remains your interpretation?

Ms Kelley: Yes.

Senator McKIM: Thanks, Ms Kelley.

CHAIR: Senator McDonald.

Senator McDONALD: I want to turn back to green bonds. Have I got the right people at the table there?

Mr Yeaman: Somewhat. It's a bit of a mixture between us and Fiscal Group. Fiscal Group have done most of the establishment work. We will have responsibility for some of the ongoing administration of the package, but we may have to refer some of your questions to Fiscal Group.

Senator McDONALD: Did any Treasury officials participate in the Green Bond Roadshow? If so, how many and for what duration?

Dr Heath: I think that's a question for our Fiscal Group colleagues.

Senator McDONALD: The Green Bond Framework goes to lengths to suggest there is no contractual warranty or assurance that green bond debt is then spent against programs. Can you confirm that this is correct? Why have that legal disclaimer? Can you help me with that?

Dr Heath: No. Again, the distinction is that our Fiscal Group colleagues have been involved in the setting up of the Green Bond Framework and have carriage of it until the first green bond is issued, and we will be responsible for monitoring and tracking, post issuance.

Mr Yeaman: I think most questions will go to Fiscal Group.

Senator McDONALD: I'll come back to Fiscal Group on that. Is the Foreign Investment Review Board or Treasury aware of recent announcements from Incitec Pivot Limited, IPL, about the potential sale of its fertiliser business?

Ms Kelley: We're aware of the media reporting.

Senator McDONALD: Has FIRB received any communications from representatives of either IPL or PT Pupuk about the potential sale?

Mr Tinning: Under the protected information provisions that were the subject of a previous question, we don't comment on our engagement with investors or prospective investors on particular cases.

Senator McDONALD: Are you aware that PT Pupuk is an Indonesian state owned enterprise?

Mr Tinning: Yes, we are aware of that.

Senator McDONALD: And are you aware that part of its mission statement is to prioritise the nation and the state?

Ms Kelley: The comment that we could make is that we would expect such an investment, as has been discussed, would require approval under the foreign investment framework.

Senator McDONALD: I'm trying to tease out some issues around PT Pupuk which requires a titling arrangement of sorts where a percentage of offtake or output is required to be provided to the Indonesian agricultural market, noting that IPL has an exclusive offtake agreement which will see Perdaman Chemicals and Fertilisers provide up to 2.3 million tonnes of urea per year for up to 20 years. If the sale of the IPL fertiliser business were to proceed, would the FIRB need to take into consideration in its assessment how much urea or fertiliser could potentially be diverted from Australia and what impact that might have on the domestic supply and price of fertiliser for our farmers?

Mr Tinning: As previously mentioned, we don't comment on particular cases. What I can say is that we do have a very extensive process of assessing any case that comes before us, and that includes very broad based consultation, including with departments and agencies across government. So any applications such as the one you're referring to would involve broad based consultation, including with the department of agriculture and other relevant stakeholders.

Senator McDONALD: So can I ask you if an application has been received for FIRB approval?

Ms Kelley: I can't comment.

Senator McDONALD: You can't even say if you have received an application or not? Fortunately, I have just read that information about Perdaman into the *Hansard*, so you won't be able to say you are not aware of it if the department of agriculture, which doesn't handle that—I think it is the resources department that provide that.

Mr Tinning: We consult right across government, including with the department of industry.

Senator McDONALD: How often has the Treasury used his call-in powers on applications for FIRB over the last two years?

Ms Kelley: I think there have been two occasions.

Senator McDONALD: What is the average time in calendar days for non-property investments over the last two years?

Ms Kelley: The median processing time is around 41 days.

Senator McDONALD: With the shift to quarterly reporting, is Treasury intending to produce an aggregate annual data on FIRB applications approvals and destination countries?

Ms Kelley: Yes, we do that. In fact, the quarterly report has information from the previous two financial years as part of it, and as part of Treasury's annual report we also include an annual report on foreign investment.

Senator McDONALD: Terrific. The Treasurer's media release referred to increased capacity for on-site visits. How often is that required currently? And can you confirm what the purpose of those visits typically is?

Ms Kelley: The purpose of the visits is to monitor compliance with conditions. We are looking in particular at investments that are higher risk. We have sought to mitigate those risks through the application of certain conditions. So in instances where there might be an investment that is near one of our defence facilities, we would look to with defence actually do some site visits around those investments to ensure that compliance with the conditions is being maintained.

Senator McDONALD: Are there any new measures to be attached to the commitment:

We are making sure that foreign investors pay their fair share of tax. This includes releasing updated guidance about tax arrangements that will attract greater scrutiny ...

Are there any new measures attached to that statement?

Ms Kelley: We have a range of what we call standard tax conditions which have been in use for many, many years. As a part of this announcement, we looked at some additional taxation conditions, which will be applied in certain circumstances where they are required. So, yes, there has been some additional work go in around tax compliance.

Senator McDONALD: Terrific. The Treasurer's media release reads:

6. We are streamlining our processing regime to provide faster approvals for known investors that are making investments in non-sensitive sectors, and that have a good compliance record. This will reduce wait times and compliance costs.

- In assessing whether an application is low risk, Treasury will consider the investor, the target of their investment, and the structure of the transaction.
- For these applications, consultation timeframes will be shortened, making processing more timely.
- We are also reducing paperwork for repeat investors, where the ownership information hasn't changed since their previous foreign investment application, and this is advised to Treasury early in the process.

What is a non-sensitive sector?

Ms Kelley: Examples of non-sensitive sectors would be areas such as manufacturing, professional services, commercial real estate, new housing and mining of noncritical minerals. They are just a few examples.

Senator McDONALD: Sorry, mining of—?

Ms Kelley: Noncritical minerals.

Senator McDONALD: So if you haven't made it onto the critical minerals list then that would fall under non-sensitive?

Ms Kelley: Possibly, and we are saying 'possibly' because we look at every case on its merits. That is why we have used that sort of phrasing that you just read out about who the investor is, what they are investing in and how, so what is the structure of the investment, who are the owners, what is the taxation implication? There is a range of matters. They were just examples of sectors we would say are not as sensitive as the ones that are listed under the sensitive sectors area. But it will turn on its merits.

Senator McDONALD: Would you take advice from somebody like the Minerals Council for something that is not on the critical minerals list, like phosphate? At first blush it is not a sensitive sector, but I think the sector would possibly think that was incorrect.

Ms Kelley: We monitor and get feedback from many of the peak industry bodies but, as Mr Tinning has said, we also liaise extensively with our government colleagues in various departments, who would also provide us advice around those matters.

Senator McDONALD: How will Treasury determine what is a good compliance record?

Mr Tinning: As Ms Kelley mentioned, we have conditions that are imposed on investments, so it's a matter of investors reporting against those conditions and complying with them and meeting independent audits.

Senator McDONALD: There was a recent media report of an Indonesian state-owned organisation that had not met its compliance requirements for a make-good provision in an offshore oil and gas project. Would you be considering that kind of information? How would you obtain that?

Mr Tinning: As part of any application we look at, we do extensive due diligence on the nature of that company and engagement they have had in Australia and overseas.

Senator McDONALD: That's within the 41 days?

Ms Kelley: Yes. We also look at our records in terms of their compliance as well. Companies who have conditions on them do have reporting obligations, so all that is taken into account.

Senator McDONALD: Would something like that have come back to FIRB, the non-compliance of an offshore oil and gas project?

Mr Tinning: If we put an application in front of us, as I said, we do extensive due diligence. If there has been an issue overseas reported in the media, we would pick that up.

Senator McDONALD: It was an issue here in Australia.

Mr Tinning: Or in Australia.

CHAIR: How are you going, Senator?

Senator McDONALD: I am very nearly finished on this section then I have one more then I am done.

CHAIR: How much time would see you out—five?

Senator McDONALD: I think five would do me after this bit.

CHAIR: Okay, we will stay with you.

Senator McDONALD: What is the policy rationale for reducing scrutiny for build-to-rent investment for foreign investors?

Ms Kelley: It wasn't about reducing scrutiny; the measure was around reducing the fees that they pay for build to rent. That is actually to improve the housing stock in Australia. There was also some very consistent feedback that we had received from the major industry bodies around build to rent as well.

Senator McDONALD: Okay, just shifting gears, when will the single front door for investors be operational?

Ms Zaheed: The budget announcement was that the Treasury would undertake consultation over the course of 2024 on the establishment of the front door. That is the work currently under way. It will then provide advice to government and its usual way and then at that point, depending on what those decisions are, it will be become operational.

Senator McDONALD: So will it be this year, next year, next term?

Senator Gallagher: It is a priority for the government, so that is why we have set out what we want to see happen. Now we will have appropriate consultation and take decisions accordingly.

Senator McDONALD: But is it a priority for the government?

Senator Gallagher: It is.

Senator McDONALD: So we would expect to see it happen—?

Senator Gallagher: As soon as possible.

Senator McDONALD: How much of the \$54 million budgeted will be for this one-stop shop?

Ms Zaheed: There is funding provided to Treasury, to my team, to do the consultation then, obviously once decisions are made, how that is resourced will be a matter for government at that point in time.

Mr Yeaman: Around \$1.9 million in 2024-25 are specifically to establish a task force to establish a single front door.

Senator McDONALD: Okay, \$1.9 million. There was a \$54.7 million total. Does that contain a \$45 million advertising campaign?

Mr Yeaman: No, Senator. Around \$15.9 million over two years from 2024-25 is to help establish the new function within Treasury that will do assessments under the national interest framework, \$1.9 million is to establish the taskforce and then the remainder is to develop and implement a communications strategy.

Senator McDONALD: So \$54 million?

Mr Yeaman: About \$35 million, I think.

Senator Gallagher: Yes.

Senator McDONALD: It's \$35 million on the advertising campaign. Treasury is consulting on what it will look like?

Ms Zaheed: On the single front door?

Senator McDONALD: Yes.

Ms Zaheed: Yes. As we've already been discussing, there are a number of existing investment vehicles out there. We've got the Net Zero Economy Agency, which is facilitating investment. There are a number of structures already in the system. We'll be consulting with a wide range of stakeholders to identify the optimal policy settings for the front door to maximise and make the most efficient use of government resources to bring in that private sector investment.

Senator McDONALD: It's not so much a commitment to open a single front door but a commitment to design a single front door?

Ms Zaheed: I would treat them as the same thing. It's a commitment to consult on what the best design for that new front door is.

Senator McDONALD: Right. There's \$1.9 million to open it and \$15.9 million for Treasury to have a taskforce. If it's an ad hoc, bespoke process—sorry, I should go back. I had media reports saying it was \$45 million in advertising, but you're saying it's \$35 million?

Mr Yeaman: That's what I have, Senator. Our corporate affairs team, who are coming in after us, can speak in more detail about communications campaigns. They're in charge of that function. But the number I had in my head, or in my briefing, was \$35.9 million.

Senator McDONALD: Okay; thank you. So the government is not really going to be in a position to initiate or speed up an investment for months, potentially a year, if that's the consultation period?

Ms Zaheed: There are also measures in the budget—they're outlined in the glossary—around regulatory approvals and the enabling environment. That was announced as part of Future Made in Australia. It's outlined in the glossary, and I can go through it in more detail. So there are already things that are being done and put into the system now to make private investment more efficient and quicker in getting through those regulatory hurdles. The front-door consultation seeks to build on that and establish a single point of entry into the government on that. So I wouldn't quite agree with the characterisation that there's nothing being done now to make it easier or quicker for private investment.

Senator McDONALD: Right, but it's not just through the one-stop-shop, single-front-door concept.

Ms Zaheed: Not until it's established.

Senator McDONALD: How many ASL are designing the single front door?

Ms Zaheed: As Mr Yeaman outlined, we've got funding of \$1.9 million, which amounts to about six ASL, to undertake that work.

Senator McDONALD: That's for the taskforce. What about the \$15.9 million?

Ms Zaheed: That's for the implementation of the national interest framework.

Senator McDONALD: Right.

Ms Zaheed: They're related but slightly separate.

Senator McDONALD: I understand. Thank you. Will they be departmental officials, an independent agency or appointees?

Ms Zaheed: Departmental officials.

Mr Yeaman: Just to clarify there, do you mean the single front door?

Senator McDONALD: Yes.

Mr Yeaman: That is open for design as we go through consultation. The right form of that single front door is one of the things we want to consult on. We know what the functions are and what we want to achieve, but the best way to deliver it could be departmental officials or a statutory agency. We need to go through that process.

Senator McDONALD: What about the national interest framework? Are they going to be departmental officials, an independent agency or appointees?

Mr Yeaman: That will be departmental officials. That's the new function Treasury has been given.

Senator McDONALD: Will the single-front-door departmental officials have call-in powers?

Ms Zaheed: At the moment, we're consulting on the design of what the front door will look like, as Mr Yeaman said. Those decisions haven't been made. Once that's designed and those decisions have been made—what powers this new function will have is yet to be determined.

Senator McDONALD: What will be the difference between this and the Major Projects Facilitation Agency in the department of industry?

Ms Zaheed: As I've said, there are a number of these things that are in the system already. One of the purposes of the consultation is to take a look at that holistically across the system to look at the major project facilitation agency and the net zero authority and how all those things fit together, and whether that's the most coherent and optimal way to facilitate private investment to the scale that we need for the net zero transition, and to also have regard to the economic resilience and security. Those are the questions that we'll be consulting on with stakeholders as we progress.

CHAIR: I need to share the call, Senator McDonald. We are at 20 minutes. Is there a final question?

Senator McDONALD: How do you propose to coordinate across agencies, or would you see some of those agencies being abolished to establish the single front door?

Ms Zaheed: That's one of the questions and one of those aspects we'll be looking at as we consult through. At the moment, it is very much an open consultation working through both government stakeholders but also private investors and other stakeholders on what that design should look like, what problems need addressing and what the best way is for government to put all those functions together coherently.

Senator DEAN SMITH: Staying with the matter of GDP per capita recession—and you're quite right, Mr Yeaman, Budget Paper No. 1 at pages 71 and 70 provides a written explanation. Last year's budget paper included a chart. Chart 2.30 was the projected nominal GDP. It provided that over the budget estimates period and over the medium-term projections. It was the last feature of a discussion around outlook for nominal GDP growth in the budget paper. Why is that chart absent from this year's budget paper?

Mr Yeaman: Sorry, my eyes aren't too good and I haven't got that right in front of me. Generally, we try and keep—

Senator DEAN SMITH: There is nothing to see. That's the point.

Mr Yeaman: I thought you were showing the last one.

Senator DEAN SMITH: Your eyes are perfect.

Mr Yeaman: That's how bad my eyes are; I couldn't see that there wasn't anything there. The short answer is that we try each budget to put in charts that are most relevant, that tell a story and that fit the narrative that we're trying to tell in the budget, and so each budget we change—

Senator DEAN SMITH: The narrative?

Mr Yeaman: For each budget, we change the charts that are within Budget Statement 2 to tell a story consistent with the economic outlook as we see it. I would need to see that particular chart to know which—

Senator DEAN SMITH: I'm happy to table this particular chart from last year's Budget Paper No. 1, chart 2.30: Projected nominal GDP growth. It is the last feature of a commentary headed 'Outlook for nominal GDP growth', which is the last feature before you turn to Statement 3, which is exactly the same format as this year's budget paper minus the chart demonstrating projected nominal GDP over the budget estimates and over the median-term projections. Why is that graph absent?

Mr Yeaman: Certainly, from my perspective, there was no particular active decision taken. It was just simply that we rotate the charts around each time.

Senator DEAN SMITH: No, that's not true. An active decision must have been taken because the graph appeared last year but does not appear this year. So there must have been a decision to include or a decision not to include.

Mr Yeaman: Yes. My colleague has said to me that we have had a few requests from a number of journalists and others for that, I think—

Senator DEAN SMITH: That's my second question—

Mr Yeaman: in which case, I think we are looking at releasing that data and making it available to people if there's interest. As I said, each budget, we change the charts that we use on a case-by-case basis. I'm happy to look at releasing that data to you.

Senator DEAN SMITH: On notice can you provide to the committee a list of all charts that were included in the last budget paper but not included in this budget paper. That's my first question. Going back to your evidence just then: who has made requests of the Treasury for that chart and dataset?

Dr Cagliarini: We've had a request from a number of private-sector economists for the data underlying that chart.

Senator DEAN SMITH: How many?

Dr Cagliarini: I would say, at the top of my head, about three.

Senator DEAN SMITH: And how many of those three requests have you been able to satisfy?

Dr Cagliarini: At the moment we're in the process of putting it up on our website.

Senator DEAN SMITH: At the moment?

Dr Cagliarini: Yes.

Senator DEAN SMITH: The budget was a couple of weeks ago.

Dr Cagliarini: Yes. The request came through only about a week ago.

Senator DEAN SMITH: And why does it take seven days to load the data—

Dr Cagliarini: There's a bit of a process. We've got to get all the data together in one place, and then there's a process with—

Senator DEAN SMITH: But the data was available in one place 12 months ago, because it appeared in the budget paper.

Senator Gallagher: It's not a conspiracy. The information is being made available. No conspiracy—you can have it.

Senator DEAN SMITH: My next question, then, is: when is the information being made available?

Senator Gallagher: As soon as possible. For example, if you'd kept to time, they might be able to go back and do it now.

Senator DEAN SMITH: I don't expect that Mr Yeaman spends his time loading up datasets to the internet, unless I'm wrong?

Mr Yeaman: Thankfully, I don't get too personally involved, but before we release any data we want to make sure that the data is accurate. We have a fact-checking process. If it's being released, it's still in a part of the budget process, so we want to make sure it's accurate. There are many demands. We are looking to release that, I'm told.

Senator DEAN SMITH: Will the chart and the dataset include Wednesday's information?

Mr Yeaman: That's another question. I assume if it goes out after that it will, but this is the other issue: data's updating all the time. So we'll need to check on that. It depends how long our checking processes take, but if new data is available we'll look to—

Senator Gallagher: Do you want it reflecting the budget, like you did last year, or do you want a new set of data?

Senator DEAN SMITH: Perhaps it can be the dataset and chart that fell out of this year's budget, with an addendum that has the most recent information. When can people expect it? I've got to say it's a pretty obvious chart to drop.

Mr Yeaman: As I said—

Senator DEAN SMITH: Projected nominal GDP.

Senator Gallagher: There's a paragraph on it. The information is in the budget.

Senator DEAN SMITH: Minister, I can understand why you wouldn't want to tell the story. I totally understand why you wouldn't want us to understand the story. But Treasury, surely, should complement the prose with a chart. When can the three private economists and the rest of us expect to see this information on the Treasury website?

Senator Gallagher: As soon as the Treasury have finished with estimates and gone through their own processes. How's that?

Senator DEAN SMITH: That's an incentive, but not incentive enough, I'm afraid! In all seriousness, Mr Yeoman, when can people expect to see it?

Mr Yeaman: I'll just check. I suspect we're talking about a matter of a week or two at most, and days most likely. It's just that, with estimates and national accounts this week, there is a lot on the relevant team's plate, but we are obviously looking to do it, and I estimate that it'll be out in a small number of days.

Senator DEAN SMITH: I'll make the point that the chart not only appeared in last year's budget papers but also appeared in previous budget papers.

Mr Yeaman: As I said, we regularly remove and add charts to Budget Paper No. 2, depending on circumstances.

Senator DEAN SMITH: But this is not regularly removed. It's been in previous budget papers.

Mr Yeaman: As I said, we're happy to release the information.

Senator Gallagher: You're putting a very strong case for the chart's return, Senator Smith. I've picked that up!

Senator DEAN SMITH: Indeed. Can we hold you to that?

Senator Gallagher: Well, I don't determine the charts, but I've picked up that vibe.

Senator HUME: I want to go back to the issue of the half a percentage point reduction in inflation in 2024-25 that Treasury is forecasting will occur due to the cost-of-living measures. I understand that the mechanical direct effect on electricity and, to a smaller extent, rent in the CPI basket will then lower the contribution that those components make to overall inflation. Can I be very clear: Mr Yeaman, you earlier said that rent relief might account for as much as 0.1 per cent of the 0.5 per cent direct reduction in inflation. Is that right?

Mr Yeaman: That's my sense.

Senator HUME: Rent in the CPI basket is about six per cent of the basket; is that correct?

Mr Yeaman: Sounds right. My colleague is nodding.

Senator HUME: That's good; for the sake of *Hansard*, a nod is as good as a yes. To get that 0.1 per cent effect would require the government's rent relief measure to reduce rent growth in that year by 1.7 percentage points—does that sound right?

Dr Cagliarini: That's roughly correct.

Senator HUME: That sounds right? That's good. I understand that. I'm happy to accept Treasury's estimate that this is the direct effect on headline inflation, about half a percent, because of that direct mechanical impact of electricity and rent. But this is being achieved by giving \$300 to every household and further rent relief for some. The thing that pretty much every economist in the country has been sceptical about, the reason why they've been sceptical about this, is because there is a secondary effect, isn't there? Essentially people will go out and spend \$300 on other things, and that will potentially incrementally increase prices elsewhere of other goods and services through higher demand, and potentially offset that direct impetus to inflation. Wouldn't that cancel out or at least diminish the half a percentage point? Or is that something that you've taken into account already?

Mr Yeaman: We've certainly taken it into account. Our forecasts include both direct and indirect effects. I will note that while it's a substantial contribution that will assist with people's power bills, the energy relief, at about three MCRA, are less than \$4 billion. In an economy that is now roughly around \$2.9 trillion or so, that's a very, very small amount of additional spending in the grand scheme of the economy. So the extent that it has those second-round effects that you describe, we would expect them to be quite minor.

The other point that I didn't raise this morning but I wanted to mention was that we track market reactions to the budget and also private sector economists' reaction to the budget. The May survey of market economists, which was released on 22 May after the budget, didn't show any change to the median cash rate forecast for 2024 or 2025. That was also consistent with reactions in financial markets, where there was no material movement in market implied policy rate expectations or the Australian dollar US dollar exchange rate immediately after the budget. So I guess I would say they're an independent read. That is consistent with the point I've just made that to the extent that there are indirect effects they are quite small and more than outweighed by the direct effects.

Senator HUME: Help me understand this. The statement on the very first page of Budget Paper No. 1 says: ... energy bill relief and Commonwealth Rent Assistance—
in this budget—

are estimated to directly reduce headline inflation by ½ of a percentage point in 2024-25 and are not expected to add to broader inflationary pressures.

It says 'directly reduce'. That's correct?

Mr Yeaman: Yes. What we mean by that is, as I just said, there is a direct impact of half a percentage point. To the extent there are any indirect effects, we don't see them materially changing the outlook for inflation in the economy.

Senator HUME: So you essentially mean that either people are just going to stick \$300 in their pocket and save it and not spend it, or if they do spend it it's not going to have any effect?

Mr Yeaman: On the inflation outlook as we see it, it certainly is the case that at the moment there have been various estimates and commentary made about how much people will save versus spend. That's a matter for households. If some people choose to use the additional \$300 to rebuild their financial position, add to their savings, that is their choice. Of that \$3.5 billion for energy relief, we would expect some portion of that is saved in the normal way in the economy. For the remainder, as I said, in the context of a \$2.9 trillion economy we don't think that those indirect effects are significant and would make a material difference to the inflationary outlook.

Senator HUME: Even though it's not means tested and there will be plenty of households that don't necessarily need this \$300 but will be getting it and will have a higher propensity to save as opposed to spend?

Mr Yeaman: That may be. Some households who receive the rebate at the higher income thresholds may choose to save that, but that's a matter to be tested by data as we move forward.

Senator HUME: I just wonder about the consistency of this. The reason why I say this is that obviously Treasurer Jim Chalmers was chief of staff to Wayne Swan when the Rudd Labor government in the aftermath of the GFC mailed out \$900 cheques to an enormous amount of Australians, some of them even living, because that's the best way of boosting faltering spending on demand—just giving money to households. This is essentially—

Senator Gallagher: We're not doing that. It is a different response to a different problem. This will come through people's electricity bills, through their electricity retailer. We're still negotiating with states and territories, but for example it will be \$75 off one quarter's bill if you pay it by quarter, \$75 off another. So you won't receive the cash. In terms of the administration of the program, we were keen to look at how we could provide cost-of-living relief to people above the concessions threshold as well as those on the concessions threshold. It is very clear that for a one-off payment, cost-of-living relief like this, the most efficient and effective way to do that was to have a program that went to every household.

Senator HUME: Disposable income is disposable income, though, whether it comes in the form of a cheque or a discount to your electricity bills. It essentially gives people \$300 back. It's a different mechanism, but it's not fundamentally different.

Mr Yeaman: This is an area of academic debate. I won't bore the committee now, but there are different delivery methods to boost demand. I know there are some who would argue that providing support through a rebate such as this on an essential good such as electricity may lead to a less stimulatory effect than simply, as you say, sending out a cash boost or a cheque into people's bank accounts. But regardless of that, the key question is one of materiality for us. As I said, \$3.5 billion of additional spending here, in the context of an economy of the size we have, as I've described, in our view is not significant enough to materially change our inflation outlook, and it is far outweighed by the direct impacts that we have discussed here, the half percentage point that we've discussed previously.

Senator HUME: There is a whole series of economists who said 'The subsidies also boost real household disposable incomes. We expect some of this additional income to be spent, supporting consumer demand and adding to inflation.' 'While it may do so mechanically for some components, rents and electricity prices, we expect the boost to household disposable income from these subsidies and the substantial boost to disposable income from the personal income tax cuts will see consumer spending, which will support underlying inflation rather than lower it.' 'Bringing down inflation through energy payments and rent assistance is smoke and mirrors.' 'Bringing down inflation through energy payment and rent is a political trick.'

It does seem to be ongoing, and it does seem to be very inconsistent with Labor budgets of the past. I personally was a recipient of the \$900 cheque, which I found a bit of an insult. I had just gone back to work with Deutsche Bank and was earning more money than ever had before, but because it was based on the previous year's income when I was on maternity leave, I got a \$900 cheque. You will be pleased to know that I donated it to the Liberal Party.

Senator Gallagher: Are you sure there wasn't a worthier charity out there than the Liberal Party?

Senator HUME: Well, it worked—we got re-elected! So I'm just wondering what the thinking was that makes this \$300 very different to the \$900? Is it simply about the delivery method, or is this a whole new form of economics?

Senator Gallagher: This is about providing cost-of-living relief to households during a period of elevated inflation.

Senator HUME: At least the \$900 was means tested. This isn't even means tested.

Senator Gallagher: You're now arguing—we have had indexing income rates, slashing company tax rates, and now not providing the broad based \$300 energy rebate: is that the Liberal Party's position?

Senator HUME: Verbal me all you like, Minister, but I am actually asking Mr Yeaman why economics is different for this payment than it was for previous payments.

Mr Yeaman: I can only repeat that you could make an argument that providing it through a rebate as opposed to through a direct cash injection or a tax refund is perhaps less stimulatory. That is a contested area, but I think you could make that argument. The second is one of materiality. I don't in front of me have the total fiscal spend of those measures you described in GFC. But in this case the measure, as the minister said, is directly supporting households to tackle the cost-of-living pressures they face, particularly in relation to energy bills. At \$3.5 billion we do not consider that it's material enough to shift our inflation forecasts in a meaningful way. There is a lot of commentary after every budget, but certainly we tracked market responses and that market survey. There has not been any material shift. If anything the current forward curve for interest rates is a little below where it was prior to the budget. So the market has not priced in an additional inflationary impulse from the budget, as far as we can see.

Senator Gallagher: And I can add: 'CBA's forecasts for inflation are more closely aligned to the government's numbers'. ANZ's chief economist said: 'This won't make the inflation challenge materially worse.' The National Australia Bank said: 'Our initial assessment is that they do not have a material impact on our expectations for the path of inflation.' So we can go through—

Senator HUME: So you found one?

Senator Gallagher: There are more. I don't know if the committee wants me to go through all of them.

Senator HUME: The Jarden chief economist said: 'Whilst the government argues that cost-of-living support measures such as energy and rent subsidies will bring down CPI, we fear they are likely to stoke broader inflation.' We've already quoted a former RBA economist, a KPMG economist and an HSBC economist. There are a fair few of them.

Senator Gallagher: I can go through some too, but it's probably not in the interests of the committee's time.

CHAIR: In terms of timing, the committee has agreed to move to the next group at 3.05, so we'll go to you, Senator Roberts.

Senator ROBERTS: This is for the Treasury, on coal pricing. The Treasurer said in March, regarding Australian power station coal prices, that thermal coal burned in power stations in Australia was 'more or less tracking', according to Treasury's December forecast, to be down about a third from a year ago. Do you track the price of thermal coal burned in power stations in Australia?

Mr Yeaman: We look at overall market movements in coal prices both for export and for generation, yes, as part of our CPI forecast.

Senator ROBERTS: How do you get that information on thermal coal prices in Australia for domestic use?

Dr Heath: In tracking coal prices on a regular basis, the most publicly available coal prices tend to be shipped coal. So if you're looking—

Senator ROBERTS: Exported coal?

Dr Heath: Exported coal—that's what is publicly available. The arrangements that individual coal-fired power plants have to access their coal means that the prices they pay could be quite different to those public prices. That's not publicly available information, so we would have to basically go directly to the coal-fired power stations to find that information.

Senator ROBERTS: I understand the local price is much lower because they're locked into long-term contracts. So it's a vague process. When you're talking about power stations, is it only power stations that buy their coal or is it also the power stations that are at the mine mouth—where it just goes straight from the mine into the power station?

Dr Heath: I think that's getting to a level of detail that I don't have.

Senator ROBERTS: Could you take that on notice, please?

Dr Heath: We can take that on notice, but I'm not sure—

Senator ROBERTS: I'd like to know how you get that price—or, if you don't get that price, that's fine.

Mr Yeaman: I am aware that we have in the past. Our colleagues at the department of climate change and also the department of industry, along with our colleagues at the Australian Energy Market Operator, look at prices by facility, and I think that does include those that get coal directly from the mine.

Senator ROBERTS: So you get that information from those other agencies?

Mr Yeaman: I'm not sure how systematised that is, but I'm aware we have in the past drawn information from those sources.

Senator ROBERTS: What's the latest figure you have for the price of thermal coal burned in Australian power stations?

Mr Yeaman: If it's that specific a question, I'll take it on notice, if that's okay.

Senator ROBERTS: Thank you. Are you aware that the CSIRO uses a coal price of \$11.30 a gigajoule in its *GenCost* studies to say that wind and solar are cheaper than coal?

Mr Yeaman: We generally look at the *GenCost* report, but, for our purposes, we don't tend to go down to that level of detail around their assumptions.

Senator ROBERTS: So you're not aware that CSIRO uses the coal price of \$11.30 a gigajoule in *GenCost*?

Mr Yeaman: I haven't been aware of that and I'm not sure that my colleagues would be.

Senator ROBERTS: Okay, I can accept that. Are you able to provide the aggregate figures for coal prices over the last five years, please?

Mr Yeaman: We can certainly have a look and see what we can provide.

Senator ROBERTS: Thank you. Going back to my questions on immigration numbers—and I acknowledge the Treasury secretary admitted quite clearly that Treasury had made a mistake—specifically, do you realise that the number of people who arrived here above your forecast meant that 100,000 extra homes were needed? You basically got the immigration forecast wrong by 100,000 homes and now we're in a housing crisis, Minister.

Senator Gallagher: Sorry; I thought that was to Treasury. Please repeat it.

Senator ROBERTS: Do you realise that the amount of people who arrived here above the Treasury forecast error meant that an extra 100,000 extra homes were needed? You got the immigration forecast wrong by 100,000 homes, and now we're in a housing crisis and working families are sleeping in their cars.

Senator Gallagher: I think the housing crisis and the challenges in the housing market have been coming for some time. I don't think it's happened overnight, and so fixing it does not happen overnight.

Senator ROBERTS: I accept that, but why did you get the immigration so wrong? You're still getting record immigration when you're adding 100,000 new houses to the demand.

Senator Gallagher: I think Treasury has explained about forecasting, the fact that it wasn't foreseen and that many other countries have experienced a similar phenomenon in terms of population and pressure on population coming from migration and from people remaining in country. I think that was explored earlier in the day. So we have to do two things. One is to get the numbers back to a more sustainable level. That's happening through a variety of interventions. The other thing is that we have to build more houses—and that is happening as well—to take the pressure off the housing situation in Australia.

Senator ROBERTS: The number was wrong. It means 100,000 more houses needed just in one year.

Senator Gallagher: I don't know that you can just say that that is the number. I accept there is absolutely not enough housing at the moment and that that is placing people under enormous pressure and we have to fix that. That's why a big focus of the budget is on homes for Australia.

CHAIR: Thanks, Senator Roberts. Thank you, Mr Yeaman and team. Thank you, Ms Kelly and team. That concludes the time we have for your groups. You go with our thanks.

I now welcome representatives from the Department of Treasury's Small Business, Housing, Corporate and Law Group. Ms Anderson, did you have any opening comments, or are you happy to proceed to questions?

Ms Anderson: I am happy to proceed. I just want to indicate to the committee that Dr Marcus Spiller, the Deputy Chair of the National Housing Supply and Affordability Council, is here today and able to answer questions as well. He is not a Treasury official—he's an independent person—but he's appearing with this group.

CHAIR: Thank you. Deputy Chair.

Senator BRAGG: I do have quite a few questions on housing. Dr Spiller, I wanted to ask you about some of the work you have been doing. Is it right to say that the council has done projections on the likely supply output?

Dr Spiller: Yes.

Senator BRAGG: Is it true to say you as a council have projected that there will be an additional 903,000 new dwellings by June 2029?

Dr Spiller: That's correct.

Senator BRAGG: You're saying there will be an extra 903,000 dwellings. The government has a housing target of 1.2 million?

Dr Spiller: That's correct.

Senator BRAGG: You're saying that we'll be 300,000 short of that target?

Dr Spiller: Yes.

Senator BRAGG: That's regrettable, isn't it? Why is it that the government has a target in their budget that they know they cannot meet?

Ms Anderson: That's a question for the department, I would have thought.

Senator BRAGG: Feel free to answer, or you can refer it to a minister—however you would like to proceed.

Ms Anderson: In the first place, the government has commissioned this work from the council. This is an independent body that provides advice to the government about housing supply and affordability. The 1.2 million housing target is a National Cabinet target; it's not just an Australian government target or a budget target. I just wanted to clarify that. It's a National Cabinet target from August last year.

Senator BRAGG: I appreciate that, but is it true that the federal Treasury prepares the budget on behalf of the national government?

Ms Anderson: That's true, yes.

Senator BRAGG: I read Budget Paper No. 1 and see there is a whole section on housing, isn't there?

Ms Anderson: That's right.

Senator BRAGG: In that section there are regular and recurring references—just to do the three Rs there!—on the 1.2 million, aren't there?

Ms Anderson: That's right.

Senator BRAGG: The government's adviser on supply is saying that that target is not going to be met?

Ms Anderson: That's right. On the current trajectory, it is not going to be met. The council also is asked whether or not that is a suitable target, and they indicated that it was, but Dr Spiller can speak to that, obviously.

Senator BRAGG: Yes, I understand that. I just think it's strange that the government is holding out a policy of 1.2 million new houses that is never going to materialise.

Senator Gallagher: That's your position.

Senator BRAGG: No, that's what your adviser has said.

Senator Gallagher: But that's without us leaning in, which we are doing. We acknowledge it's ambitious. It's achievable. We need to continue to lean in. It's not the government's target; it's a National Cabinet target.

Senator BRAGG: It's not the government's target?

Senator Gallagher: Well, it reflects our target, but it is all governments that have signed up to this, and all governments are responsible, which is why some of the investments and additional resources we are putting in are going to council and state functions to take away the barriers to supply and allow more work to happen.

Your position is not to have a target. We have a target. The Greens think there are enough houses—

Senator BRAGG: Sorry; I didn't realise you were a filibusterer.

Senator Gallagher: I think setting an ambitious-but-achievable target is a good thing for governments to do. You back it up with your policies, which is what we're doing.

Senator BRAGG: Okay. This is budget estimates, and I'm asking you why your budget papers are wrong. I'll go back to the official here. Dr Spiller, have you informed the government that this 1.2 million target is not going to materialise?

Dr Spiller: We've informed the government that it won't be materialised and we've also informed the government that we think it's an appropriate target.

Senator BRAGG: So you've told the government that they will not meet their target.

Dr Spiller: Over this journey, it's unlikely to be met. However, we feel that it's an appropriate target.

Senator BRAGG: Just so I understand this, for the record, you have informed the government that their target will not be met?

Dr Spiller: Our modelling shows that that target is unlikely to be met, although I should make the observation that the modelling doesn't factor in the implementation of various initiatives that have been agreed through the Housing Accord and the National Housing and Homelessness Agreement. Our modelling doesn't factor in those particular initiatives. Our modelling shows that the target is unlikely to be achieved, but we believe the target is an appropriate one to have.

Senator BRAGG: Have you met with the minister?

Dr Spiller: As a council we have, yes.

Senator BRAGG: And you've told the minister, in writing or directly in person, that the target is not going to be met?

Dr Spiller: That's outlined in our report.

Senator Gallagher: Which you obviously have the benefit of, as well.

Senator BRAGG: I wasn't in a meeting with the minister.

Senator Gallagher: No, I know.

Senator BRAGG: You don't invite me to these meetings. I don't understand why, but—

Senator Gallagher: All I'm saying is that it's not like it's a big revelation. I think it's been published. The work that we commission in order to—

Senator BRAGG: What I'm trying to get to the bottom of is: what sort of response was the government giving to the council when the council was informing the government that its targets are not going to be met? I would have thought that would have been important, given that the Prime Minister and other ministers, including Minister Collins, are always referring to the 1.2 million target. If I was running a government, and I had an ambitious target to do something, and my official adviser was saying, 'You're never going to meet that target,' I would think that would be a pretty serious development. I'm asking the official whether that has actually happened in person?

Dr Spiller: Whether it's in person or not, I'm certain that that information has been communicated directly to the minister. As I mentioned earlier, that's gone with the advice that we feel that it's an appropriate target. It's a target that reflects not only keeping up with the new demand that's being generated in the forward years but also catching up on the unmet demand that has built up in the system. Therefore a 1.2-million-homes target is appropriate because, in our view, it galvanises all parties that have a hand in solving the housing crisis.

Senator BRAGG: I mean—it's great; we can have targets for lots of things, but, unless there's a plan to actually achieve the target, it's not a very good target.

Senator Gallagher: Well, there is.

Senator BRAGG: But there's not.

Senator Gallagher: There is!

Senator BRAGG: Your official has just told you that you're 300,000 short.

Senator Gallagher: There is a plan.

Senator BRAGG: There's a housing crisis and you're 300,000 homes short.

Senator Gallagher: There is a plan. Do you want us to go through it, one by one?

Senator BRAGG: It doesn't matter; you're 300,000 short on your target. It's immaterial.

Senator Gallagher: And we've added in another \$6 billion and settled the Housing and Homelessness Agreement with increased resourcing. We've done a number of things, and we will continue to lean in because that is our target.

Senator BRAGG: Let me ask you this—

Senator Gallagher: What do you want—a yes?

Senator BRAGG: because I do enjoy your filibustering. I think it's good.

Senator Gallagher: It's not filibustering.

Senator BRAGG: It is filibustering.

Senator Gallagher: It's responding to your editorialising. If you weren't editorialising, I wouldn't feel the need to come in and set the record straight.

Senator BRAGG: I understand that. I'm not editorialising—

Senator Gallagher: You are.

Senator BRAGG: I'm playing back to you what your official is reporting.

Senator Gallagher: It's information that has been provided and published at our request.

Senator BRAGG: We appreciate you publishing this, and you're to be commended for being so transparent about the failure to meet your own target. Let me ask you this: what is the government's main supply policy?

Senator Gallagher: Well, I can go through them all.

Senator BRAGG: But what is the main supply policy?

Senator Gallagher: We've got the \$10 billion Housing Australia Future Fund.

Senator BRAGG: How many houses has that built so far?

Senator Gallagher: That's had a record number of applications, as I understand it.

Senator BRAGG: How many houses?

Senator Gallagher: I think everyone would accept that when you have applications closed for a fund that's just been established—but that fund will be in perpetuity; it's legislated. When governments, like the one we had for the last decade, come and decide to do nothing on housing, there will be this fund that will automatically do that.

Senator BRAGG: How many disbursements has it made?

Senator Gallagher: They will be made very shortly. There's the \$2 billion Social Housing Accelerator, which has gone to the states. There's been some housing delivered through that, and I'll see if I can provide you with that. We've increased Commonwealth rent assistance. We've settled the new national partnership on housing and homelessness, and there are a range of others. I can keep going through if you'd like.

Senator BRAGG: I might come back to the officials. Dr Spiller, you're working at the supply and affordability council, so you would obviously have a view on the supply policies here. What do you think is the government's main supply policy?

Dr Spiller: Well, it's the list of policies that the minister's just read out, but in terms of how—

Senator BRAGG: So Commonwealth rent assistance?

Dr Spiller: Is the question to me: what will be the main supplier of the dwellings towards the 1.2 million? Is that the question?

Senator BRAGG: I'm wondering what the primary supply policy is other than a government fund that hasn't made any disbursements or built a single house.

Senator Gallagher: We've got the Social Housing Accelerator, for example. We've unlocked finance from the National Housing Infrastructure Facility.

Senator BRAGG: I'd hate to make this point, but most people don't want to live in a social house.

Senator Gallagher: We've got the HAFF.

Senator BRAGG: Most Australians don't want to live in public housing, right?

Senator Gallagher: A lot of the pressure is at the community and social housing level.

Senator BRAGG: I understand that.

Senator Gallagher: Go and try and get yourself into a public housing flat at the moment.

Senator BRAGG: I understand that, but I'm saying to you most Australians don't want to live in public housing. So I'm asking you what the main supply policy is.

Senator Gallagher: Governments are responsible for making sure there is provision of housing for people who require social or affordable housing.

Senator BRAGG: I agree with part of it, but I think you would also agree with me that most Australians don't want to live in public housing.

Senator Gallagher: Most Australians are fortunate enough not to rely on public housing.

Senator BRAGG: I'm asking you: what is your main supply policy for the private economy, where most people ultimately want to be in their own house that they own with a mortgage?

Ms Anderson: If it's helpful, most of the supply policies are outlined in budget statement 4, which you've referred to. I can give you a page number if you'd like, but I'm very happy to read through them. The main one is

a recognition that this is a national issue, so the National Housing Accord is the basis on which all states and territories and the Commonwealth have agreed to do a range of things to increase supply of all housing. We have the Housing Support Program. There was \$500 million provided last year for housing-enabling infrastructure, and that's being run by the infrastructure department. We also have an additional billion dollars in this year's budget for the Housing Support Program, which is going to be a payment to the states for housing-enabling infrastructure, which is seen as a key impediment to supply. We have the New Homes Bonus, which is an incentive payment for states and territories to meet their share of the 1.2 million target.

Senator BRAGG: So let me ask you about that.

Ms Anderson: I'm not through the list, but I can—

Senator BRAGG: I want to ask you about that one because you just mentioned it. How many disbursements have been made from the New Homes Bonus?

Ms Anderson: The New Homes Bonus is an incentive payment payable at the end of the five-year period for the 1.2 million homes. So no disbursements have been made, because it's an incentive payment.

Senator BRAGG: The way it works is if the states exceed their targets. Is that right?

Ms Anderson: If they exceed their share of the one million target that was originally agreed to and was increased to 1.2 million in August last year.

Senator BRAGG: Chris Minns has said that the state of New South Wales will build about half of the target that the Commonwealth has given them, so they won't receive any funding.

Ms Anderson: If they don't meet their share, they would not receive any funding. That's correct, and that's because it's an incentive payment to try to stimulate change in the market.

Senator BRAGG: If the Premier of New South Wales, one of your Labor colleagues, is saying that they don't care what your targets are and they won't even meet half of their target then it isn't any wonder you're getting reports like the one you are getting from Dr Spiller, saying that your supply policies are not effective, is it?

Senator Gallagher: We'll continue to work with all state and territory governments to lean in on this target.

Senator BRAGG: You've had two years now though. It's not like you're a new government.

Senator Gallagher: Oh, God! Get off! I mean, seriously! I'm not going to sit here and be criticised—

Senator BRAGG: What does 'get off' mean?

Senator Gallagher: for the fact that we are trying to fix up a mess of a decade in the making. You didn't even have a minister for housing. That's how uninterested your government was in the issue of housing. We've come in and we are using every single lever available to us to increase the supply of housing. And I will stand on our record—

Senator BRAGG: Well, it's not going to help.

Senator Gallagher: because it is in stark contrast to the record that you oversaw in government, which has led to a lot of the pressure that is being experienced now.

Senator BRAGG: I like that your defence is all attack and politics. I'm just trying to work out—

Senator Gallagher: Well, no.

Senator BRAGG: I'm just trying to get to the bottom of the supply issues, and we're running through some of the supply policies.

Senator Gallagher: Well, let's go to the Home Guarantee Scheme—

Senator BRAGG: I'm not convinced that—

Senator Gallagher: which helped 110,000 people into homeownership, and the Regional First Home Buyer Guarantee—

Senator BRAGG: I haven't asked about that.

Senator Gallagher: for which we brought the launch forward by three months. It's helped over 15,800 people into homeownership. And we're putting more money into supporting youth homelessness prevention. We can go through them. There isn't an area where we are not actively working either on our own, with providers or with the states and territories.

Senator BRAGG: We all know more houses need to be built if we are to resolve this challenge, which is why we're spending time in this hearing today asking about the expert advice you've received and why I've referred to

the comments of the Premier of New South Wales, Chris Minns, who said that that state will get to about half their target at best. Doesn't it worry you that this is going to be a failed policy endeavour if the houses aren't built?

Senator Gallagher: The target that starts on 1 July this year—no, we are not accepting it is a failed policy.

Senator BRAGG: You're not concerned about what Chris Minns had to say? You don't care what Chris Minns says?

Senator Gallagher: Of course we work with the New South Wales government, as we work with every other government, but we are determined to increase the supply of housing in this country. We're financing it. We're responding to areas where state and territory and councils have said they have difficulties. We're targeting incentive payments to those areas to try and remove those barriers. There isn't an area we're not active in.

Senator BRAGG: Let's move to the demand side. What's your main demand side policy?

Ms Anderson: Are you talking about policies to reduce demand or—

Senator BRAGG: Policies to help people get into the—a lot of Australians would like to get into the first-home market.

Senator Gallagher: Well, it's not raiding your super.

Senator BRAGG: We know you don't like those policies because they don't suit your paymasters at the unions.

Senator Gallagher: It's not just me; it's a whole lot of others who say it'll put house prices up.

Senator BRAGG: That's what the super funds say; I don't take my advice from the super funds.

Senator Gallagher: Where do you get your expert advice from—the Liberal Party?

Senator BRAGG: Independent economists. My question is: what is your main demand side policy that is designed to tilt the scales in favour of first home buyers? A lot of younger people would like to get into this market because it would help them in the long term. What is your main demand side policy?

Ms Anderson: There are two I would highlight that the government is currently pursuing—the home guarantee scheme, which has several elements. If you want details on that, I can ask for assistance from my colleagues.

Senator HUME: That was launched by Michael Sukkar.

Ms Anderson: That's exactly right; it's been a longstanding program and it's been expanded over the years as well. And there is the Help to Buy program; legislation has passed the lower house and is currently before the Senate. And the Queensland government has also introduced legislation to help to buy.

Senator BRAGG: I was hoping you'd say that. Help to Buy is one of your main demand side policies. How have these schemes gone at the state level? Have they been popular or unpopular?

Ms Anderson: I might ask my colleagues to help out there, but each scheme has been a little bit different over time so I think it's difficult to say exactly how—

Senator BRAGG: We just want the truth. We don't want any of the spin; we just want the truth.

Ms Crosthwaite: You're asking how the state schemes have gone?

Senator BRAGG: Are they popular? Are they unpopular? How many people use them?

Ms Crosthwaite: We have some information on that. It's been variable. Some of the state schemes that are currently in operation—for example, the New South Wales scheme has a quite narrow and targeted potential cohort, and my understanding is the uptake of that scheme has been reasonably modest—

Senator BRAGG: Reasonably modest?

Ms Crosthwaite: I couldn't give you the precise number, but that's how it's been described.

Senator BRAGG: It doesn't sound good, does it?

Ms Crosthwaite: It has quite a particular targeted cohort.

Senator BRAGG: How much is this scheme going to cost federal taxpayers?

Ms Crosthwaite: We expect the Commonwealth investment over the medium term will be around \$5.5 billion.

Senator BRAGG: How many houses will it impact a year? How many people will it benefit a year?

Ms Crosthwaite: There will be 10,000 places available each year for four years.

Senator BRAGG: How many houses need to be built under the housing targets a year?

Ms Crosthwaite: Around 240,000.

Senator BRAGG: So it's not a huge program, in terms of the numbers. It wouldn't be a material contribution, would it, to the overall position?

Ms Anderson: I don't think we want to conflate the 40,000 houses under Help to Buy with the 1.2 million target.

Senator BRAGG: It's an interesting proxy, though, isn't it, if you think about the scale of the problem.

Ms Anderson: It is, but I would say the Help to Buy program is around helping people into homeownership. It's not designed to stimulate new home construction; that is being achieved through other programs.

Senator BRAGG: I understand that, but it's an interesting comparison. So 10,000 houses—and how much is it going to cost?

Ms Crosthwaite: \$5.5 billion.

Senator BRAGG: And the scheme has been—what did you say before—relatively modest?

Ms Crosthwaite: That's not this scheme.

Senator BRAGG: What did you say about the New South Wales scheme?

Ms Crosthwaite: The New South Wales scheme had a relatively modest uptake.

Ms Anderson: I can see our officials looking a little bit uncertain about the uptake for New South Wales, so we might take that on notice and just confirm.

Senator HUME: I've got an article here that suggests it fell 94 per cent short of its approval target in the last financial year; that was in February this year, reported in the *Daily Telegraph*.

Ms Anderson: We will check with the New South Wales government before we confirm it from a media article. I would also say that's a different program. Shared equity schemes can come in a number of different forms. In designing the Help to Buy scheme, we've looked at a range of different factors to factor them into the policy settings for Help to Buy.

Senator BRAGG: Let me ask you a dumb question: how many states and territories have one of these schemes where the government owns part of your house?

Ms Anderson: I think New South Wales does. Victoria has had one; they recently announced they're going to cease that program.

Senator BRAGG: It's been so popular that they're going to cease it?

Ms Anderson: You'd have to ask them the reasons. I'm not sure if there are any others.

Ms Crosthwaite: Western Australia has had the Keystart program for decades. South Australia has a program.

Senator BRAGG: Sounds like it's a very interesting policy. I want to ask you about the caps. Am I right to say that the Help to Buy price cap in Sydney is \$950,000?

Ms Crosthwaite: That is right.

Senator BRAGG: Do you know what the median dwelling price is for Sydney?

Ms Crosthwaite: Not off the top of my head but I believe it is more than that.

Senator BRAGG: It's \$1.1 million; that's the median for a dwelling. The Help to Buy cap is \$950,000.

Ms Crosthwaite: Correct.

Senator BRAGG: Can you explain how this is supposed to work or who this is targeted at?

Ms Crosthwaite: The targeting of the program is for low- to moderate-income earners to purchase a modest dwelling that they would not have otherwise been able to purchase. It's not unreasonable that those price caps could be beneath the median price of dwellings in a particular place.

Senator BRAGG: There's no way you can buy a house in Sydney with the Help to Buy scheme, is there?

Ms Crosthwaite: Without looking online right now, there would be some homes in Sydney that would be under the \$950,000 price range.

Senator BRAGG: We were talking about dwellings before. The median dwelling price in Sydney is \$1.1 million. The median house price is \$1.4 million. Your price cap is \$900,000. You wouldn't get a house in Sydney, would you?

Ms Anderson: There are various forms of housing—perhaps not a standalone large house, but there would be apartments and townhouses and other things that would be more available to the low- and medium-income earners the scheme is targeted at.

Senator BRAGG: I remind you that the median dwelling price—not house price—is \$1.1 million. The cap in Brisbane is \$700,000; is that right?

Ms Crosthwaite: Yes.

Senator BRAGG: And the median dwelling price in Brisbane is \$827,000?

Ms Crosthwaite: Yes.

Senator BRAGG: And the median house price in Brisbane is \$920,000. So you wouldn't get a house in Brisbane, would you?

Senator Gallagher: This is targeted to a particular cohort. If you're going to run through all of them, the answer's going to be the same.

Senator BRAGG: I'm not running through all of them; I'm making the point that, in public policy, when you establish a scheme—

Senator Gallagher: It's targeted.

Senator BRAGG: the median is using a decent proxy for what will be the target of a scheme like this. I'm saying to you that, apart from in Melbourne, your caps are lower than the median dwelling price in every capital city. You're not going to get a house with Help to Buy, are you?

Senator Gallagher: This is about getting people into homeownership, particularly those on low and moderate incomes. They're not going to be buying a house or something for \$1.4 million in Sydney, obviously. If they're coming into homeownership, it's going to be a much more modest dwelling.

Senator BRAGG: Is this your primary demand-side policy?

Senator Gallagher: It's one of them.

Senator BRAGG: Was this announced during the election?

Senator Gallagher: Yes, it was.

Senator BRAGG: And now we're two years into this term. If this doesn't pass, will you have any demand-side policies?

Senator Gallagher: You could help, couldn't you? It was the same with HAFF. It took you a year to let that legislation pass, and then you voted against it anyway. If we were relying on you and your interest in housing, we would get nothing done.

Senator BRAGG: Why do you think the Victorian government has scrapped their Help to Buy scheme?

Senator Gallagher: That's a matter for the Victorian government.

Senator BRAGG: Why do you think?

Senator Gallagher: I'm not speculating. That's a matter for the Victorian government.

Senator BRAGG: Might it be that people don't like the idea of the government owning part of their house?

Senator Gallagher: Shared equity schemes have been around for a while, Senator Bragg. I accept that it's not everyone's choice, but part of what we're trying to do here is to have a range of interventions that cover off different cohorts while, as I said, trying not to leave one area where we're not an active participant in the solution.

Senator BRAGG: Do you worry about claims that have been made by people like Shayne Elliott, the ANZ CEO, that we're becoming a country where you have to be rich to get a loan?

Senator Gallagher: I think it's the government's responsibility, where we can and where we can do it in an affordable way, to make sure that we have a range of housing options along the continuum, from supporting people who might be homeless to homeownership and everything in between.

Senator BRAGG: What is the government doing to ensure there isn't undue burden affecting the ability of a person on an average income to get a home loan?

Senator Gallagher: I would say all of the things that we've been talking about.

Senator BRAGG: What are you doing on lending regulation and the cost of regulation?

Senator Gallagher: I'm sure there will be officials to cover the Assistant Treasurer's portfolio when that time comes. They'll be appearing later tonight.

Senator BRAGG: What about construction costs? Are you concerned about the significant construction costs and that we're going in the wrong direction when it comes to building approvals and completed builds?

Senator Gallagher: We're definitely concerned about dwelling investment, which is why we have leaning in on all of these areas, which is supposedly being a bit of a drag on that.

Senator BRAGG: The construction sector is leading the nation in terms of insolvencies for the second year in a row.

Senator Gallagher: There are range of reasons for that, as I understand it. So, yes, securing up our supply chains, ensuring there is a good work plan going forward, making investments where we can and partnering with industry where we can are all part of our response.

Senator BRAGG: How will you measure success in terms of your housing policy given that, at the moment, we have reduced investment in housing—we'll see fewer houses built than we would have five years ago—and you've announced all these schemes and haven't actually made any disbursements or built any houses?

Senator Gallagher: That's not true.

Senator BRAGG: How many houses has the HAFF built?

Senator Gallagher: The HAFF hasn't finalised its disbursements yet. It should be happening relatively soon. But some of the other money that we have provided to states and territories is currently going to building and opening new housing across the country.

Senator BRAGG: So you think you're going well on housing?

Senator Gallagher: I think it's complex, and we are doing as much as we can as fast as we can. I'm not so arrogant as to say, 'Yes, we're doing well.' I think we're doing everything a Commonwealth government should do—and, if we need to do more, we will do more. We recognise the challenge requires a range of responses.

Senator BRAGG: What do you think is the key determinant of a successful retirement?

Senator Gallagher: As it relates to housing?

Senator BRAGG: Is a house part of that or not?

Senator Gallagher: It would be for most people but not for all people. I know plenty of people who have rented throughout their life, for one reason or another, and have been happy with that. It's about housing security, isn't it?

Senator BRAGG: Do you think it's peculiar that your superannuation can invest in any house other than your own?

Senator Gallagher: We have a fundamental disagreement with you on the use of superannuation. You don't believe in superannuation, for a start, and it's no concern for you that a young person should ransack their retirement earnings and use them to buy a house. We disagree with you on that, and I think evidence would show that there's a direct correlation between people using their super and house prices increasing. And it wouldn't build one extra house.

Senator BRAGG: So, you can't think of any scenario where an individual could benefit from using their own money that they've worked for to get onto the property ladder?

Senator Gallagher: Well, not if you believe that superannuation is money held for people's retirement.

Senator BRAGG: But it's the people's money.

Senator Gallagher: If you take money out now, it naturally corresponds that you will have less money to live on in retirement.

Senator BRAGG: But if these people don't have access to the bank of mum and dad, this may be their biggest pool of capital. So, isn't denying—

Senator Gallagher: For their retirement.

Senator BRAGG: But isn't denying that to this cohort of people, without access to the bank of mum and dad, a mean and nasty policy—

Senator Gallagher: No.

Senator BRAGG: if that is going to deny them access to getting into a first property?

Senator Gallagher: We disagree, Senator Bragg. I mean, you're spurned on in life by—your political drive is about—ending the superannuation system. Ours is about building it, at the same time that we're building houses.

CHAIR: Okay—

Senator BRAGG: But that's not true.

CHAIR: Thank you.

Senator BRAGG: You haven't built any houses.

Senator Gallagher: We have.

Senator BRAGG: You haven't.

CHAIR: Thank you. We've been going for a good half hour, which is a very good go on this committee. I'll go to Senator Stewart.

Senator STEWART: I've got some questions about small business. What were the key recommendations of Dr Emerson's review into small business payment times? And what's the government doing to address these recommendations?

Mr Seebach: In terms of the key themes, Dr Emerson's review supported the continued operation of the scheme, with some significant improvements, and to that end made 14 recommendations on how to improve the payment performance of large business to small business suppliers. Nine recommendations related to the operation of the scheme, and five recommendations related to other measures to improve payment times. Those recommendations fell under three broad themes: overhauling the payment times reporting scheme, leveraging the importance of reputation to large businesses, and supporting a culture of prompt payment in Australia. The nine recommendations relating to the overhaul of the act include updates to the object of the act and functions of the regulator, simplifying and streamlining reporting, adding proportionate regulatory powers, and addressing inefficiencies with current reporting requirements and processes. I'll just finish by saying that the other five recommendations related to other measures in the areas of unfair contract terms, unfair trading practices and the ACCC designated complaints function, invoicing, and Commonwealth procurement.

Senator STEWART: There is a lot of information I'm trying to take in, so I might get you to step through them in a little while. But I just wanted to ask about the payment times regulator. You talked about some of the changes to what they do. What are some of the actions they've undertaken to implement the recommendation?

Mr Seebach: It might be helpful, just for completeness, for me to outline the actions already taken. Eight recommendations relating to the scheme are progressing by way of reforms to the act and rules. And, as some would be aware, the government introduced the Payment Times Reporting Amendment Bill last week, on 29 May. The government agreed to recommendation 1 relating to the scheme that the recommendation do not mandate payment times, which in that case required no further action. Our view and the view of the reviewer was that mandating maximum payment times should not be part of the proposed enhancements to the scheme.

The five recommendations relating to other measures to improve payment times have progressed. The ACCC is revising its guidance on unfair contract terms, after the 2022 reforms, and may include a small business payment time example. Treasury's consultation on options to address unfair trading practices ended in November 2023 and, as a result, the Competition and Consumer Amendment (Fair Go for Consumers and Small Business) Act passed parliament on 26 March this year, establishing a designated complaints function in the ACCC. A process is currently underway for appointing designated complainants. Initially up to three entities will be designated, and the period to apply to become a designated complainant opened on 2 May and closed on 24 May.

The government continues to lead the adoption of e-invoicing. In the 2024-25 budget, the government provided \$23.3 million to extend the operation of the secure invoicing network and the e-invoicing program administered by the ATO to disrupt payment redirection scams and increase economy-wide adoption of the technology. In some respects, prompt payment is already part of the Commonwealth procurement supply chain. I think, as we heard last week from the Finance portfolio, the government has developed a draft of a Commonwealth supplier code of conduct, and expectation 2.5 of that draft code goes to making prompt payments. The regulator has also updated their guidance, in terms of providing greater clarity to those who participate in the scheme.

Senator STEWART: Why are the changes to payment times so important for small business?

Mr Seebach: Bear with me for a sec; I just want to make sure that I cover all the bits and pieces. Sorry for the delay. I just want to make sure I cover all of those things.

Senator STEWART: Absolutely.

Mr Seebach: Long and late payments to small businesses impede cash flow, revenue and financing and, in turn, constrain jobs growth, investment and innovation. In that context, while the government, in this budget, is investing a further \$25.3 million over four years from 2024-25 to ensure the Payment Times Reporting Regulator can deliver its functions for an overhauled scheme with a fit-for-purpose ICT infrastructure, this also builds on a

decision in last year's MYEFO to invest \$8.1 million over four years to implement the recommendations of Dr Emerson's review. I might just leave it there for the moment.

Senator STEWART: You talked about the unfair contract terms. Have you got some examples of what that looks like for small businesses and of why it's important that we cover that in this legislation?

Mr Seebach: I might just ask my colleague, who might have a little more detail on that, to come up.

Mr B Kennedy: Your question was in relation to payment terms?

Senator STEWART: It was in relation to the unfair contract terms. I just want to get an example from you of what that might look like for a small business and understand why it's important that this legislation covers the protection of small businesses from unfair contract terms?

Mr B Kennedy: Yes. Sorry, bear with me.

Senator STEWART: It's alright. You've got lots of paper in those folders! I've been in your position as a public servant, so I don't envy the position that you're in.

Mr B Kennedy: Sorry, I thought I had something in here. You might have to come back to me. It sits in another area within Treasury. I do have something here, but I'll come back to you once I've found it.

Mr Seebach: If we can't come back to you in this session, that question could be directed to our Markets Group.

Ms Anderson: Senator, just generally, unfair contract terms are when there's an imbalance between a larger and a smaller company. A larger company has more negotiating power and is able to put pressure on a small company in order to win a contract—to be able to make concessions in what, ideally, they would like to agree to. I'm sure the team can come back to you with examples, but the measures are obviously to try to reduce the ability of larger businesses to impose unfair contract terms on smaller businesses and to level the playing field there.

Senator STEWART: Yes. That sounds very reasonable. I might save some of the detailed questions for Markets Group later. What are some of the stakeholders' views about this piece of work—these reforms that are happening?

Ms Anderson: Do you mean more generally?

Senator STEWART: Yes, more generally. What's been the response and the feedback from stakeholders?

Ms Anderson: I might start, and then my colleagues can jump in. The small business statement as part of the budget was generally welcomed, I think—the focus on small business and putting in one place all of the different initiatives and measures that affect small business, which occur right across government, not just in one department or portfolio. I think there was a general appreciation of having all of that in one place. The tax measures that affect small businesses in a positive way have been generally welcomed, I understand. As for stakeholder views, everyone often wants more, but they generally have been fairly positive. But, Mr Seebach, please feel free to add to my answer.

Mr Seebach: Senator, I might just in this context zero in on your original questions around payment times, and some feedback we got as part of the consultation process on the legislative reforms. Overall, stakeholders were supportive of the proposed reforms, including the broader remit of the regulator to undertake and publish research and identify fast and slow payers. The proposed amendments would streamline reporting, reduce regulatory and compliance burdens and improve transparency, and the proposed reforms would create incentives for large businesses to improve payment times. I'm not sure if you want some more on that. We had two consultation processes. We had some targeted, confidential consultations in the lead-up to releasing the exposure draft, and then, obviously, we had a public consultation process on the draft legislation.

Senator STEWART: Thank you. I want to ask about cybersecurity in small business. Have they got that view as well?

Mr Seebach: It is, yes.

Senator STEWART: We've seen a number of significant cyber events when it comes to some of the big companies. I think it's made lots of small businesses in particular concerned about their cybersecurity. What does the latest data show us about the cost impact of cyberattacks on small business?

Mr Seebach: I might just ask my colleague to come up to confirm that. But my understanding is that the impact of a cyberattack on a small business is roughly \$46,000. That's an average.

Senator STEWART: That's a significant amount of money.

CHAIR: Yes.

Senator STEWART: Yes, absolutely. So what are some of the programs that the government has to help small businesses protect themselves from some of those cyber events?

Ms Bourke: There are a range of programs that the government has to support small businesses in relation to cyber. One of these is the Cyber Wardens program. This provides small-business owners and their employees with free online training to help identify cybersecurity threats, so that they can implement that to prevent, and protect against, digital threats in their businesses. This is part of the government's investment of more than \$60 million to help small businesses uplift their cybersecurity and their digital capabilities.

Senator STEWART: How do you access that training?

Ms Bourke: It's free training that individuals can sign up to online. It takes 40 minutes, I believe, to do the training online, and then they get an accreditation at the end of that.

Senator STEWART: Sorry, I interrupted you—

Mr Seebach: I was going to add to that too. It's not just the training. The Cyber Wardens program, importantly, is to provide education and advice as well, and to conduct research and publish that research publicly. So it's both a training program and one that delivers other educational and awareness-raising products.

Senator STEWART: You might not have this detail, but do you have an example of some of the things they might publish?

Mr Seebach: You can add to this, Ms Bourke. Just to reiterate, under the agreement, COSBOA, who is the provider—the grant recipient—must produce research, undertake industry consultation and co-design, undertake program and platform development, deliver a national awareness and education campaign, drive student recruitment and behavioural change, conduct reporting and evaluation, and undertake project management activities. So there are quite a broad spread of services. COSBOA has released two reports as part of its research work stream of the program. In January 2024, COSBOA released a report outlining the results of a survey of more than 2,000 Australian small businesses. The report highlights common bad cybersecurity habits observed in small businesses, which people can access through the Cyber Wardens website. On 25 March 2024, COSBOA launched a second report at the inaugural Cyber Wardens Cyber Security Summit at the National Press Club. The report explores the barriers and drivers of action that can encourage or prevent small businesses from increasing their cybersecurity posture. COSBOA has also published a range of small-business guides and resources under the resources hub on the Cyber Wardens website, including a cybersecurity action plan for small businesses, and education pieces such as 'Seven reasons you need a password manager'.

Senator STEWART: So there's a fair bit happening to support small business. We've just talked about a couple of them. Where do people go to access this information? The reason I ask is that I've been speaking to a number of Aboriginal businesspeople recently about their small businesses, and I've been getting questions about where you go to access this information in plain English. I don't mind a bit of jargon but, for lots of people, it's a bit difficult sometimes to dredge through some of the Public Service jargon. Where can people get in plain English the supports that are available for small businesses?

Mr Seebach: There are two avenues. I'll start with the less optimal first. Obviously a number of these programs are run by different agencies, Treasury being one of them. Our recommendation would be to look for those types of supports through the business.gov.au website administered by AusIndustry, which provides a very user-friendly portal so that people trying to look for those supports can do so in an efficient way, rather than asking many different organisations the same question.

Senator STEWART: Thank you.

CHAIR: That might be a good point to stop. We'll break now and resume with the same group.

Proceedings suspended from 16:00 to 16:10

CHAIR: The committee resumes with Treasury's small business, housing, corporate and law group. I go to Senator Hume.

Senator HUME: I want to ask some questions on drafting capacity. I've heard from stakeholders who told me that the Treasury minister is telling them that the government is unable to deliver on commitments or issues due to drafting capacity restraints within Treasury—is that correct?

Ms Anderson: I'll ask Ms Wells to go over the details. I would just suggest that there is a long pipeline related to drafting. Treasury is one part of the pipeline. The Office of Parliamentary Counsel and the number of sittings are different constraints. But Ms Well might be able to go to some more detail.

Ms Wells: That's correct. There is a large legislative program for government at present. As you'd be aware, the priorities for OPC are set by the Parliamentary Business Committee.

Senator HUME: Can you give us a list, then, of initiatives that have been deprioritised as a part of that?

Ms Wells: I don't think there is anything that could be said to have been deprioritised, but to the end of the 47th program there are a number of key deliverables for government that we're working to produce. The spring program has not been set, so we're unable to say.

Senator HUME: Alright. I might come back to you with some questions about legislation that was expected from a stakeholders' perspective that hasn't yet appeared apparently because of this issue. Is it a constraint within Treasury or a constraint within the Office of Parliamentary Counsel?

Ms Wells: As I said, it's a very large legislative program across all portfolios, Treasury being one of them.

Senator HUME: Again, is it OPC, or is it Treasury?

Ms Wells: I think it's probably along the entire pipeline.

Senator HUME: So it's both?

Ms Wells: Within policy development, within law design and within OPC.

Senator HUME: How many staff are there within law group currently?

Ms Wells: There are 98 ASL.

Senator HUME: And how many are able to support OPC in its drafting capacity?

Ms Wells: As you'd be aware, Senator, OPC has tied work for drafting of primary and regulations within the law design component of the law division. We assist with in-house drafting of non-tied work, so we largely draft in-house appointments and instruments, and rules based drafting. But we're not able to assist OPC with tied drafting work.

Senator HUME: Treasury has received millions of dollars in additional resourcing and also in ASL across the last three budgets. How much of that has gone to drafting capacity?

Ms Wells: Within Treasury, we only have a very small in-house drafting team of approximately three ASL.

Senator HUME: That's interesting. I want to ask a question specifically around the Future Made in Australia act. PM&C has confirmed that the Future Made in Australia act will be led out of Treasury. Has drafting on that legislation commenced?

Ms Wells: The initial tranche of drafting instructions has been sent to OPC.

Senator HUME: Will that legislation go to exposure draft and consultation?

Ms Wells: The timing of the legislation is a matter for government.

Senator HUME: But I wasn't asking about timing. I just wanted to know whether it goes through the usual processes.

Ms Wells: Again, consultation on an exposure draft will be a matter for government.

Senator HUME: It will have an exposure draft, surely?

Ms Wells: Yes. Best practice will be that there will be an exposure draft.

Senator HUME: Yes, and consultation would also be best practice?

Ms Wells: That's correct.

Senator HUME: Is there a timeframe for introduction and passage? That's up to government—is that what you're telling me?

Ms Wells: That's a matter for government.

Senator HUME: But there will be an exposure draft and there will be consultation because we wouldn't have a piece of legislation that is this much a centrepiece of the government's policy initiatives that wasn't put together using best practice.

Ms Wells: Again, that is a matter for government, but I anticipate there will be, at least, targeted consultation.

Senator HUME: Minister, you wouldn't use second-best practice on a piece of legislation like this, would you?

Senator Gallagher: We will be consulting on it, but it is a priority of the government and so we are keen to get it into the parliament.

Senator HUME: What elements of the Future Made in Australia package in the budget require legislative change?

Senator Gallagher: I think we've already been through a bit of that this morning with the national interest framework and, overall, providing the certainty that the business community have been after. Legislation is important for that.

Senator HUME: And yet the Solar SunShot decision was made using the national interest framework before it was legislated. So why does it need to be legislated?

Senator Gallagher: I've said again this morning about it providing certainty. Legislation sends the message that this isn't something that is going to change.

Senator HUME: So Solar SunShot hasn't got certainty?

Senator Gallagher: Yes, it does. I'm talking about providing certainty to the business community, who are looking to invest, particularly in the transition to net zero. It provides that. And it allows parliament to have a discussion on it and pass it, doesn't it? Who knows? It could be unanimous.

Senator HUME: Knowing now that there's less than 12 months before the next election, Minister, what is the timing that we can expect for this centrepiece policy initiative of the Albanese government?

Senator Gallagher: We would like it passed as soon as possible. We are in the hands of the parliament to some degree, but we are doing the work that's needed now. We'll get the legislation drafted, and then it is over to the parliament. But we would be keen to deal with it as quickly as we can.

Senator HUME: Knowing there are drafting capacity constraints—

Senator Gallagher: I sit on the—

Senator HUME: does that mean that other issues need to be deprioritised?

Senator Gallagher: These are matters that the Parliamentary Business Committee deals with all the time, as you would expect. It would have been the same under your government. The amount of time that goes into drafting depends on the nature of the legislation and how technically complex it is or otherwise. But these are matters that we as a cabinet subcommittee consider regularly.

Senator HUME: If there was a policy commitment made during the former election campaign that stakeholders are still waiting on, would that be a drafting priority?

Senator Gallagher: I'm not sure what you are alluding to. If you could help me out on that front, I could probably go to it specifically. But there is a range of different reasons why some legislation progresses faster than others. It can be the consultation period itself. It can be the issues that are identified during that that impact on the timetable. So it's difficult to say in the abstract, other than to say there's a range of reasons why some legislation is ahead of others.

Senator HUME: I might come back to you with some specific examples on notice.

Senator Gallagher: Okay.

Senator HUME: That might give us a little bit of an indication of what it is that's been deprioritised.

Senator Gallagher: The other thing also is the passage through the parliament. We have a lot of legislation tied up in the Senate that we would like to progress as well. So it is all on a—

Senator HUME: But that doesn't affect drafting.

Senator Gallagher: No, but then it also becomes a question of what are you going to reasonably be able to get through.

Senator HUME: So drafting compacity constraints are real, but that's not the reason—

Senator Gallagher: We've added quite a bit of additional resources into the Office of Parliamentary Counsel to assist them because they have a heavy workload and—surprise, surprise!—like every other area of government they didn't have enough resources to do the job that they'd been asked to do.

Senator HUME: So is the Assistant Treasurer being serious when he says that there are drafting capacity constraints or not?

Senator Gallagher: There has certainly been—

Senator HUME: At least it's known to stakeholders.

Senator Gallagher: It's not only resources, because there's a particular type of staff—

Senator HUME: He's blaming Treasury.

Senator Gallagher: I don't know what comments you're referring to, but it's fair to say there is pressure particularly on OPC in drafting legislation, and that's sometimes because some of the legislation they're working

on is very complex. Sometimes it's the expertise of drafters. They might have a lot of new drafters but not really experienced drafters, and that impacts on the legislation as well, but we've tried to work with them where we can to make sure that they are resourced appropriately. I can honestly say that the amount of legislation requests versus what gets agreed to is different. But that would have been the same under your government too. It's a lot of people.

Senator HUME: I don't remember this sort of complaint from stakeholders, but yes. Thank you.

CHAIR: I'll go to Senator Smith.

Senator DEAN SMITH: I just want to turn to the matter of advertising and Treasury spin units, if we can.

Senator Gallagher: Treasury's what?

Senator DEAN SMITH: Spin units.

Senator Gallagher: Spin unions?

Senator DEAN SMITH: Spin units.

Senator Gallagher: Oh, 'units'.

Senator BRAGG: They are taxpayer funds used to help your political party.

Senator Gallagher: Treasury doesn't have anything like that.

Senator DEAN SMITH: You're right—it might be called a 'public information branch', but we'll get to that a little bit later. Can you just update the committee on the progress of the government's \$40 million stage 3 tax campaign?

Ms Anderson: I might ask Dr Barrett or Mr Axelby to take it away.

Dr Barrett: Certainly. Senator, do you have a particular question about the progress in terms of what details you'd like to know?

Senator DEAN SMITH: I'd like to know all the details, so let's start in the broad. What is the current allocated spend?

Dr Barrett: The tax campaign was allocated \$39.9 million, with administered funding that was \$37.3 million and departmental funding of \$2.6 million, over two financial years, being 2023-24 and 2024-25.

Senator DEAN SMITH: Just hold that thought then. Rounding up, it was \$40 million plus \$37 million, which is \$77 million—

Dr Barrett: No. It was \$39.9 million over two years.

Senator DEAN SMITH: Thank you. Over two years?

Dr Barrett: Over two years. That's correct.

Senator Gallagher: There has been \$6.5 million spent to date. But the committed spend is \$20.26 million.

Senator DEAN SMITH: Of the \$6.5 million that has been spent to date—how has that been spent? What's the breakup of that?

Dr Barrett: The media buy has been \$3.793 million—I'll just use round figures. The evaluation research is \$47,500. The creative agency who's doing our Indigenous communications was \$111,000. Our CALD communications specialists were \$301,000. Public relations advice was \$292,000. Our creative agency was \$1,692,000. And research was \$367,995. I should just say: they're rounded figures. I can give you the precise ones if you'd like.

Senator DEAN SMITH: Yes, please. If you could provide those on notice, that would be—

Senator Gallagher: Visits to the website, which the public information campaign refers people to, continue to grow. There have been 2.8 million visits since the campaign commenced on 21 April, including 700,000—

Senator DEAN SMITH: Some of those might be me and other coalition senators I apologise to say.

Senator Gallagher: Including 700,000 visits last week. That is giving us information that people are going to the website to learn about how the tax cuts apply to them.

Senator DEAN SMITH: Just explain to me the public relations component of \$292,000.

Dr Barrett: I can hand you to Mr Axelby for more details, but the public relations component tends to refer to things like below-the-line advertising—things like podcasts.

Senator DEAN SMITH: Could I have some more detail?

Mr Axelby: There are also things like stakeholder kits that are sent out to organisations to provide further guidance around the tax cuts. There are also things like easy English and Auslan fact sheets, social media tiles, podcast partnerships et cetera.

Senator DEAN SMITH: Can you explain the stakeholder kits?

Mr Axelby: It's just information we provide through their targeted groups so that they pass it on to organisations to share with their constituents.

Senator DEAN SMITH: Can you explain that to me? Who are these sort of stakeholder groups that you're passing information onto so they can pass it onto taxpayers?

Mr Axelby: I'll have to take that on notice.

Senator DEAN SMITH: Are you sure it's not there in front of you?

Dr Barrett: Our public relations supplier is Think HQ. Think HQ were provided to us as part of the Village, which were assigned to us by the Department of Finance as part of the campaign's process.

Senator DEAN SMITH: My question was the list of stakeholders.

Mr Axelby: I don't have a list of stakeholders in front of me. I'll have to take that on notice.

Senator DEAN SMITH: Yes, please. So, \$47,500 being spent on the evaluation—how does the evaluation work?

Mr Axelby: We gather a benchmark prior to the commencement of the campaign, which has approximately—I think we got a benchmark of 1,000. They're sent out a questionnaire, and then every week the same bunch of questions is sent out again to 500 participants in the research.

Senator DEAN SMITH: Are they the same participants?

Mr Axelby: No, they're not.

Senator DEAN SMITH: A different group of 500 over what period?

Mr Axelby: Every week, for the duration of the campaign.

Senator DEAN SMITH: What is the duration of the campaign?

Mr Axelby: It runs to 30 June this year.

Senator DEAN SMITH: And \$6.5 million has been expended so far?

Mr Axelby: That's correct.

Dr Barrett: On media buy.

Senator DEAN SMITH: Just to be clear, what is the remaining spend, from now until 30 June?

Dr Barrett: Can I just confirm: do you want to know the remaining total value contract on the media buy? Or overall?

Senator DEAN SMITH: On the media buy.

Dr Barrett: The total contract value for the media buy is \$16,363,636.36, and the expenditure to date is \$3,793,221.63, and I cannot take that away in my head, but if you'd like me to get someone to do so, I can quickly.

Senator DEAN SMITH: That would be great. Yes please, for the sake of accuracy. When did the evaluation exercise begin?

Mr Axelby: The benchmarking?

Senator DEAN SMITH: Yes.

Mr Axelby: It was the week prior to launch, is my recollection. It launched on 21 April.

Senator DEAN SMITH: What is the evaluation telling you thus far?

Mr Axelby: To date, it's probably noted that people are still unsure around how they're receiving their tax cut, and they haven't been clear on what it is going to be—it's a reduction in your take-home pay, as opposed to getting it when you submit your tax return.

Senator DEAN SMITH: So the advertising campaign thus far has been unsuccessful?

Mr Axelby: I wouldn't say that.

Senator DEAN SMITH: What would you say?

Dr Barrett: We've seen over the course of the past I think five weeks now an increase in awareness throughout the campaign process.

Senator DEAN SMITH: We are getting closer to tax time.

Dr Barrett: That's one of the reasons we undertake the benchmarking. I should say that the benchmark survey is a compulsory part of the process, of the campaign guidelines. The ongoing evaluation is also a compulsory part of the process. So, we are seeing an uptick in awareness so that people are starting to understand and—

Senator DEAN SMITH: How confident can you be that that uptick in awareness, as you characterise it, is a result of an almost \$40 million advertising campaign during a cost-of-living crisis? How much of it is just people realising they are in a cost-of-living crisis trying to find out how to manage their finances and having a greater level of awareness of personal financial matters generally?

Dr Barrett: When we were developing the campaign and we had the original research, one of the things we did find was that, while 50 per cent of Australians had heard something about tax cuts, only four per cent knew that everybody would receive a tax cut, that every taxpayer would receive one. So we did feel—

Senator DEAN SMITH: Why is that relevant when the tax cut is flowing to people automatically? It's not as if people have to go and register for the tax cut.

Senator Gallagher: This campaign helps give them information about what it means for them. It is a public information campaign. It's been through all of the required processes that these campaigns need.

Senator DEAN SMITH: I am not doubting whether it has been through the required processes. I'm just—

Senator Gallagher: But 2.8 million visits to the campaign site and 700,000 visits in the last week would indicate people are interested. They wouldn't go there unless they were interested. So, in that sense, it's serving its purpose as a public information campaign.

Senator DEAN SMITH: How many people will benefit from the stage 3 tax reform that you introduced?

Senator Gallagher: It's 13.6 million taxpayers. Every Australian taxpayer will get a tax cut. But it will be different depending on the nature of your employment and so—

Senator DEAN SMITH: And just 700,000 people are registering an interest via the website.

Senator Gallagher: There have been 2.8 million visits since the campaign started and there were 700,000 visits last week. It has a while to go yet, but we believe it is providing the public with information that they need.

Senator DEAN SMITH: Given all the free media the government gets on its budget, why is it necessary to spend \$40 million?

Senator Gallagher: This is about giving information to people in a way that is accessible to them. I know you and I watch very closely what happens in this place, but most Australians don't.

Senator DEAN SMITH: Did we get a final figure for the calculation?

Dr Barrett: Yes, we did—\$12,570,414.70 is the delta remaining on that contract. Obviously, I am giving you numbers as at 30 May. That's what we have actually spent. But, as invoices come in, we will pay those and we will update our figures.

Senator DEAN SMITH: So there is a remaining \$12 million to be spent on the media buy?

Mr Axelby: To be paid.

Dr Barrett: Invoiced and paid.

Senator DEAN SMITH: With one month to go?

Dr Barrett: That is not unexpected in that we won't pay invoices until they come in, which will be as it goes to market. So we will wait for those invoices to come in and then we can say we can extend the funds.

Senator DEAN SMITH: You mentioned the use of podcasts. Can you just explain that to me. Are you partnering with people to communicate the tax cuts? Is the Treasury doing their own podcast? How does that work?

Mr Axelby: We partner with podcasters on those.

Dr Barrett: Universal McCann is the organisation that we are partnered with that organises the podcast sponsorship.

CHAIR: What is—

Senator Gallagher: It's like a radio ad. It's the modern version.

Senator DEAN SMITH: Thank you very much for that. When does the benchmarking activity cease?

Mr Axelby: At the completion of the—

Senator DEAN SMITH: On 30 June? So you don't go out—

Mr Axelby: No, the benchmark—

Senator DEAN SMITH: The evaluation exercise?

Mr Axelby: Yes. It completes at the completion of the campaign.

Senator DEAN SMITH: So the campaign completes on 30 June, but I am assuming you might go out to the last—

Mr Axelby: They would do it. They would have a finalised date and then that would be the last week, yes.

Senator DEAN SMITH: The last week post 30 June or as of 30 June?

Mr Axelby: There are no advertisements post 30 June. So the questions may well be asked. Depending on the timing, it may fall after the date. But it would be in regard to completion at 30 June.

Senator DEAN SMITH: What are the criteria that you will use to measure the success or otherwise of the \$40 million advertising campaign?

Dr Barrett: The campaign objectives that were set out at the beginning are what we will assess against. These objectives were to increase awareness of the tax cuts for Australian taxpayers, to inform Australian taxpayers of what the tax cuts are and when they will take effect, to educate Australian taxpayers that these changes will provide tax cuts to every Australian taxpayer as well as cost-of-living relief, and to encourage Australian taxpayers to visit the campaign website to find out how the changes affect them. Things such as the website stats, which the minister has mentioned, will obviously be an important part of understanding the effectiveness of the campaign approach.

Senator DEAN SMITH: Thank you.

Senator DAVID POCOCK: I just wanted to follow up on a couple of questions on the spend. How much of it will be spent through social media—Meta—

Dr Barrett: I might have to take that on notice, sorry. I'm just not sure of the breakdown within the media buy or the public relations buy that might go to social media particularly. I can take that on notice.

Senator DAVID POCOCK: Great. And then, who does the targeting on social media? Is that through an agency, or are you deciding?

Dr Barrett: I'm pretty sure it'll be through Universal McCann.

Senator DAVID POCOCK: What are they tasked with in terms of targeting geographical areas? Is it just a universal across-the-board spend? How does that work.

Dr Barrett: We might have to take that on notice. I do think it was a broad distribution geographically.

Senator DAVID POCOCK: Would you be able to provide that brief to them on notice?

Dr Barrett: I can have a look at what we've got and see what would answer your questions.

Senator DAVID POCOCK: Great. I'd be keen to see the spending brief you gave them. Thank you. And I've got some questions on the \$2 billion social housing accelerator payment. Senator Bragg was asking some questions that were taken on notice, so I expect that some of these will also be taken on notice. But I'm interested in how much has been spent or committed in the ACT to date.

Ms Crosthwaite: We have received the first statements of assurance from each of the jurisdictions under the social housing accelerator. So, firstly, the money has been paid to each jurisdiction. The ACT has received its \$50 million share, and my colleague should have further information about what the ACT's progress is to date.

Senator DAVID POCOCK: The use-it-or-lose-it aspect of that—they've been given \$50 million, but if they don't spend it they give it back?

Mr Dowie: Under the federation funding agreement that the Commonwealth has with the states and territories, each jurisdiction has until 30 June 2025 to commit all the funds the Commonwealth has paid to them, with all buildings to be completed by 30 June 2028.

Senator DAVID POCOCK: How much has been committed in the ACT?

Mr Dowie: Based on the ACT's first statement of assurance, which covers the period until the end of 31 December 2023, no funds have yet been committed.

Senator DAVID POCOCK: I've got some other questions on housing. I'm interested in how many FTE-equivalent staff are working in the housing division of Treasury.

Ms Crosthwaite: My division is Housing Division in Treasury. We have 40 ASL allocated to Housing Division and a further 15 ASL—let me just check my brief to make sure I get that right—allocated to supporting the National Housing Supply and Affordability Council, which is also within our division.

Senator DAVID POCOCK: How many in addition to that 40 ASL?

Ms Crosthwaite: Twelve.

Senator DAVID POCOCK: Of that 40, and then separately of that 12, how many of your staff have a background of expertise in social or community housing?

Ms Crosthwaite: I would have to take that on notice. I have a range of capabilities and experiences within the division.

Senator DAVID POCOCK: Sure.

Ms Anderson: I might just add that the Department of Social Services also has housing staff. The work there is more related to social housing and homelessness—

Senator DAVID POCOCK: I'll be asking them some questions.

Ms Anderson: just so you know that there is a bit of a split in responsibility between us. Treasury's focus is more on the housing financing and public policy and economic impact around housing, although we do have oversight of the Housing Australia Future Fund, which obviously goes to social and affordable housing as well. When you are looking at skill sets, there's going to be a bit of a skew in each department depending on responsibilities.

Senator DAVID POCOCK: The thing I'm hearing is how critical the finance piece of the CHP part of is. I'm interested in how much expertise Treasury has, given you guys hold the money.

Ms Anderson: Housing Australia actually pays out the money and makes decisions, so it might be worth talking to them about their expertise as well.

Senator DAVID POCOCK: I'll do that too. When will the government be responding to the National Housing Supply and Affordability Council's *Barriers to institutional investment, finance and innovation in housing* report? I note it was published September 2023.

Ms Crosthwaite: The minister has been working with her colleagues in other jurisdictions—the other housing ministers—to develop a cross-jurisdictional response. As you'd appreciate from the nature of those recommendations, a significant number of them are not recommendations that the Commonwealth is able to enact on its own and require the support of the states. That work has been very regular and robust and is ongoing. I anticipate that there will be a response when that has been agreed.

Senator DAVID POCOCK: As soon as possible—has your division been doing work on that?

Ms Crosthwaite: Yes.

Senator DAVID POCOCK: Minister, can we expect a response?

Senator Gallagher: It's a priority, but we do need to work with all of the other governments as well.

Senator DAVID POCOCK: So before the election?

Senator Gallagher: As soon as possible. I would hope so, yes.

Ms Anderson: I think their ministers are actively considering the response at the moment.

Senator DAVID POCOCK: Can you tell me a bit about the process for board appointments to Housing Australia. I'm interested in whether the government will be appointing a board member with appropriate qualifications, skills and experience in social housing.

Ms Crosthwaite: The process for appointments generally is that the Minister for Housing makes those appointments. As is usually the case, the department provides advice to the minister, and the minister makes a decision. The Housing Australia appointments are not considered to be significant appointments that require cabinet approval.

Senator DAVID POCOCK: Not significant?

Ms Crosthwaite: That's the definition under the merit and transparency policy. In terms of the skills required, the process certainly includes an assessment of the skills that are currently within the board. For potential candidates, we will do an assessment of what skills they have and incorporate that into the advice to the minister. Experience and expertise in social, community and affordable housing is absolutely one of the skills that is sought to be on the board.

Senator DAVID POCOCK: And how many board members have those skills?

Ms Anderson: I think we have to take that on notice. I believe we are looking at the skills matrix that has recently be provided by the chair, and it does indicate there is a bit of a gap in that area, which she has indicated should be filled, so we are looking at that in the current appointment process.

Senator DAVID POCOCK: My understanding is that there has always been someone from the community housing provider sector on the board, and there's no longer one, which seems frankly pretty ridiculous, given the crisis we're facing and all the programs and announcements around social and affordable housing. Surely it's urgent to actually get someone with expertise in social housing.

Ms Anderson: And that's actively under consideration now, so, absolutely, that skill set is something we're looking for.

Senator DAVID POCOCK: What's the timeline for that?

Ms Anderson: We have one current vacancy and one member whose term soon expires, so I think those are going to be considered by the minister together imminently. I can't obviously put a timeframe on when she will make her decision on that front, but I don't think it will be too long. I think they actually are significant appointments that go to cabinet as well, Ms Crosthwaite, I believe. We might just confirm that. They are—sorry. Yes, so they are significant appointments.

Senator DAVID POCOCK: In terms of how imminent it is, have you made recommendations to the minister for potential candidates?

Ms Anderson: I don't really want to go into advice, but it's a current process.

Senator DAVID POCOCK: Why not? Has it gone to cabinet?

Ms Anderson: If it's a significant appointment, it would go to cabinet. It has not, at this point in time.

Senator DAVID POCOCK: Surely your advice to the minister isn't covered by cabinet-in-confidence?

Ms Anderson: No, but it does go to advice to and from government. I'm happy to confirm we are currently advising the minister on those appointments. I don't think that's a sensitive issue. But, as a significant appointment, they would also need to be confirmed by the cabinet.

Senator DAVID POCOCK: Will newly constructed, purpose-built student accommodation units count towards the government's target to build 1.2 million new homes over the next five years?

Ms Anderson: If it adds to the supply of housing, yes, it will. We would use ABS measures as to the construction of housing. To the extent that they contribute to additional new housing, then they would count towards the 1.2 million target.

Senator DAVID POCOCK: I'm interested in what work is underway to help Australians with the cost-of-living crisis now when it comes to housing. We've got the HAFF and the 1.2 million house goal. What's happening now? Have you looked at something like NRAS Mark II? Is work like that underway?

Ms Anderson: I think the main new measure in the budget was another increase to the Commonwealth rent assistance—an additional 10 per cent increase on top of the last one. Housing for women and children fleeing domestic violence has also been included in this budget through the National Housing Infrastructure Facility. That's a Housing Australia program. A specific targeting of that would be of people in those circumstances and young people, recognising that they are having more trouble accessing housing. That's not an immediate measure. The Commonwealth rent assistance is a more immediate measure, but there's significant attention being paid to supply of social and affordable housing at the moment—

Ms Crosthwaite: That includes through the additional funding provided to the states and territories through the next Commonwealth State Housing Agreement, which is an additional \$423 million.

Senator DAVID POCOCK: Is anything being done when all these NRAS properties come off? If you look at somewhere like the ACT, we lose far more NRAS properties than our 1,200 under the HAFF—hopefully, over the next five years, if all things happen.

Ms Crosthwaite: Something that we are certainly doing some policy work on at the moment is the need for more affordable housing in that particular class of affordable housing. There are lots of different ways that can be provided. The accord and the HAFF are going to be providing some of those through the funding round that's currently open. States and territories do also provide some affordable housing. In the build-to-rent measures, there's draft legislation out of the moment. There is an affordable housing component attached to that. There are a range of different ways that the government's been looking at that, but we're also doing some work to identify where the gaps could still be. There is a need.

Senator DAVID POCOCK: Is that under the Housing Strategy Branch?

Ms Crosthwaite: I would say it's under the Housing Strategy Branch and also the Housing Financing Branch, which is Ms Hostenstein's branch.

Senator DAVID POCOCK: I'm just concerned we're not actually dealing with the here and now. You've got NRAS, which is winding down. The government's chosen not to extend it. Minister, apart from nine bucks a week on Commonwealth Rent Assistance, what is—

Senator Gallagher: To be fair, that's 10 per cent on the increase that we did the year before as well. Just to be fair—

Senator DAVID POCOCK: Nine bucks a week, though, in the current rental market is—no-one's going to say, 'No thanks,' but that's pretty small.

Senator Gallagher: It's a material increase, and I think you've got to see those two increases together.

Senator DAVID POCOCK: It's a material increase in a situation where there's hardly any—

Senator Gallagher: We're trying to pull every single lever that the Commonwealth has to drive supply and to support the work of the states and territories and local councils in freeing up and driving supply. We're doing our bit on Commonwealth rent assistance, we're providing incentive payments to the states and territories and we're running our own programs. On NRAS, the vast majority of those properties in the ACT, as I recall, are university accommodations, and so—

Senator DAVID POCOCK: Which is also desperately needed.

Senator Gallagher: Yes. But it was mainly at the ANU, from memory, to drive the completion of those facilities. They cost a reasonable amount to essentially rent privately through the University. I would not see those as typical of what we are trying to do now for affordable and social housing through some of the other programs we're running. I know the HAFF has been oversubscribed in terms of applications, so it needs to go through its process and get some of those disbursements out. I know that states and territories are using some of the funding to refurbish and perhaps reopen accommodation that they haven't been using because it's too run down. That is all stuff that's happening right now.

Senator DAVID POCOCK: If the HAFF is oversubscribed—talking to CHPs, they say there's lots of capacity—why not double the HAFF?

Senator Gallagher: In terms of this budget, we've put an additional \$6 billion to supplement the investment under our housing policies. I think we will all look forward to hearing what some of those applications for the HAFF have been in the first funding round.

Senator DAVID POCOCK: None of that \$6 billion was for the HAFF, though. You've got a pipeline of projects, potentially 60,000—

Senator Gallagher: Not everything is being generated through the HAFF. The HAFF is there for the long term. We have a range of different policies. It's not just the HAFF. We have a whole range of other policies—the National Housing Infrastructure Facility; the money to states and territories. All of that works together. But we will see what comes up through the HAFF.

Senator DAVID POCOCK: On the NRAS point, I understand your view on that, but if I'm a student there's not a single property in the ACT, in the entire territory, that I can afford on youth allowance.

Senator Gallagher: Yes, so we have to—

Senator DAVID POCOCK: Yet you're saying 'There's your student accommodation.'

Senator Gallagher: I'm not saying it just. It was used as an incentive to drive a lot of the accommodation that's happening on the ANU campus at the time. The ANU is building much more over and above what was delivered through the NRAS. Obviously it's important for them as well. We will continue to work with the ACT government closely on the pressures that they are telling us about. But we are providing incentive payments, we are working with them. We've finalised the new social housing and homelessness agreement. There isn't an area where we're not trying to work cooperatively with the states and territories and councils to drive housing supply across the country.

Senator BRAGG: When was the report that you were just discussing with Senator Pocock into the institutional investors taking over all the housing stock delivered to government?

Ms Anderson: I might ask Mr Vallence to come to the table, but it was around the middle of 2023. It was prepared by the interim supply and affordability council which was in place at that time.

Senator BRAGG: Was this their first order of business?

Ms Anderson: It was a commitment under the National Housing Accord that the council prepare this piece of advice for government. I think it did other things as well, but it was the first major report.

Senator BRAGG: The first order of business for this new council was to work out how you could get the super funds to buy all the houses.

Ms Anderson: It was an interim council. It was awaiting the passage of legislation through parliament for its formal constitution, which didn't end up happening until the end of last year. This particular piece of work was one thing it focused on, but it also provided other analysis and advice and conversation with the minister about the housing market in that period of time.

Senator BRAGG: So it recommended that we give tax breaks to the poor old super funds, did it?

Ms Anderson: No. Dr Spiller may want to add something. He's on the council and he was on the interim council last year. It covered a range of different things. I think super was a minor part of the report.

Senator BRAGG: Isn't the idea that you want to get institutions, big organisations, fund managers, super funds, to build up and own the housing stock? Isn't that the idea of this?

Ms Anderson: Increasing the availability of capital to support a new asset class within the rental sector is absolutely within the realm of the council.

Senator BRAGG: So it's effectively relegating individual ownership.

Ms Anderson: I don't think it's relegating anything, but it is recognising that the Australian system is probably behind some others in terms of the rental sector as an investment opportunity.

Senator BRAGG: As you know from the tax office data, a lot of the landlords in Australia are actually mums and dads. Is it looking to displace mums and dads with major institutions like super funds and fund managers?

Ms Anderson: The overall aim is to increase supply, not replace existing ownership. So it's another way to increase supply.

Senator BRAGG: I think the government is desperate to try to get the super funds to own more houses.

Senator Gallagher: We're desperate to make sure that we have a housing system that works for everybody in the country. That's right. And the lack of institutional investment in housing across Australia, yes, there is a question about that.

Senator BRAGG: The reality is that you have one demand-side policy which is stalled in the parliament. Your supply policy is cactus. Your only policies are designed to help these institutions. You've got the Availability Payments program. We've discussed this many times before. My understanding is that the availability payments are going to be made by the HAFF to the community housing providers—is that right?

Senator Gallagher: Yes, I believe so.

Senator BRAGG: And they will be partnering with institutional investors—is that right?

Senator Gallagher: It will depend. I imagine there will be a variety of different arrangements. I haven't seen any of the applications that have come through, but I imagine there will be a variety—

Senator BRAGG: How many were received?

Senator Gallagher: I don't know if we have the exact number of how many we've received. I only know from the Minister for Housing that it was far in excess of what was available.

Senator BRAGG: You don't know how many were received. I find that very hard to believe, that you don't know how many were received.

Ms Anderson: Housing Australia is appearing tomorrow. It's inappropriate for us to delve too far into the process at this point in time.

Senator BRAGG: Who pays the money to the consortia?

Ms Anderson: Housing Australia. It's managing the HAFF on behalf of the government in accordance with an investment mandate.

Senator BRAGG: So they deal with that. What does the Treasury deal with? The Treasury deals with tax policy, is that right?

Ms Anderson: Not in my part of Treasury, but yes, Treasury deals with tax policy.

Senator BRAGG: What about the proposal the government has to cut the tax rate to promote build to rent?

Ms Anderson: That's a revenue group managed process, but yes, part of the government's support for the rental industry was the build-to-rent reforms.

Senator BRAGG: And this is designed to support major institutions to construct houses that they rent out to Australians, isn't it?

Senator Gallagher: They would be working with community housing providers.

Ms Anderson: In terms of the build to rent or the HAFF?

Senator Gallagher: Yes—which one: HAFF or build to rent?

Senator BRAGG: Almost all your policies are geared to helping the big end of town or these institutional investors to get a leg up in the housing market. I know it's hard to keep up with.

Senator Gallagher: It's not.

Senator BRAGG: I'm asking you about the tax breaks.

Senator Gallagher: You put your slant on it.

Senator BRAGG: It's not a slant—it's a fact.

Senator Gallagher: We're trying to drive housing supply and use a variety of interventions to deliver that.

Senator BRAGG: I'm asking about the build-to-rent tax policy. What is that designed to do?

Senator Gallagher: Encourage more rental.

Senator BRAGG: Encourage who?

Senator Gallagher: By investors.

Senator BRAGG: Who? What kind of investors? Mums and dads, institutions?

Senator Gallagher: That's what the scheme does, try to make it available. It's not about trying to give a leg up to whoever you said—the big end of town. That is not what is driving this. What's driving this is to get a housing system that meets the needs of the country, including incentivising the building of community and social housing in this country, something that has been neglected for far too long.

Senator BRAGG: To get this right, the build-to-rent tax concession that has been proposed by your government is something that we ask revenue about, not you?

Ms Anderson: The specifics, absolutely, yes.

Senator BRAGG: I want to come back to the issue that you flagged before, Minister, in relation to these matters. We might not agree on this philosophically, but it seems to me that your argument against individuals using their own super is that that would somehow damage the demand side of the market. I think you referred to super fund funded research before which talked about house prices.

Senator Gallagher: I think it's also—

Senator BRAGG: Can I ask the question?

Senator Gallagher: Mr Eslake also said it would be one of the worst public policy decisions of the 21st century. So there are other commentators out there.

Senator BRAGG: People have different views and perspectives. What I was going to ask you is—

Senator Gallagher: You're suggesting a broad intervention—

Senator BRAGG: Can I ask the question?

Senator Gallagher: where you just take whatever you can—

Senator BRAGG: I'd really like to ask the question.

Senator Gallagher: and just giving \$75,000 out isn't going to impact on house prices or demand?

Senator BRAGG: Sorry, are you asking the questions or am I?

CHAIR: Well, that was a question, but would you like ask your question?

Senator BRAGG: It's not rhetorical. My question is actually quite simple: if the view of the government is that allowing individuals to use their own super for a house is bad—for some reason, in your world of paternalism—how is it good, then, that super funds can invest in the housing market as institutions, not as individuals, with no impact on the prices or the concerns you flagged? I don't understand the logic.

CHAIR: New housing stock.

Senator BRAGG: I don't understand the logic.

Senator Gallagher: You're obsessed with super funds—

Senator BRAGG: I'm asking you to explain the logic here.

Senator Gallagher: You're focusing on super funds. What we are trying to do is encourage institutional investment into the delivery of social and affordable housing. It's a feature of other countries' housing systems. It hasn't been one of ours. We tried it with NRAS. Your government abolished NRAS. There is a gap identified that we think, with the right settings, could drive the increase in housing supply.

Senator BRAGG: Okay. So your view—

Senator Gallagher: Your idea is that individuals, often those without much super, are encouraged to basically drain their super, and therefore their retirement savings, in order to have a stampede towards purchasing a house, and you're seemingly not caring about the impact that that would have.

Senator BRAGG: So the logic here is: if you're an institution and you use superannuation money in the housing market, it has no impact on price inflation—that you seem to be concerned about—but if you're an individual, you're going to blow up the market. That's your argument. It doesn't make any sense to me.

Senator Gallagher: The institutional investment is to try and drive the increase in social and affordable housing in a targeted way: you're targeting who would be eligible for that and you're targeting that housing stock. Your idea is just a free for all to drain your superannuation to go and compete with the other person who has taken out their super to try and buy existing stock—not even one extra house. So they are quite different.

Senator BRAGG: It doesn't make any sense to me.

Senator Gallagher: I know that you can't stand the superannuation system. We have a fundamental disagreement about what it's there for and what its role is.

Senator BRAGG: It funds your party, which is why you love it. In the last year, super funds have given \$40 million—

Senator Gallagher: It has nothing to do with that.

Senator BRAGG: to the Labor Party and to the unions.

Senator Gallagher: Rest assured, it doesn't have anything to do with that.

Senator BRAGG: It's now becoming the major donor to your political movement, so I know you don't want to unpick it, for political reasons. I'm asking you to explain the logic—

Senator Gallagher: It has got nothing to do with that. We've always believed in super. We built the superannuation system.

Senator BRAGG: Of course—it's your major donor.

Senator Gallagher: We will continue to support it and, at the same time, we will focus on and target interventions to increase housing supply, which is something that your policy doesn't do—not one extra house; just cash everybody up to go and compete on the existing stock.

Senator BRAGG: But you haven't built any new houses. Five years ago, the country was building 220,000 or 230,000 houses—

Senator Gallagher: We are building—we are and we will be.

Senator BRAGG: and now you're down to 170,000 houses.

Senator Gallagher: Yes. And that didn't happen overnight, Senator Bragg. That's why we have a range of different interventions to deal with that.

Senator BRAGG: I don't think we're going to agree on philosophy—

Senator Gallagher: But if your argument is that there isn't enough housing, what's going to happen under your policy?

Senator BRAGG: I was trying to get you to explain the logic. You haven't done that; that's fair enough.

Senator Gallagher: I have. You just disagree.

Senator BRAGG: My last question is about chart 4.8 on page 134 of Budget Paper No. 1. This is about social and affordable housing, which you talk about a lot. It says here that the government will support 55,000 new social and affordable homes between 2022 and 2029. Can you explain the methodology underpinning this projection?

Mr Dowie: The methodology underpinning that projection is that it's recognising the number of new social and affordable homes that will be supported by government policy. It includes the additional supply of homes that will be supported through the HAFF, through the accord, through the Social Housing Accelerator program and through a range of other Housing Australia programs.

Senator BRAGG: So what is the increase in the 2022-23 financial year—because it seems to start in 2022?

Mr Dowie: We've taken the base there around the 2022 year to recognise that—if you look at the note on that particular page, it is very clear in the last sentence of that page:

It is projected that the Australian Government will help support around 55,000 new social and affordable homes between May 2022 and 2029.

So what we've tried to do there with that dotted line is give a visualisation to that projection.

Senator BRAGG: So what's the projected increase for 2023-24 and 2024-25?

Mr Dowie: We've not broken it down to that level of increment. The reason we've taken it out to 2029 is it reflects the timeline of many of the government's commitments for many of these homes to come online.

Senator BRAGG: Is it usual practice to condense seven years into one?

Mr Dowie: I can't comment on the range of budget statements that have gone before, but what I would say is it is not usual practice for there to be such a large increase in social and affordable homes.

CHAIR: I'm going to Senator Smith.

Senator DEAN SMITH: I have a few other questions with regard to the stage 3 tax cuts advertising campaign. Mr Axelby, on the \$47,000 to be spent on the evaluation: by the conclusion of the advertising campaign, how many people are expected to have been asked about the campaign?

Mr Axelby: The original benchmark was 1,000 and then 500 per week.

Senator DEAN SMITH: For every week of the campaign?

Mr Axelby: Yes.

Senator DEAN SMITH: So what is the aggregate figure?

Dr Barrett: About 10,000.

Senator DEAN SMITH: About 10,000 people—

Dr Barrett: Also, just to confirm, the amount you quoted—\$47,621.50—was expenditure. That's expenditure to date; that's not the contract value.

Senator DEAN SMITH: What is the contract value?

Dr Barrett: The contract value is \$192,486.

Senator DEAN SMITH: And by the end of the campaign you expect 10,000 people to have been asked about the campaign?

Dr Barrett: I think that's correct, but we will double-check that and confirm for you.

Senator DEAN SMITH: What's the geographic dispersion of those 10,000?

Senator Gallagher: We can come back to you on that.

Senator DEAN SMITH: What's the age demographic?

Mr Axelby: Our targeted demographic was 18 to 54.

Senator DEAN SMITH: Minister, you might be interested to know that an enthusiastic observer of our proceedings has sent me a message to say that a GP resident here at Parliament House for \$361,000 a year, using that \$40 million for advertising campaign, would have been able to provide services here in Parliament House for 110 years.

CHAIR: Is there a question?

Senator DEAN SMITH: No, it's a statement. It's a statement about value for money and priorities.

Senator Gallagher: Senator Smith, you have a short memory, because the largest expenditure on government advertising, in an annual sense, was your government in the final year of the—

Senator DEAN SMITH: We're talking about—no, no, I've heard you say this before.

Senator Gallagher: No, you were.

Senator DEAN SMITH: We're talking about \$39.9 million on a program—on a particular exercise.

Senator Gallagher: Yes. And we haven't come close, on a public information campaign, to what was spent in the final year of the Morrison government. Public information campaigns have been standard—

Senator DEAN SMITH: Which coalition advertising campaign is comparable to this \$39.9 million—which individual campaign?

Senator Gallagher: I'll come back, because there was a very big one in Treasury, as I recall, for powering the COVID recovery that started and got all worked up and then stopped because we had a massive outbreak of COVID. I remember that one.

Senator DEAN SMITH: This is not comparable to pandemic-related information advertising campaigns, really.

Senator Gallagher: These are the biggest tax changes that will have happened to people's incomes in many years.

Senator DEAN SMITH: It's a tweak.

Senator Gallagher: It's driving millions of views to the website—

Senator DEAN SMITH: It's a tweak.

Senator Gallagher: 700,000 in the last week—and that shows that people are interested in how these tax cuts apply to them.

Senator DEAN SMITH: It's outrageous. I think the court of public opinion have probably judged on this.

Senator Gallagher: You were never so vocal about [inaudible] public information campaign. It's pretty hypocritical.

Senator DEAN SMITH: I'd like to turn now to the matter of the Public Information Branch. Is this the first estimates where the public information branch has appeared on an organisational structure? I'm not familiar with seeing it before.

Dr Barrett: That's correct. You may recall at the last estimates you asked some questions about how we were going to resource the campaign. At that time, we were staffing up the function.

Senator DEAN SMITH: You have an additional unit—the Orwellian Public Information Branch—added to the organisational structure to assist one advertising campaign.

Dr Barrett: It is a temporary branch that is funded at this stage. While we have campaigns, it is a branch that is funded for the period of the campaigns to take on that work.

Senator DEAN SMITH: Because of your acoustics—are you using the word 'campaign' or 'campaigns', plural?

Dr Barrett: Campaigns. Any campaigns that we are tasked with by government will go to that branch to manage.

Senator DEAN SMITH: At the moment, a completely new branch, the Public Information Branch, has been stood up with the purpose of supporting in addition the \$40 million stage 3 tax campaign. What other advertising campaigns have you been asked to support or are you expected to support?

Ms Anderson: As was mentioned earlier in estimates, the Future Made in Australia campaign will be conducted by Treasury, and that will be done with Mr Axelby's branch leading that work.

Senator DEAN SMITH: Is the value of that \$45 million or \$35 million.

Ms Anderson: It's \$35.9 million including both administered and departmental elements. The \$45 million line I think is a bit of a confusion, because there was a larger appropriation; this was a subset of that appropriation in the lines.

Senator DEAN SMITH: A whole new branch called the Public Information Branch has been stood up to support the stage 3 tax advertising campaign, which is valued at \$39.9 million, and the Future Made in Australia campaign, which is a \$35.9 million campaign.

Ms Anderson: That's correct.

Senator DEAN SMITH: What other advertising campaigns do you expect you'll be asked to support?

Ms Anderson: We don't have any decisions related to other campaigns at this point in time that I'm aware of. If they were made in the future, that would be the place we would most likely conduct that work—

Senator DEAN SMITH: What advertised campaigns are you aware of but for which decisions may not yet have been made?

Ms Anderson: None.

Senator DEAN SMITH: Let's then turn to the cost of the Public Information Branch. What's the cost of the Public Information Branch? Let's start with how many people are employed in the Public Information Branch.

Ms Anderson: I'll ask Dr Barrett or Mr Axelby to go through the details of that, but the departmental funding allocations within both the tax cuts campaign and the Future Made in Australia campaign will be used to resource the branch and other things that the branch needs to undertake. That was \$2.6 million over two years for the tax cuts campaign and \$2.4 million next financial year for the Future Made in Australia campaign. I'll ask Dr Barrett or Mr Axelby to go through the details of the staffing associated with that.

Senator DEAN SMITH: Just before you do, you also mentioned the word 'other'. Is the Public Information Branch responsible for other activities in addition—

Ms Anderson: No; I meant staffing and other things. There might be other supplier expenses or things that are associated with the running of the branch. So it's not other activities; it's just to support those two activities.

Senator DEAN SMITH: Is it \$5 million in total?

Ms Anderson: Yes.

Senator DEAN SMITH: Is that over two years?

Ms Anderson: The Future Made in Australia campaign is within one year, and the tax cuts campaign was funded over two financial years.

Senator DEAN SMITH: How many ASLs are employed in the PIB?

Mr Axelby: The FTE count is seven APS staff currently in the branch, but that does include some part-timers.

Senator DEAN SMITH: Is that expected to increase?

Mr Axelby: It is, yes.

Senator DEAN SMITH: To what?

Mr Axelby: That is unclear at this point purely based on the ability to recruit at this time, given that the Future Made in Australia campaign funding isn't available until next financial year.

Senator DEAN SMITH: If it's taken seven people to support a \$39.9 million campaign, why wouldn't it take six to support a \$35.9 million campaign?

Ms Anderson: It may well do, so we are—

Senator DEAN SMITH: It may well do. So is there an upper limit to the total number? That takes us to a total of 14 people—

Senator Gallagher: They'll have to live within the appropriation.

Ms Anderson: Exactly.

Dr Barrett: So the appropriation is \$2.4 million for Future Made in Australia in departmental funding for the next year.

Senator DEAN SMITH: So the appropriation for the stage 3 tax cuts was \$2.6 million.

Ms Anderson: Over two years.

Dr Barrett: That's right.

Senator DEAN SMITH: Employing seven people.

Ms Anderson: So it was \$2.6 million available. Mr Axelby is indicating the amount of staff he has now. There are more staff budgeted for within that overall amount, so it may be that for both campaigns there is an increase in staffing over the coming 12 months.

Senator DEAN SMITH: So what do you expect the total staffing to be?

Dr Barrett: For a well resourced branch that could actually do the work and work safely within hours that are reasonable, you would probably be looking at a branch of between 16 and 20 people. Finding staff with the specialist expertise is very difficult, so Mr Axelby is working at the moment to recruit to his branch.

Senator DEAN SMITH: Where are these 16 to 20 people to be based—all here in Canberra?

Dr Barrett: No. Our existing staff base includes staff in Canberra and a staff member—

Senator DEAN SMITH: Two staff members in Melbourne.

Dr Barrett: two staff members in Melbourne. We would expect that, if staff became available in our other offices, then they could work from there.

Senator DEAN SMITH: Just explain that to me. It's starting to sound like the Australian National Media Liaison Service, which I suspect you're too young to understand.

Dr Barrett: Treasury also has state offices in Sydney and in Perth.

Senator DEAN SMITH: Explain to me what a state based member of the Public Information Branch would do or be responsible for.

Dr Barrett: They could be responsible for any element of the campaign based on their skill set. It would just be that their place of work would be one of our other offices.

Senator DEAN SMITH: So are they not performing media and monitoring functions or social-media monitoring functions?

Dr Barrett: No.

Mr Axelby: No.

Senator DEAN SMITH: What types of functions and skills do you expect those 16 to 20 people to have?

Mr Axelby: At the highest level, obviously, previous government campaign experience is desirable, as well as any engagement with social media and stakeholder liaison or previous media-buying experience.

Senator DEAN SMITH: What do you expect the average salary to be for the ASL in that Public Information Branch?

Dr Barrett: I don't think we could give you an average salary. What we could say is that staff are employed from, I think, an APS5 to an EL2 level and that they are subject to the Treasury enterprise agreement.

Senator DEAN SMITH: How is the Public Information Branch different from the Information Services Branch, which is also in the organisational structure?

Dr Barrett: I laugh because Heath was previously the head of that branch. The Information Services Branch is basically our chief information officer—so running IT.

Senator DEAN SMITH: It says here that Mr Gregory is acting and then it says 'Mr Axelby'. Explain that to me. Are you in charge of both, Mr Axelby?

Mr Axelby: As Dr Barrett said earlier, the Public Information Branch is a temporary branch and I notionally own the Information Services Branch role, as the chief information officer.

Ms Anderson: So it's a substantive versus acting opportunity that is being differentiated on the organisation chart.

Senator DEAN SMITH: Minister, is that a firm commitment—that the Public Information Branch is a temporary measure?

Senator Gallagher: Yes, that's how the funding has been provided.

Senator DEAN SMITH: Great. Thank you very much.

CHAIR: I'll go to Senator Canavan.

Senator CANAVAN: Turning back to the migration issues that were raised earlier this morning, one of the issues, clearly, is that we're not building enough homes to take in this number of people from overseas. What is the communication that occurs between your division, which seems to focus on housing issues, and other parts of government, including other parts of Treasury, that are looking at migration issues, given how material the issue has been here? Are there some formal arrangements in place where you look at these things in a whole-of-government way?

Ms Anderson: I might start, and others can jump in. The population forecaster essentially is the Centre for Population within Fiscal Group. So the forecasts in the budget are prepared by the Centre for Population. Within the Housing Division, we are responsible for housing policy. Obviously population growth and population issues are of great interest to us. I noted this morning conversation around whether we had done any modelling in relation to population growth in housing. Within Ms Crosthwaite's division, we have the Office of the Housing Supply and Affordability Council, which is Dr Vallance, who has come to the table, and Dr Spiller is an independent member of that council. That council has supported the council's projections as part of the *State of the Housing System Report*, released in early May, which does do projections that are based on centre for population projections. They feed into the forecasting that has been done by the Treasury office supporting the council, so there is fairly constant and regular communication. Obviously, we also have our macroeconomic group, which is the main third element, which looks at housing conditions generally and all of the ABS indicators relating to housing and how they interact with the macroeconomy.

Senator CANAVAN: My question is probably less about the estimation of what is going to happen—sorry if I wasn't clear—but more about is there some kind of early warning system in place to say, 'Hey look, you guys are forecasting this number of people coming the country but we're building fewer houses and that will be a problem.'

Did that happen over the past year? When did this become apparent that this was a real problem? Was an alarm associated with that raised?

Ms Anderson: I might see if my colleagues have anything to answer, other than to say there are probably regular and irregular, both formal and informal, meetings about those things quite often. I am not sure if there are any structures you want to highlight, Karen?

Ms Crosthwaite: Probably not any formal structures, but we certainly have pretty close interaction with the parts of the department, with parts of Treasury, that are focusing on both economic forecasts and population forecasts as we go about formulating policy for government about what housing policy should look like. Those are things that we are taking into account. While I wouldn't say there is an early warning system—no flag goes up—the conversations are happening frequently. The National Housing Supply and Affordability Council report was certainly quite a strong message that has been sent and received.

Senator CANAVAN: Okay. And on a separate, although related, line of questioning, is there anything that focuses specially on building supply and demand in non-capital cities in this country? I ask this as someone who lives outside a capital city. I struggle to see how we will ever have a sustainable solution to house prices unless we build up new cities. If we keep growing our population as a country, we have geographical and physical limits in what can be done in Sydney, Melbourne and, to a lesser extent, Brisbane. Is there something specific that is targeted at saying, 'Let's build up new cities to take the pressure off the excessive demand in the major centres.'?

Ms Anderson: There is an attempt through the suite of existing government programs to ensure a decent geographical spread. The investment mandate for the Housing Australia Future Fund, for example, will go to issues of geographical spread. Even though houses may be more expensive to build outside capitals, it doesn't mean it is purely a value-for-money proposition and they can only fund social and affordable housing in big cities.

Obviously, regional migration has been pretty strong in a net sense between urban and regional areas. There is probably more work to do it, I think, in looking at that issue more broadly. In terms of cities policy per se, that is possibly something for the department of infrastructure more than Treasury, but in a past life I was reasonably involved in some of that work as well. It is occurring. But I think the jury is a bit mixed on how the creation of new cities works. It takes a fair bit of combined effort, as you would know, between portfolios—infrastructure provision—and making sure that you get all of the policy settings right so you don't have white elephant things sitting out there. But that is generally something we look at pretty closely in our policy work in terms of geographic spread. Did you want to add to that?

Ms Crosthwaite: The only thing I would add is state governments certainly have the geographic location of their new housing supply as one of the things they are concentrating closely on. We have seen announcements over the last few months from state governments about their plans for increasing housing supply and various different interventions that are designed to try and target some of those interventions in places that are not just the capital cities.

Senator Gallagher: It was one of the 10 areas identified by the National Housing Supply and Affordability Council in its towards a better housing system report that was specifically addressing regional-specific housing challenges, which there is more on in the report.

Senator CANAVAN: Thank you, Chair.

CHAIR: I have a couple more questions, but I understand the committee is in a position in 10 minutes or so to move to the fiscal group, just for everybody's sense of where we are at. We will go to Senator Hume.

Senator HUME: Thank you, Chair. It has been reported in the *Financial Review* that Treasury has engaged headhunters to find RBA board members. AusTender has a limited tender out for \$198,000. Is that the right amount for that task?

Dr Barrett: Sorry, I would have to take that on notice. We do use search firms to find people for statutory appointments but it depends which contract you are referring to. I can check, if you know which position you are looking for.

Senator HUME: Well, it was in the AFR, so I assume you read it. They said that it was Korn Ferry that you appointed from that AusTender contract.

Dr Barrett: Did it say which appointment it was applicable to?

Senator HUME: They said it was an appointment to headhunt the RBA board members.

Dr Barrett: Sorry, I didn't hear that. I will check that is the correct contract value and I will come back to you. Detailed questions on appointments to the RBA are a matter for macroeconomics group, but we can certainly check on that contract value.

Senator HUME: The contract itself, could you let me know the start date, the end date, and the term of that contract?

Dr Barrett: Yes, not off the top of my head but I will get that checked for you and we should be able to get that checked quickly.

Senator HUME: According to AusTender, the contract period finishes on 30 June, which is nearly upon us. Does that sound familiar—\$198,000 contract for 3½ months work finishing on 30 June to Korn Ferry?

Dr Barrett: I will have to check.

Senator HUME: So will Treasury extend or modify that contract if it needs to be extended?

Dr Barrett: I'm not sure if it needs to be extended.

Senator HUME: Is there anybody who can speak to that particular contract that was on AusTender?

Dr Barrett: I will try to get some details from the team for you. Macroeconomic group manage the appointments process for the RBA board, I don't believe I was the signature on that contract, so I don't have the information but I will try to find out for you very quickly.

Senator HUME: Was it this group that advertised the date the job advertisements were posted?

Dr Barrett: We centrally co-ordinate some of that material but it wouldn't have been done by me personally. It would have been done by an officer in our governance branch working with the macroeconomics group. That is why I wanted to check the detail. I don't want to tell you wrong thing.

Senator HUME: I just want to be clear that we are headhunting for positions that legally don't exist right now. Is that right?

Dr Barrett: I understand, from having looked at the ad originally, it did say something along the lines of 'anticipated pending the passage of legislation', so my understanding is that it was clear that it was pending the passage of legislation.

Senator HUME: So there have been job advertisements?

Dr Barrett: Do you mean for the RBA governor board?

Senator HUME: Yes.

Dr Barrett: I can't tell you if it was Korn Ferry or the contract value. I don't have that level of detail but I am going to find out for you.

Senator HUME: It is a pretty minute level of detail that you remember the words in the ad but don't remember who posted the ad or how much they were paid to do it. Are we advertising for positions on the governance board or on the monetary policy board?

Dr Barrett: I will get the details of what is in the ad and come back to you.

Senator HUME: It is pretty unusual to advertise positions prior to their creation, isn't it?

Senator Gallagher: It has been done before.

Senator HUME: By whom?

Senator Gallagher: I think the PWSS definitely went out, and I think we are currently doing it with the IPSC.

Senator HUME: Was that before it was legislated?

Senator Gallagher: Yes, with discussion, because it often takes months to try and line these things up.

Senator HUME: That is assuming that the legislation that enables the changes to the RBA board passes?

Senator Gallagher: Yes.

Senator HUME: What if the legislation doesn't pass and you've already gone through the appointment and hired people?

Senator BRAGG: That's a good question.

Ms Anderson: I'm not sure that they would be hired if the legislation doesn't pass. People would have been identified but not necessarily—

Senator Gallagher: You have identified a range of suitable candidates.

Senator HUME: For \$198,000 that we then don't use?

Senator Gallagher: Again, hypothetical. You could support the legislation, and it would be—

Senator HUME: My understanding is that those negotiations have stalled because Mr Chalmers is not speaking to Mr Taylor about making sure that the existing monetary policy board stay on the monetary policy board. Is that your understanding?

Senator Gallagher: I'm not aware. I just know we haven't been able to progress the legislation as we'd hoped.

Senator HUME: Why do you want to move everyone that's currently on the board to a governance position rather than a monetary policy position if they're already there making monetary policy?

Senator Gallagher: I think the RBA review recommended having two boards and going through a process of appointing suitable people to those positions. I would hope that there is a way that we can work through the legislation with whatever Mr Taylor and the Treasurer negotiate.

Senator HUME: Why does the Treasurer want to sack the existing monetary policy board?

Senator Gallagher: I don't think that's the case at all. I think he wants to implement the recommendations of the RBA review.

Senator HUME: The RBA review doesn't necessarily suggest who should be appointed to those boards. There is a board already that makes monetary policy. Are you not happy with the monetary policy?

Senator Gallagher: We're trying to implement the review recommendations.

Senator HUME: Are you so dissatisfied with the board that you want to get rid of them all, put them into a position where they can cause less trouble, and hire your own folk?

Senator Gallagher: I think you're reading into this a lot more than just implementing the RBA board review.

Senator HUME: I am, because there's a \$198,000 contract out there that would suggest you're doing just that. Dr Barrett, if you could come back with confirmation of the name of the headhunters that were appointed to identify new board members for the RBA; whether that AusTender contract, that \$198,000, is in fact to do exactly that; how many board members they will be looking for; whether that contract could be extended to whoever it is that has been nominated for that contract; and when they expect to confirm who the hires will be?

Dr Barrett: We'll take that on notice.

Senator HUME: Thank you.

Senator BRAGG: I have three things to hopefully quickly work through. Can I ask you a corporate question here? Who am I directing that to?

Ms Anderson: It's in my group. Dr Barrett is the COO.

Senator BRAGG: Dr Barrett, are you aware that the Treasury has failed in each of its last three legislation committee inquiries to respond on time to questions on notice?

Dr Barrett: Do you have the three particular inquiries? I can't say I'm specifically aware.

Senator BRAGG: One of them was in relation to the Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) Bill on 18 April. The committee reported on 10 May, and Treasury responded on 28 May, which was 18 days after the committee's report was published. There is another example I can give you—someone has helpfully written it down for me. Questions put on the Treasury Laws Amendment (Tax Accountability and Fairness) Bill and the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill are still unanswered, despite there having already been a published report. I'm making this point to you as a legislator trying to do the best we can when we review bills. These are often not about political things; these are more about getting the technicalities right. Are you surprised that that has happened?

Dr Barrett: I'd have to look at the particular QONs and see where they are at. I can take that on notice.

Senator BRAGG: Obviously, without labouring the point, if we're doing an inquiry into a TLAB, the Treasury is often going to be the only avenue for us to get the information we need to do the proper report. Could you also take in your question on notice some consideration as to how, if this is going to be an ongoing pattern, the Treasury could rectify that?

Ms Anderson: As the deputy, I am happy to raise this issue with my colleagues. These inquiries are handled by different parts of the department. We'll certainly have a look at whether that's a pattern. If it is, I'm very happy to take that on board and provide some feedback and work with colleagues on that.

Senator BRAGG: I think it's important. It's very hard for us to do our job if we don't get information back on time. Quickly, I would like to ask you about the Payment Times Reporting Scheme.

Ms Anderson: I will ask Mr Seebach and colleagues to come up.

Senator BRAGG: Am I right in saying that Treasury has been granted \$25.3 million over four years to support the Payment Times Reporting Regulator?

Mr Seebach: Yes, that's correct.

Senator BRAGG: Has Treasury conducted any analysis during financial year 2023-24 on the implementation of a maximum payment time?

Mr Seebach: Sorry?

Senator BRAGG: Have you conducted any research on determining a maximum reporting time?

Mr Seebach: In that context, obviously Dr Emerson considered that as part of his review. The government, as part of a response, accepted Dr Emerson's view that the unintended consequences of setting a mandatory timeframe would be too high. A couple of things that Dr Emerson pointed out that we and the government took on board are that doing so may well disincentivise procurement with small businesses, and that fast payers might actually reduce, or go backwards, in terms of their payment times to meet a different standard or a different set. The reality is that one size doesn't fit all given the complexity of our logistics and supply chains.

Senator BRAGG: Did you conduct analysis or did you take Dr Emerson's recommendations?

Mr Seebach: In that context we took Dr Emerson's recommendations. In doing so, we also provided secretariat support to Dr Emerson. Treasury people were there supporting Dr Emerson in his review.

Senator BRAGG: So there's no other analysis to provide on notice?

Mr Seebach: No.

Senator BRAGG: Was there a head of secretariat?

Mr Seebach: There was.

Senator BRAGG: Who was that?

Mr Seebach: That was, sitting behind me, Kylie Bourke, who is now a substantive assistant secretary for my division. She was the head of secretariat at the time for Dr Emerson.

Senator BRAGG: Have you conducted any analysis on the additional resourcing required to implement the reforms proposed for the Payment Times Reporting Scheme?

Mr Seebach: Yes, we have. I think I flagged this earlier in our session. In MYEFO last year, the government allocated \$8.1 million to implement the review recommendations. The funding in budget this time was to provide the ongoing financial stability of the regulator, as funding for the regulator ceased by and large on 30 June next year.

Senator BRAGG: Have you provided any advice to government on the resourcing required here?

Mr Seebach: Yes, we did.

Senator BRAGG: Are you able to provide that on notice?

Mr Seebach: That was part of cabinet considerations.

Senator BRAGG: Did the Treasury provide advice to the government on the final recommendations?

Mr Seebach: Yes, we did.

Senator BRAGG: That's all cabinet in confidence?

Mr Seebach: That is cabinet in confidence also.

Senator BRAGG: So you can't provide us any more insight there?

Mr Seebach: No.

Senator BRAGG: Are we waiting for an announcement? Is that what we're waiting for now?

Mr Seebach: There has been a government response to the recommendations. We introduced the payment times reform legislation last week as a significant part of overhauling the scheme.

Senator BRAGG: So there's no more policy to be made; it's all out there?

Mr Seebach: Yes. Things may change—circumstances may change in the future which require us and the government of the day to do something different—but at this stage, in terms of the Emerson review, our response and the government's response are out there in the public.

Senator BRAGG: Did Treasury assist the government in the completion of a gender analysis summary on the reforms proposed for the payment times reporting scheme?

Ms Anderson: That's required as part of all submissions at this stage, so it definitely was done for payment times reporting.

Senator BRAGG: It was done by the Treasury?

Ms Anderson: It's usually prepared by any department preparing a new policy proposal.

Senator BRAGG: Okay. When was the report given to government?

Mr Seebach: I'll just have to check that. Is it that Dr Emerson's report?

Senator BRAGG: Yes.

Mr Seebach: I'll just take that on notice. I'll try and get back to you in the next few minutes. We're just trying to find it in the chronology.

Senator BRAGG: How long did the review take?

Mr Seebach: About six months.

Senator BRAGG: And how much did it cost?

Ms Anderson: While they're finding the cost, Dr Emerson's review was tabled 31 August 2023, and the government's response was 5 December 2023.

Senator BRAGG: Was Dr Emerson paid for this?

Ms Anderson: Yes, he was.

Mr Seebach: Over the course of the review, Dr Emerson invoiced the department eight times, and the invoices had a total value of \$89,773.50.

Senator BRAGG: So \$89,000 for six months work.

Mr Seebach: Correct.

Senator BRAGG: And the rest of the costs were subsumed into the Treasury resourcing model, were they?

Mr Seebach: Correct.

Senator BRAGG: How many people worked on it full time?

Mr Seebach: Four.

Senator BRAGG: That's helpful. Did you do any analysis on the Paid Parental Leave Amendment (More Support for Working Families) Bill in relation to these matters or not?

Mr Seebach: Not in connection to payment times reporting, no.

Senator BRAGG: Okay. I have some questions to do with the Cyber Wardens. I've asked about this in previous hearings, so this should be faster than prior discussions. Has the final grant agreement for Cyber Wardens been signed?

Ms Anderson: Yes.

Senator BRAGG: I think Senator Stewart asked some of these questions before. What about the reporting milestones? Have they been passed or received?

Ms Anderson: I'll defer to Mr Seebach on that.

Mr Seebach: Just bear with me as I give a little bit of an explanation. The grant agreement requires the grantee to provide progress reports every three months. The agreement started in November last year. To date, Treasury has received one progress report, which was due and provided by the business grants hub on 15 February. And that covers the period 6 November 2023, when the grant agreement commenced, to 31 January 2024. The next progress report is due now.

Senator BRAGG: Now? Today?

Mr Seebach: Yes.

Senator BRAGG: Literally today?

Mr Seebach: Well, I think the business grants hub were to get it on Friday, but they haven't passed it on to us yet.

Senator BRAGG: What's the target small business enrolment in the scheme for the next financial year?

Mr Seebach: Unfortunately, it's not clean and done by financial year, partly because the agreement started in the middle of a financial year. Probably the easiest way to do that would be to say the target by 31 July 2025, which is roughly the next financial year, would be 12,000 enrolments and about 10,700 graduates, those that have completed the training—

Senator BRAGG: Is it 12,000 enrolments and 7,000 completions?

Mr Seebach: It's 12,000 enrolments, 10,700 graduates and 3,200 small businesses engaged—as in a business entity.

Senator BRAGG: I assume these reporting dates are not connected to the holding of senate estimates hearings, are they?

Mr Seebach: No, they are not.

Senator BRAGG: That's good. I'm pleased to hear that.

Ms Anderson: I think they're connected to when the contract began, if you need any reassurance.

Senator BRAGG: I'm sure it's all above board.

Mr Seebach: We could maybe expect a question at the next estimates.

Senator BRAGG: Maybe you will. What about your targets for the upcoming years?

Mr Seebach: I guess at this stage, and this is where the milestones in the reporting are a little bit out of sync, but the next key target milestone for this financial year is to the end of 29 February 2024. That means that the progress report we get imminently will cover that remaining period from the last progress report, which only took us to 31 January. This will now take us to the 29 February milestone. In that context, there are 1,000 enrolments, 500 graduates and 150 small businesses engaged. Given what we've seen to date, subject to getting the final report, COSBOA, as the provider, is on track.

CHAIR: That concludes the questions we have for this group. Thank you Ms Anderson and team.

Ms Anderson: Chair, can I just correct the record on one thing?

CHAIR: Yes.

Ms Anderson: Unfortunately Senator David Pocock is not here. I misled him on whether purpose-built student accommodation is picked up in the 1.2 million homes target. It's not a dwelling for ABS purposes, so it would not be picked up. My answer was probably correct in relation to the ABS statistics, but not that specific contributor in the purpose-built student accommodation. I think Dr Barrett has a couple of additional points for you on the Korn Ferry contract, Senator Hume.

Dr Barrett: The contract for \$198,000 for Korn Ferry was for the governance board and monetary policy board. The contract started on 14 March 2024 and has an end date of 30 June 2024. There is one option for extension for three months on that contract. It hasn't been exercised to date that I know of. That obviously gets a pool of candidates that informs advice to government, but it doesn't give us people who are automatically appointed. I don't have any further detail but hopefully that helps.

Senator Gallagher: Supplementary to that, Senator Hume asked me about current board members. The government's position is consistent with the review that current board members continue their terms on one of the new boards, and that board members should have a say on which board they choose to continue their service on. The governor has expressed the need for continuity on both the monetary policy board and the governance board, and the government agrees continuity is important for both boards.

Senator HUME: Have you spoken to the monetary policy board members to ask which board they'd like to be on?

Senator Gallagher: I'm not responsible for that area. You were alleging that there was some nefarious kind of response.

Senator HUME: Can I put that question on notice about whether they've been spoken to as to which board they would like to be on?

CHAIR: Yes, okay.

Ms Anderson: It's macroeconomic group unfortunately, and they've already appeared.

CHAIR: Thank you. We appreciate prompt corrections and answers. You all go with our thanks.

[17:50]

CHAIR: We welcome the Fiscal Group, with Ms Reinhardt and team. Did you have any opening comments that you wish to give?

Ms Reinhardt: No, thank you.

CHAIR: We'll proceed straight to questions. Senator Hume.

Senator HUME: Good evening. My question is about payments as a share of GDP: what's the increase in the budget year 2024-25 and for the following year, 2025-26?

Ms P Brown: In 2024-25, payments are 26.4 per cent of GDP, which is one per cent of GDP higher than the previous year. And in 2025-26, they're 26.6 per cent.

Senator HUME: Right. When was the last time payments to GDP exceeded 26.6 per cent? Obviously, that excludes the COVID emergency years.

Ms P Brown: You're right: payments were higher than that in 2020-21—

Senator HUME: Yes, the COVID years.

Ms P Brown: and for 2019-20. I think the previous time they were higher than that was in 1986-87.

Senator HUME: 1986-87. So it would be correct to say that spending as a share of the economy hasn't been this high, outside the COVID emergency response years, in over 30 years—under the Hawk Labor government.

Ms P Brown: Outside the COVID years, yes.

Senator HUME: Thank you. And by how much, cumulatively, does real spending in payments grow this year, 2023-24, and next year, 2024-25, during a cost-of-living crisis?

Ms P Brown: In 2024-25?

Senator HUME: Yes—2023-24 and 2024-25: real spending growth.

Ms P Brown: For 2023-24 it's 4½ per cent and then in 2024-25 it's 3.6 per cent.

Senator HUME: And, cumulatively—I'm just doing my maths here—it's 8.3 per cent?

Ms P Brown: It will be roughly that—of course, the GDP figure changes.

Senator HUME: Is it correct to say that in the middle of a cost-of-living crisis, real spending growth is growing twice as fast as real economic growth? Is that right? Or maybe I should ask you this: how much has real GDP increased in those two years?

Ms P Brown: I would have to see if I can find that figure, Senator.

Senator HUME: It should be in the budget, I would imagine.

Ms P Brown: I'm sure it is, it's just not in the parts that I'm so closely involved with.

Senator HUME: Right. I have in front of me that real GDP growth is 1.75 in 2023-24, and is two in 2024-25. But real spending growth, as you said, is 4.5 and 3.6. In both of those years, real spending growth is growing at least twice as fast as real economic growth. Am I right?

Senator Gallagher: Is this the spending that you don't want us to do, Senator Hume?

Senator HUME: I wasn't asking you this question, Minister. I promise you, I'll—

Senator Gallagher: Well, there's a natural follow-on—

Senator HUME: jump in when I have a question for you—

Senator Gallagher: from your assertion that we're spending too much—

Senator HUME: I haven't said you're spending too much, I'm just pointing out the extent to which you're spending above GDP. Is that right?

Senator Gallagher: I'm just making the point that if you're going to be critical of that you should come up with what you think we shouldn't be spending on.

Senator HUME: Can I just clarify. Real spending growth is twice as fast as real economic growth.

Ms Reinhardt: I think Ms Brown has clarified the figures, which are in table 11.1 on page 415. The other thing that's worth noting is that we generally look at real spending growth over time, and the government has published the five-year average of real spending growth—the forward estimates average of that—and the year-by-year numbers, as you say, are published in the budget.

Senator HUME: So, as a dollar figure, how much has the level of payments increased over the five years of the forward estimates, from 2023-24 to 2027-28, since the 2022 Pre-election Economic and Fiscal Outlook?

Ms Reinhardt: Since the pre-election fiscal outlook—I don't think we'd have those numbers.

Ms P Brown: I don't have those figures to hand, Senator. The nominal payments figures are all published in table 11.1, and we can certainly have a look at the comparison to PEFO on notice.

Senator HUME: Could you take that on notice?

Ms P Brown: Of course.

Senator HUME: Thank you. I have some further questions on the PsiQuantum deal. What was the basis of Treasury supporting the decision to provide funding to PsiQuantum? It's an American company. It's owned by a venture capitalist. It's been done with Export Finance. I'm just interested in the Treasury process. Could you discuss maybe your support in terms of what the real return to taxpayers will be on this investment and the process itself. Was due diligence done? Was it a fair and commercial process? Did you undertake to support specific technology? How did it work?

Ms Zaheed: Our colleagues in the Department of Finance answered similar questions a couple of days ago. Obviously, the decision to invest is a decision of government. Treasury, in the usual way, support government in cabinet decision-making processes, and we provided advice along the way in relation to that transaction. There are a couple of things I'll note. It got raised in an earlier session today that the government's got a critical technology priority sector. Quantum's identified as a priority sector in the critical technologies pathways. The government have got their quantum strategy; that's out in the public domain.

In terms of Treasury's involvement in the PsiQuantum proposal, we would do what we would ordinarily do in a transaction of this nature, which is work with the lead agency, which was the Department of Industry, Science and Resources, with Finance and other colleagues providing advice to the Treasurer as part of the decision-making process.

Senator HUME: When did that first contact with the department of industry on this issue take place?

Senator Gallagher: I think that's a matter for the department of industry. Treasury can answer on the work that they've done.

Senator HUME: They were half of the contact. Of course they can answer that question.

Senator Gallagher: The department of industry will be appearing. I'm just saying Treasury are not here to answer on behalf of the department of industry.

Senator HUME: No, I'm asking them to answer on behalf of Treasury. When did Treasury first have contact with the department of industry?

Senator Gallagher: You asked 'when did Industry'.

Senator HUME: Did I? Sorry. When did Treasury first have contact with the department of industry about this?

Senator Gallagher: Yes. Okay.

Ms Zaheed: I don't have an exact date in front of me. It would have been in the context of when these decisions came to government for budget consideration through—

Senator HUME: Sorry, can you just say that again?

Ms Zaheed: It would have been in the context of when the PsiQuantum proposals would have come to cabinet and come to government in the context of budget deliberations.

Senator HUME: So the first time Treasury would have had anything to do with this was when the cabinet submission was being prepared?

Ms Zaheed: As is the case with a cabinet submission, we tend to work with departments before it gets into the room. It's not the process that something just goes into the room. So it would have been in that context that we would have engaged with the Department of Industry, Science and Resources on the proposals. They were the lead agency on this. We would have worked with them, providing our advice to the Treasurer in those processes.

Senator HUME: Right. So when did Treasury first provide advice to the Treasurer on this? What was the timeframe of that?

Ms Zaheed: I'd have to take the exact timeline on notice, but, again, it was in line with budget processes. We will look at what we can provide on that.

Senator HUME: But the budget's obviously been prepared since the last budget, so that gives us a full year. You couldn't give us a ballpark, could you?

Ms Zaheed: It has gone to cabinet a number of times, so it would have been over those processes. I don't have the exact dates in front of me.

Senator HUME: Could you come back to the committee with those dates?

Ms Zaheed: We'll look at what we can provide in the context of cabinet deliberations.

Senator HUME: Yes. I don't want to know the details of cabinet deliberations; I just want to understand when Treasury first provided advice to government—to the Treasurer, specifically—on this particular matter and over

what timeframe that occurred. When did the Treasury first become aware that Minister Husic was considering funding PsiQuantum directly? What was the timeframe for that?

Ms Zaheed: Again, it would have been in the context of those discussions and those budget processes.

Senator Gallagher: It was all part of the same conversation. It's based on the evidence that you got last week from Finance. Months of intense cross-government work went into the advice that was provided to support government decision-making.

Senator HUME: At what point in those months of intense work did Treasury first become aware that PsiQuantum had links to Chinese academics and institutions listed as high risk and sanctioned by the United States?

Ms Zaheed: The issues around ownership and the structure of the deal would have been worked through progressively over that period. There are very specific dates you're asking for; those are hard to know. But all of those issues around the structure of the deal and the ownership structures got assessed by government, as the senator has said. There was quite a considered process as part of the PsiQuantum deal, so there was significant engagement across the system on all aspects of the deal.

Senator Gallagher: Including any national security concerns.

Senator HUME: So those national security concerns were known to you when the decision passed through cabinet?

Senator Gallagher: No, I'm not saying that. I'm saying that we were fully briefed across all areas of government when we were making decisions about it.

Senator HUME: Does that include PsiQuantum's links to Chinese academics and institutions that the US have listed as high risk? You knew that?

Senator Gallagher: The government was fully briefed—

Senator HUME: Fully briefed on that?

Senator Gallagher: on all matters relating to PsiQuantum. It was comprehensive and it was right across government. We received—

Senator HUME: So you knew this—you were fully briefed—and you still went ahead with the deal?

Senator Gallagher: As we said last week, we're close to final close on the arrangements, and it's difficult to comment further. But I can say that, as you would expect any government to do, you would look at this very closely and take advice from all agencies that were relevant to the decision. We did that.

Senator HUME: Which agency would have briefed you on the Chinese academics and institutions that PsiQuantum are linked to that are listed as high risk and sanctioned by the United States?

Senator Gallagher: I'm telling you—any agency that should have been consulted was consulted. The government was comprehensively briefed on all matters.

Senator HUME: But on that particular issue—

Senator Gallagher: On all matters, Senator Hume—that's what I'm saying—including ownership.

Senator HUME: Yes. On that particular issue, would it have been Home Affairs or the Department of Defence? Who would have briefed you on that issue?

Senator Gallagher: I'm not sure I'm going to go into who is providing advice to government other than to say you can rest assured that we were comprehensively briefed by the relevant agencies on which elements of the PsiQuantum arrangements encroached upon.

Senator HUME: Minister, are you telling me that you were briefed on that particular issue—the fact that there were links to Chinese academics and institutions that were listed as high risk—

Senator Gallagher: No. I'm not telling you what advice came to government. I'm telling you that we were comprehensively briefed across every relevant agency, as you would expect a responsible government to be.

Senator HUME: Did you know about these links to Chinese academics that the US have listed as high-risk before the announcement—

Senator Gallagher: The government was comprehensively briefed.

Senator HUME: Did you, personally, know about this before the announcement?

Senator Gallagher: I'm not here to answer for me personally. I'm here to say that the government was comprehensively briefed. It was a very rigorous process that was involved in all arrangements to deal with the PsiQuantum deal.

Senator HUME: Either you knew about this during the briefing process, or you didn't find out until after the briefing process. If you knew about it before the briefing process then surely it would have affected your decision. If you knew about it after the briefing process then surely the briefing process was inadequate. Which of the two is it?

Senator Gallagher: The briefing process wasn't inadequate—it was comprehensive and rigorous.

Senator HUME: So you knew about it before the decision was made and announced?

Senator Gallagher: I'm saying that the government was comprehensively briefed, Senator Hume. You're not going to get a different answer from me.

Senator HUME: Okay.

CHAIR: I think we're getting into a bit of a repetitive line here.

Senator HUME: So you won't tell me who briefed you on the Chinese academics and institutions listed as high risk and sanctioned by the US. You won't say which department it was that gave you the briefing. You won't give me the timeframe of that briefing. And yet you are using half-a-million dollars of taxpayer funds to invest in this risky venture; is that right?

Senator Gallagher: You've decided that it's risky. It has been a rigorous process—

Senator HUME: I think the entire scientific community has decided that quantum computing is pretty risky—

Senator Gallagher: we're looking at hundreds of jobs—

Senator HUME: including your chief scientist.

Senator Gallagher: and billions of dollars of direct investment in partnership that we have taken with the Queensland government. It's a company founded by Australians who are bringing their ideas back to Australia to build the world's first commercial-scale quantum computer in Brisbane. We have been through this extremely carefully and closely, with all relevant information coming before government.

Senator HUME: How much, exactly, has the Australian government committed to over the forwards for this project, and what is the breakdown per year?

Senator Gallagher: It's not for publication, from memory, from the discussion we had last week.

Ms Zaheed: That's right. The aggregate figures are reported in the budget papers, but the breakdown between equity and debt is not for publication owing to commercial sensitivities, but it will be—

Senator HUME: And when will that not be commercially sensitive anymore?

Ms Zaheed: Once the EFA transaction goes through, EFA does reporting as per its usual approach. At that point, EFA's transaction will be reported. That's the standard approach that EFA takes. At the moment the breakdown between equity and debt's not for publication, but the total amount has been published in the budget papers.

Senator HUME: When is that expected to occur?

Ms Zaheed: It will be shortly after the EFA transaction is concluded.

Senator HUME: When is that expected to occur?

Ms Zaheed: Imminently.

Senator Gallagher: We went through this last week.

Senator HUME: I know, but that was with a different department. As you said, this has been comprehensively briefed by lots of departments.

Senator Gallagher: Yes, but we did go through the EFA and what they would publish.

Ms Zaheed: DISR is appearing before us; they're the lead agency in terms of the transaction—as Finance would have noted. They'll have a bit more up-to-date information on the actual transaction. Treasury's role has been to advise the Treasurer in the course of those considerations, so the questions around exact timing are probably better put to DISR and EFA, whom I believe are both after us.

Senator HUME: Is Treasury providing advice to the departments that are working out the commercial terms of this transaction?

Ms Zaheed: We have provided advice; we are not actively involved in this stage of the process because the process is at that point where it's commercial-close. We have provided advice along the way around the transaction, but at the moment it is largely with the Department of Industry, Science and Resources, working with EFA on the contractual close.

Senator HUME: Will all the funding have been provided by the time the computer has been built?

Ms Zaheed: As it would be with one of these transactions, there are a number of points—

Senator HUME: Milestones?

Ms Zaheed: Milestones is the word I was looking for. Off the top of my head, I'm not close enough to the legal documents, but at the point that the quantum computer is built and operational I would expect the funding had gone in. Obviously, there's an equity component; that remains until there's a decision made by government to do something with the equity.

Senator HUME: So there's not a bit of funding that is waiting for the technology to be proven, waiting for it to be built?

Ms Zaheed: There are milestones built in.

Senator HUME: So there's a sort of a success component?

Ms Zaheed: I just don't have the specific details of what those exact milestones are.

Senator Gallagher: And we're not at that stage.

Senator HUME: Is it true that there's only \$200 million allocated in the forwards?

Ms Zaheed: I'd have to look at that. I don't have the exact breakdown in front of me. I don't have those numbers in front of me.

Senator HUME: If you could come back to me with that—ideally tonight as opposed to on notice—that would be helpful. I'm sure it's in there somewhere. Why isn't the deal for publication? Why is it considered commercial-in-confidence if (a) the deal has been done and (b) there's no competition?

Senator Gallagher: We went through this last week. It hasn't reached final close. That is imminent. When it is ready, all of that information will be made clear through Export Finance Australia.

Senator HUME: But it's not commercial-in-confidence, because the deal has been announced, and there was no competition for it. It's not as though we're putting at risk any other deals.

Senator Gallagher: It's not for publication. It's not reached final close.

Senator HUME: Have we not reached the final close with the Queensland state government?

Senator Gallagher: It will be reported in the normal way, in the usual fashion.

Senator HUME: What's the interest rate of the loan?

Senator Gallagher: All of that, I'm sure, will be provided when EFA publishes it.

Senator HUME: So it will be revealed?

Senator Gallagher: Whatever information that can be revealed will be.

Senator HUME: Why would it remain commercial-in-confidence after that?

Senator Gallagher: I think we went through this last week. Information will be provided. It was a timing issue, from the publication of the budget to the actual arrangement being finalised.

Senator HUME: I suppose for half a billion dollars you could expect, reasonably, for the terms of the investment to be explicit, including things like milestone payments, the interest rate of the loan and the composition—how much is debt and how much is equity. So can we get an assurance from the government that all of that information will be made explicit and transparent?

Senator Gallagher: I'm sure DISR will be able to answer this in detail.

Senator HUME: As the Minister for Finance and the minister acting for the Treasurer here, you could understand why I'd be asking you now.

Senator Gallagher: Yes.

Ms Reinhardt: DISR will be able to provide that information once they've reached close with PsiQuantum.

Senator HUME: I know they'll be able to, but will they?

Ms Reinhardt: They cannot, at this point, publish it in the budget papers when the negotiation has not been undertaken. A lot of that information will be included—

Senator HUME: The negotiation hasn't been undertaken?

Senator Gallagher: It hasn't been finalised.

Ms Reinhardt: once it's finalised.

Senator HUME: The budget's allocated \$27 million to manage the export finance arrangements. Why is the government paying \$27 million to send funding offshore?

Senator Gallagher: Which measure are you looking at there? I actually don't have BP 2 with me, which is very annoying.

Ms Zaheed: Senator, are you talking about the \$27.7 million over 11 years to manage—

Senator HUME: Is that right? Yes.

Ms Zaheed: That's departmental funding across the relevant departments to manage the contract, manage the loans and manage the process. In terms of 'sending money overseas', obviously, the proposal is for the quantum computer to be built in Australia and employ Australian workers. So I would probably not agree with that characterisation.

Senator HUME: With the milestones, are there off-ramps for if the government realises that this technology is not going to be delivered?

Ms Zaheed: Those are questions best put to DISR.

Senator HUME: Are they questions that Treasury put to DISR when advising on the structure, Ms Zaheed?

Senator Gallagher: There was commercial advice provided about all aspects of the deal, both from the Treasury and from Finance and other advisers to DISR.

Senator HUME: Was part of the commercial advice that Treasury provide a suggestion that there be off-ramps throughout the milestones?

Senator Gallagher: Advice to government isn't usually disclosed. I'm trying to be as helpful as I can in a general way. Once the arrangements are finalised, I think we'll be in a stronger position to answer some of that.

Senator HUME: So you're familiar with what the milestones are, but you're not familiar with whether there are off-ramps?

Senator Gallagher: I think there's a difference between being familiar and being able to disclose something before we've reached final close on it, which is the issue.

Senator HUME: Why is Export Finance involved at all? Doesn't that just mean you're sending money offshore?

Ms Zaheed: The equity component is being done through Export Finance's National Interest Account. It's being done through the NIA. It's not necessarily the case that that means funding is going offshore.

Senator HUME: How much equity in the company is the Australian government getting for this investment?

Ms Zaheed: That's not for publication at this stage.

Senator HUME: What about ownership of intellectual property?

Ms Zaheed: Again, I think those are questions best put to DISR. I believe they are coming tomorrow—no, the day after. They're on after us, so those are questions best put to DISR.

Senator HUME: Does PsiQuantum put in an investment itself? Does it bring money to the table to meet the same amount of money as the Australian government and the Queensland government, for instance? Or does it not have to stump up anything?

Senator Gallagher: There are requirements for PsiQuantum, but, again, I think what's able to be discussed at this point in time is probably best put to DISR.

Senator HUME: When will the computer be built?

Senator Gallagher: That's a matter for DISR. Treasury officials are not responsible for that.

Senator HUME: But you were advised on the deal, so surely that would be part of it. You can't advise on a deal if you don't know what you're expecting, and then you're—

Senator Gallagher: There's a difference between the roles that each department brings to the table. DISR is responsible for the PsiQuantum deal. They are here whenever—Wednesday. Ask them to your heart's content.

Senator HUME: Was Treasury in receipt of any advice from the Chief Scientist, and what advice might that have been?

Ms Zaheed: The Chief Scientist was involved in providing advice both to DISR and to government as part of this process.

Senator HUME: And to Treasury?

Ms Zaheed: We would have had visibility.

Senator Gallagher: But that's a matter for DISR. Treasury is not responsible for whether the Chief Scientist was consulted. Come on. Treasury brings their skill set.

Senator HUME: I'm just asking what the advice was.

Senator Gallagher: We're not going into the advice. You wouldn't expect us to.

Senator HUME: For half a billion dollars, I reckon most Australians would expect you to. What advice did Treasury provide to the government or to DISR on the financial arrangements for the PsiQuantum funding, including the risks of the money being lost due to the technology failing, and any steps to mitigate those risks. That's surely right up your alley.

Senator Gallagher: Of course risks were considered, Senator Hume, as you would expect.

Ms Reinhardt: Over a number of months, Treasury provided advice to the Treasurer, as part of consideration of this process, on the risks around the project, on the funding and on engagement with the Queensland government, who are also providing funding to the project. Now that the government has announced it will support the project, the negotiations for the actual milestones, the payments, the debt, the equity, how much is paid over what time period, what the expectations are for actual production of quantum computing timeframes all sit with DISR. I'm sorry we can't give you the information that you would like, but that is the allocation of responsibilities.

Senator HUME: Were Treasury aware of the process by which the government selected PsiQuantum before it ran a closed EOI process?

Ms Zaheed: Treasury was engaged in the process all the way through.

Senator HUME: You were engaged in the process all the way through: the choosing of PsiQuantum and a closed EOI?

Ms Zaheed: In providing advice to government in relation to the process, the deal and the transaction. We were involved in providing advice to the Treasurer all the way through the transaction.

Senator HUME: What about, ironically, the quantum of funding? Who determines the quantum of funding, the amount of funding that was to be provided—not the structure of the funding, but the amount of funding? Was it Minister Husic, or was it the Treasurer?

Senator Gallagher: It was a decision of government.

Senator HUME: If it's DISR that I'm supposed to be asking, it was Minister Husic. If it's you here, then it's the Treasurer.

Senator Gallagher: The decision of how much to allocate was a decision of government, reflected in the budget papers.

Senator HUME: Who is responsible for that amount of money: is it Minister Husic or the Treasurer?

CHAIR: Senator Hume, it's time to break for dinner.

Senator Gallagher: It's a government decision, like every other budget decision.

CHAIR: We'll be back with fiscal group. It's a modified dinner break to support the 10 pm hard marker for tonight.

Proceedings suspended from 18:20 to 19:05

Senator DEAN SMITH: Thank you, officials, for your participation this evening. Could you give us an update on the status of the GST arrangements and the review mechanisms?

Ms Horvat: When you say the GST transition—is that the point you're interested in?

Senator DEAN SMITH: It is the status of GST fairer deals and no-worse-off guarantees that were legislated in November.

Ms Horvat: The transition continues on that. That HFE transition, or the 2018 transition arrangements, continue. You would be aware that those reforms were transitioned in. The third year of transition was 2023-24, and 2024-25 will be the fourth year of transition.

Senator DEAN SMITH: In what year does the transition cease?

Ms Horvat: The transition of those arrangements ceases in 2026-27, but, as you are aware, the government has extended those arrangements.

Senator DEAN SMITH: Is that for three years?

Ms Horvat: For three years.

Senator DEAN SMITH: So the last year of the extended transition arrangements is 2029-30. Is that correct?

Ms Horvat: That's correct, yes.

Senator DEAN SMITH: What is the review mechanism that is in place?

Ms Horvat: A part of the HFE legislation included a Productivity Commission review. That was to be conducted by the Productivity Commission by the end of 2026.

Senator DEAN SMITH: Is that still a requirement under the arrangement?

Ms Horvat: Yes.

Senator DEAN SMITH: What other reviews will support that Productivity Commission review? There are the relativities that are set and then published by the grants commission. There are methodology reviews.

Ms Horvat: Methodology reviews every five years.

Senator DEAN SMITH: I'm just keen to understand the sequence of reviews that will go into supporting that Productivity Commission process.

Ms Horvat: The terms of reference for that process obviously have not been set, so there's been no guidance given to the Productivity Commission at this stage, but it would be likely they would consider the CGC methodology reviews. I think the next one is being done now for 2025. That's the methodology review for 2025. That's being consulted on with the states and territories currently.

Senator DEAN SMITH: When will that be released?

Ms Horvat: That will be in February of next year, 2025.

Senator DEAN SMITH: February 2025 is when the Commonwealth Grants Commission methodology will be released.

Ms Horvat: And they conduct it every five years.

Senator DEAN SMITH: Are there any other reviews or processes known at this stage that happen at a similar time to either the Commonwealth Grants Commission methodology review process or the Productivity Commission review process?

Ms Horvat: It's difficult for me to anticipate what the Productivity Commission will take into account. There may be reviews in other countries for example.

Senator DEAN SMITH: No, that's not my question.

Ms Reinhardt: Not that we're aware of, but we can [inaudible].

Senator DEAN SMITH: With regard to the GST distribution arrangements, there is a Productivity Commission review process, which is due to report at the end of 2026. Its terms of reference have not yet been determined or released.

Ms Horvat: No.

Senator DEAN SMITH: The Treasurer will prepare those and provide them to the Productivity Commission.

Ms Horvat: In due course, yes.

Senator DEAN SMITH: Is there a sense of when he will do that?

Ms Reinhardt: That review is not due. Under the legislation, it's due at the end of 2026, so you wouldn't anticipate the terms of reference to come out much earlier than a year or so beforehand. It's not specified in the legislation when those terms of reference would be released.

Senator DEAN SMITH: But best practice would say 12 months or 18 months?

Ms Reinhardt: There is no best practice around this. It's really when government—

Senator DEAN SMITH: Well, there is: that was the last Productivity Commission review into the GST arrangements.

Ms Horvat: I don't think that was 12 months.

Senator DEAN SMITH: I don't think it was either.

Ms Horvat: I think it was fewer than 12 months.

Senator DEAN SMITH: And then there is the Commonwealth Grants Commission process—the five-yearly regularly methodology reviews—which is to report in February 2025?

Ms Horvat: Yes.

Senator DEAN SMITH: Thank you. Has the Treasury undertaken any analysis of its own on the GST distribution arrangements?

Ms Horvat: We would do that as a matter of course. It's part of our role to provide policy advice to the Treasurer on GST distribution.

Senator DEAN SMITH: What form has that policy advice taken?

Ms Horvat: It would take all forms. I am supposing it would be ministerial submissions. It would be oral advice as well.

Senator DEAN SMITH: Sorry?

Ms Horvat: It would also be oral advice—talking to the Treasurer's office, for example.

Senator DEAN SMITH: So ministerial statements, oral advice—information briefs?

Ms Horvat: Occasionally but rarely. It could do so, yes.

Senator Gallagher: It is general advice for the Treasurer, as you would expect.

Senator DEAN SMITH: I have never been the Treasurer, so I don't know what to expect.

Senator Gallagher: GST is an important part of the tax system, so you would expect the Treasurer to be briefed on it.

Senator DEAN SMITH: That goes comfortably and neatly to my next set of questions. Can you provide on notice details of general device that has been provided to the Treasurer, information briefs that might have been provided to the Treasurer, ministerial submissions that might have been provided to the Treasurer and any oral briefings that might have been provided to the Treasurer by the Treasury, all since March this year?

Ms Horvat: On what matter?

Senator DEAN SMITH: On the GST distribution.

Ms Horvat: Yes, I can.

Senator DEAN SMITH: Has Dr Chalmers met with any of the state premiers to discuss GST distribution matters since March this year?

Ms Horvat: There was a CFFR meeting on 15 March this year. The states—

Senator DEAN SMITH: The council of financial relations?

Ms Horvat: Yes, the Council on Federal Financial Relations. I think the states have actively raise issues, particularly Treasurer [inaudible].

Senator Gallagher: At every CFFR meeting—

Senator DEAN SMITH: You're not looking over my shoulder, are you!

Senator Gallagher: But, at every meeting, the states would raise GST. I've been a member of that committee and I've attended it, and I would say that is at every meeting. It would be unusual if states didn't.

Senator DEAN SMITH: What was the flavour and context of GST discussions at the Council on Federal Financial Relations in March this year?

Ms Horvat: Not that I want to reveal CFFR discussions, but I think they would be consistent with the flavour you would have seen in the press from treasurers directly.

Senator DEAN SMITH: Some treasurers.

Ms Horvat: Some treasurers.

Senator DEAN SMITH: You'd characterise the New South Wales and Victorian treasurers as aggrieved?

Ms Horvat: Not Victoria. New South Wales was aggrieved.

Senator DEAN SMITH: You'd characterise them as aggrieved?

Ms Horvat: Your word, not mine.

Senator Gallagher: Can I say it was probably every CFFR meeting.

Senator DEAN SMITH: I dare you to say!

Senator Gallagher: At every CFFR meeting, at every one I attended as treasurer for the ACT, states would raise concerns about the GST—unless the GST was going gangbusters, in which case it probably wouldn't be raised. It's a standard issue. In fact, I remember coalition treasurers saying they used to enjoy CFFR because they'd sit there while the states argued with each other about who got a better deal.

Senator DEAN SMITH: I suppose what I'm trying to ascertain is to what extent this government or this Treasurer might seek to accommodate some states grievances by perhaps going around GST arrangements or trying to compensate state governments without going through—a way of trying to compensate or ameliorate some of the state governments concerns about their GST payments. That's what I'm trying to ascertain.

Senator Gallagher: In light of the agreement with WA, there has had to be put in place arrangements to have the no-disadvantage test for the rest of them.

Senator DEAN SMITH: There has been one meeting of the Council on Federal Financial Relations this year, and that was in March?

Ms Horvat: Yes; that's correct.

Senator DEAN SMITH: I recall communiques being issued after meetings of the Council on Federal Financial Relations. That's no longer the practice?

Ms Horvat: They haven't been done for quite some time is my understanding, but they do issue press releases and media releases.

Ms Reinhardt: It has always been very ad hoc.

Senator DEAN SMITH: Ad hoc? I think that's right. There were communiques or statements issued for a long period of time—the website makes it clear—and then they've been more ad hoc. But since Dr Chalmers has come—

Ms Reinhardt: I've been involved in Commonwealth-state relations for many years and I would say they have come in and out over time.

Senator DEAN SMITH: Yes; but Dr Chalmers, since he has been the Treasurer, has not issued any media statements or communiques following Council on Federal Financial Relations?

Ms Horvat: Media releases, certainly.

Senator DEAN SMITH: Are you sure about that?

Ms Reinhardt: We can check on it, but I think there have been.

Senator DEAN SMITH: That would be great. When did the Treasury become aware of the government's decision to recommit to the WA GST arrangements?

Ms Reinhardt: We provided advice to government in the process of making those decisions. So over—

Senator DEAN SMITH: This is the December 2023 announcement?

Ms Reinhardt: That's correct.

Senator DEAN SMITH: So Treasury was actively engaged in that.

Ms Reinhardt: Yes.

Senator DEAN SMITH: In providing advice?

Ms Reinhardt: Yes.

Senator DEAN SMITH: And then the government made its announcement in December 2023. What was the period of that engagement with the Treasurer prior to the December 2023 announcement? Was it days, weeks, months?

Ms Horvat: Definitely months—I suspect years, to be honest. I suspect it was obvious when that—

Senator DEAN SMITH: No, Dr Chalmers hasn't been there—

Ms Horvat: I suspect we also provided advice to the previous government. We've known that that arrangement was going to end.

Senator DEAN SMITH: But I'm just interested in this government's recommitment.

Ms Horvat: I suspect since this government took government—

Senator DEAN SMITH: Since May 2022.

Ms Horvat: would be my anticipated response.

Senator DEAN SMITH: Did Treasury provide input into the National Cabinet discussion on 6 December 2023?

Ms Horvat: Yes; we actively consult with our colleagues in Prime Minister and Cabinet.

Senator DEAN SMITH: What was the nature of that input?

Senator Gallagher: It would have been relevant advice across the agenda.

Senator DEAN SMITH: Were the briefing documents provided in the form of general advice, information briefs, ministerial submission, oral evidence?

Senator Gallagher: I imagine it would have been in a range of ways over a period of time.

Senator DEAN SMITH: So all of the above.

Senator Gallagher: Probably.

Senator DEAN SMITH: Has Dr Chalmers met independently with the New South Wales Treasurer, outside of the Council on Federal Financial Relations mechanism?

Ms Reinhardt: I think that would be a question best put to Dr Chalmers, rather than the department.

Senator DEAN SMITH: Minister?

Senator Gallagher: I know he deals regularly with all treasurers. I'll see if I can provide any more information, but I know he's in regular contact with state treasurers.

Senator DEAN SMITH: On GST matters?

Senator Gallagher: On a range of matters, as you would expect—Treasurer to treasurer.

Senator DEAN SMITH: Has the Treasury been asked to explore any alternative ways to compensate states that are aggrieved with their GST distribution arrangements?

Ms Reinhardt: Not as far as I'm aware.

Senator Gallagher: What are you getting at, Senator Smith? Come out with it. I feel like we're going around a bit here.

Senator DEAN SMITH: I'm not going around a bit.

Senator Gallagher: Well, I think we're going down a path. So you're basically trying to say that New South Wales is unhappy and so is there any work underway to try and make them less unhappy about GST?

Senator DEAN SMITH: Perfect; yes!

Senator Gallagher: Okay.

Senator DEAN SMITH: And what's the answer to that?

Senator Gallagher: My answer to that is, no, but we work with all governments in the national interests of the country.

Senator DEAN SMITH: So states that are aggrieved with their GST distribution arrangements will not find your government willing in any way to provide alternative means of compensation?

Senator Gallagher: Well, the GST and relativities in how it's allocated is determined by the Commonwealth Grants Commission at arms-length from government. We have additionally extended the arrangement to ensure states and territories aren't worse off because of the arrangements that were entered into with WA. And, in addition to that, we continue to work collaboratively with all state and territory governments in the national interest.

Senator DEAN SMITH: So any aggrieved state, a state like New South Wales, should not expect to be compensated through any other means as a result of GST distribution grievances that they might have with the Treasurer?

Ms Reinhardt: Ms Horvat will be able to give you the exact numbers, but it is probably worth pointing out that the decision to extend the no-worse-off guarantee was an extraordinarily large funding contribution effectively to a much larger GST pool. That already was a decision of government that then results in higher payments to a large number of states than would otherwise be the case.

Senator DEAN SMITH: Is that the Treasurer's standard talking point to the New South Wales Treasurer or other treasurers—

Senator Gallagher: It's not just a talking point; it's a fact.

Senator DEAN SMITH: if they come to him and say, 'Dr Chalmers, I'm really looking for alternative, backdoor ways to address my GST distribution grievance.'

Senator Gallagher: It's a fact; it's not a talking point. The extended agreement—

Senator DEAN SMITH: Yes; but that is the position. Dr Chalmers says, 'We have additional revenues going to states as a result of having extended the transitional arrangements.' So on that basis that's the extent of GST contributions?

Ms Horvat: I'm not aware of any treasurer ever not accepting the CGC's recommendation—this government or previous governments.

Senator DEAN SMITH: What I'm getting to is whether or not we might expect to see additional funds going to states like New South Wales who are aggrieved of the GST distribution arrangements so that they might get additional funding in other forms—

Senator Gallagher: Like what?

Senator DEAN SMITH: They might get additional funding in road infrastructure. They might get additional funding in health or education.

Senator Gallagher: Well, many of those are national agreements and they're published and you can see in those areas.

Senator DEAN SMITH: So I'm hearing from you that states can't expect to get any additional funding as a result of their concerns around GST distribution payments?

Senator Gallagher: I've already answered this, and the answer is going to be the same.

Senator DEAN SMITH: Which is? What was the answer?

Senator Gallagher: Well, we have the GST distribution. We have worked and we do work with all states and territories in the national interest. That is what we're doing. I don't know that I can be clearer than that.

CHAIR: We need to share the call, so we'll go to Senator McKim.

Senator McKIM: This may be quick, because there's a chance you might tell me to ask these questions in Revenue later on, but I'll put them to you because I'm just not sure. Is it your group which provides advice to government with regard to international proposals, for example the 2024 G20 summit is hosted by Brazil. They've been very clear that they're putting on the table the introduction of a two per cent tax on the world's billionaires. Would it be your group that provides advice to government on how to respond to things like that?

Ms Reinhardt: For tax, it would definitely be Revenue Group and, for international issues, potentially International, which was here earlier. But, in relation to tax issues, that will be Revenue Group.

Senator McKIM: Alright. There you go, Chair.

CHAIR: Thank you. Senator Hume.

Senator HUME: I want to ask some more questions about the PsiQuantum deal. We got cut off by the dinner break. I want to understand how the Treasury department satisfied itself that the process to select PsiQuantum was an appropriate and competitive process as opposed to a captain's pick.

Ms Reinhardt: I am going to hand that to Ms Zaheed, but I do want to say that we were informed over the break that in fact contractual close was reached on Friday, so the industry department should be able to provide information about that. Apologies, because we weren't previously aware of that.

Senator HUME: That's good, so all of the breakdown of the debt versus equity—

Ms Reinhardt: They'll be able to provide what they are able to provide.

Senator HUME: Over the forwards, over the medium term—all of that will be available?

Senator Gallagher: Well, no. We're not confirming that. We're confirming that Industry will be able to answer your questions on that.

Ms Reinhardt: To the extent that things are able to be in the public domain, they will answer your questions.

Senator HUME: Right, but the deal has been done?

Ms Reinhardt: It has reached contractual close. I'm not sure where that leaves us in the full process.

Ms Zaheed: Senator, your question was around Treasury satisfying itself.

Senator HUME: Yes.

Ms Zaheed: Treasury provides advice to government on the process, on the risks. It's really a matter for government around those decisions and gaining that comfort based on our advice and the advice of Finance,

PM&C and others in the system. As I said earlier, we provided that advice all the way through the process. There were numerous points of engagement, numerous discussions, both across departments but also advice to government on process, on risk, and government was satisfied with our advice. Government has made the decision that it has.

Senator HUME: What's the process to determine whether it's an open or a closed EOI? Does Treasury have input into that?

Ms Zaheed: We were engaged in the process. We provided our own advice to government on the EOI process.

Senator HUME: How do you make up your mind as to whether it should be open or closed?

Ms Zaheed: That's not a decision for Treasury. That is a decision for government. There were a number of considerations that we looked at, including who the pool of candidates were and so forth, but that was a process that was led by DISR. I believe there has been previous commentary around the number of applicants that DISR had received as part of that process, but that was a process that was led by DISR.

Senator HUME: So DISR give advice to government on whether it should be an open or closed process, and then do Treasury back that in and say, 'If DISR say that's what it should be, that's what it should be'?

Ms Zaheed: As we've said previously, this deal went through a significant amount of due diligence. It went through a number of processes. There were a number of cabinet considerations. I'm not going to go into the exact timing of those deliberations. In each of those steps, we provided our advice to the Treasurer on the process, including the EOI process. Government took a decision, and DISR then undertook the EOI process, which they can talk to in more detail. But we provided advice to the Treasurer about the process.

Senator HUME: So did you support a closed EOI process?

Senator Gallagher: The Treasury officials aren't going to confirm advice to government or disclose its content.

Senator HUME: What about the terms of the EOI process? The deal is done. You just said that.

Senator Gallagher: That's a separate issue to disclosing advice to government, which you're now trying to ask Treasury to do. The answer is: There was comprehensive due diligence. It was rigorous.

Senator HUME: What's the basis of a nondisclosure agreement set up as part of the process? Why was that necessary?

Senator Gallagher: That's a matter for DISR. It's not up to Treasury.

Senator HUME: I feel like you're handballing the difficult questions—

Senator Gallagher: I'm not.

Senator HUME: and then refusing to answer the ones that you know the answer to.

Senator Gallagher: The department with portfolio responsibility, the lead department, is DISR. Treasury played a role in it and Finance played a role in it. So they can talk to those roles.

Senator HUME: You keep telling us how thorough this process is—

Senator Gallagher: Yes, it's extremely thorough.

Senator HUME: but then won't actually lay claim to providing any advice in that thorough process. It's kind of crazy.

Senator Gallagher: Treasury have confirmed that they provided advice at every step along the way of months and months of work, and you know, from last week's evidence, it was over months and months.

Senator HUME: Does Treasury believe then that this is a good use of taxpayer dollars? And how did you satisfy yourselves of that?

Senator Gallagher: That's not a matter for Treasury; it's a matter for government.

Senator HUME: Did they advise on whether it was a good use of taxpayer dollars?

Senator Gallagher: Again, we won't go to what advice Treasury gave the government. The government is responsible for the decision.

Senator HUME: It does seem to be shrouded in secrecy, though.

Senator Gallagher: Senator Hume, I remember the \$2 billion Moderna contract that was entered into by your government, and not one detail was made available about that.

Senator HUME: I think that was for vaccines that we at least knew worked. But this is something for technology that hasn't been proven yet.

Senator Gallagher: There was nothing disclosed about that Moderna deal.

Senator HUME: Did Treasury consider the negative impact to the remaining quantum industry in Australia from reducing investor confidence in the remainder of the Australian quantum industry, the chance that other quantum businesses would be forced to leave Australia and that the deal has essentially minimised the ability to grow Australia's quantum ecosystem because of the significant manufacturing that's going to occur overseas now? Is that something that Treasury considered?

Senator Gallagher: Treasury and all agencies involved provided advice to government on every aspect. In every way you looked at this negotiation, the government was briefed.

Senator HUME: I feel like everyone's wriggling in their seats with discomfort here.

Senator Gallagher: Well, you might be.

Senator HUME: But it does look that way.

Senator Gallagher: No.

Ms Reinhardt: Let's be clear: it is because it is not the responsibility of Treasury to manage this deal, so we're unable to help you in the way we would like to around the details. I would say, from what you just read out then around the negative impact on the industry, that's certainly not something that we would—

Senator HUME: That's not something that Treasury would consider?

Ms Anderson: No, it's something we would consider. It's not something we would agree with.

Senator Gallagher: No. In fact, under the National Quantum Strategy—the first of its type ever in the country and that we've delivered—there is \$18 million for a new national centre, Quantum Australia; \$36 million for quantum challenges, creating stronger ties between quantum researchers, companies and industry partners; \$392 million through the Industry Growth Program; and, of course, \$1 billion for critical technologies through the National Reconstruction Fund.

Senator HUME: Given that PsiQuantum's already raised four rounds of funding and has about 20 private investors, what will be the impact of the provision of nearly a billion dollars from the Australian and Queensland governments to the company—structurally or returns?

CHAIR: It sounds like this is a level of detail for the program on Wednesday.

Senator Gallagher: Yes, and we went through it last week. PsiQuantum will establish its Asia-Pacific headquarters in Brisbane, creating up to 400 highly skilled local jobs. The company will build multiple generations of a commercial-scale quantum computer in Brisbane. They'll open new advanced tech supply chain opportunities through this. They will invest in university research collaborations, including PhD positions, mentoring and internship opportunities. It is also an investment in our local quantum ecosystem. So there's quite a lot. I would've thought that the opposition has the opportunity to support this type of investment in the technology and jobs that it'll create here.

Senator HUME: Prior to the position being made to provide funding to PsiQuantum, was Treasury aware and at all concerned that the PsiQuantum CEO and CTO have links to these Chinese academics from institutions that ASPI have rated as high risk and that the US have sanctioned?

Senator Gallagher: I've answered this earlier when I explained that the government took and received advice—

Senator HUME: But you've haven't said who from and you haven't said whether Treasury responded to that advice.

Senator Gallagher: including national security considerations. I would also say—I hadn't read that article that you were reading from, but I have over the break—that the article in the *Australian* quotes PsiQuantum as saying, since its inception in 2016:

... the company has not collaborated with any Chinese universities, companies or government bodies ...

The article further notes:

... The *Australian* is not suggesting any ongoing direct links or collaboration between PsiQuantum founders and Chinese researchers ...

I presume they made that disclosure because that would be defamatory, if they were alleging that. The article points out that PsiQuantum holds multi-year partnerships already with the US Defense Advanced Research

Projects Agency, Department of Energy and the Air Force Research Laboratory. They've been extensively vetted by US defence bodies and the Australian government.

Senator HUME: Is this computer going to be built in Australia or somewhere else?

Ms Zaheed: They'll set up the Asia-Pacific hub in Brisbane, and there will be the fault-tolerant computer built in Brisbane.

Senator HUME: It's all being built in Brisbane?

Ms Zaheed: There will be the fault-tolerant computer built in Brisbane. They do have other operations elsewhere globally.

Senator HUME: Page 56 of BP2 says that 'There is \$466.4 million for a financing package of equity and loans provided by Export Finance Australia on the National Interest Account for PsiQuantum.' If it's Export Finance, doesn't that mean the money is going overseas?

Ms Reinhardt: No.

Senator HUME: So Export Finance is being used to invest in Australia?

Ms P Brown: It might be helpful to explain: Export Finance Australia 's role is usually to assist Australian companies to export—

Senator HUME: To export—that's right.

Ms P Brown: so it doesn't generally involve funding going overseas. It's generally funding to Australian businesses to support them to export.

Senator HUME: So all the money is staying in Australia; is that correct?

Ms Zaheed: It's very hard to explain exactly where each dollar of that billion is going.

Senator HUME: Oh, my God! Did you just say that out loud?

Ms Zaheed: The funding is going into the facility that they're going to build in Australia. They have corporate structures where they have a US parent, which you've already referred to, so it's going to be very hard for anyone to say exactly where each dollar is going to be located, but the funding package from the Queensland government and the Commonwealth government is supporting the establishment of that facility in Queensland to develop the world's first fault-tolerant computer and have the establishment of the headquarters in the Asia-Pacific. But, Senator, if you're looking for a more detailed analysis of the components of that deal, then DISR would be better able to answer those components of the deal that can be disclosed at this stage.

CHAIR: Senator Hume, we need to leap to Markets Group. We've got DISR coming on Wednesday. I think we're nearly concluding our questions here.

Senator HUME: So did Treasury resoundingly support this investment and say: 'This is a ripper of an idea. Good on you, government'? Is that what Treasury did?

Senator Gallagher: They provided advice to government, and government took the decision.

CHAIR: Senator Bragg.

Senator BRAGG: Do you have any information about Treasury officials participating in the Green Bond Roadshow?

Ms P Brown: Yes. Two officials from Treasury participated in some of the early meetings as part of the roadshow.

Senator BRAGG: Who were they?

Ms P Brown: I'm not sure it would be usual for me to provide the names.

Senator BRAGG: What staff levels? What sort of people?

Ms P Brown: Mid-level staff.

Senator BRAGG: How much did it cost?

Ms P Brown: I don't have the figures for how much it cost, but it was quite a modest expenditure. The meetings were in Sydney and Melbourne, so there was just some money for flights and some accommodation.

Senator BRAGG: Does the Green Bond Framework go to lengths to suggest there is no contractual warranty or assurance that green bond debt is then spent against programs? Can you confirm that's right?

Ms P Brown: Are you referring to the disclaimer that appears—

Senator BRAGG: Yes.

Ms P Brown: The disclaimer that appears in the Green Bond Framework is a very usual sort of disclaimer that would appear in this type of document. I've talked before at Senate estimates about how we have sought to ensure the Green Bond Framework is consistent with international best practice, and this is a very usual sort of legal disclaimer that would appear in these sorts of document. Nevertheless, I don't think it takes away from the government's commitment to ensure that the Green Bonds Framework is very rigorous.

Senator BRAGG: Who determines eligibility?

Ms P Brown: There is an interdepartmental committee that considers expenditure and whether it's consistent with the framework. Then that is supplemented by a second-party opinion that we contract out to a specialist in this field.

Senator BRAGG: Have any budget measures from this budget been identified as possible targets for green bond issuance?

Ms P Brown: Not at this stage. We will consider the current budget proposals in the next round of green bond considerations.

Senator BRAGG: Is it under consideration?

Ms P Brown: It will be but, given the timing of the current round of Green Bond issuance, it was decided that we would not include budget measures in this round and that they would be considered in a subsequent round.

Senator BRAGG: Because there wasn't enough time?

Ms P Brown: I guess so. There's a very high degree of rigour that goes into considering whether expenditure is compliant with the framework, so we really have erred on the side of ensuring that we really take the time to very carefully consider if proposals are consistent with the framework, and it was felt that it was better to leave that to a bit later.

Senator BRAGG: Is there any reason why carbon capture and storage were excluded?

Ms P Brown: Just broadly, the framework has been designed to be consistent with international best practice and to apply a very high standard. I would have to take on notice any specific considerations about carbon capture and storage, but I suspect that was the reason.

Senator BRAGG: I think you should also take notice whether, in fact, carbon capture and storage is included in other jurisdictions.

Ms P Brown: I'm happy to do that.

Senator BRAGG: It could be useful. Why was blue hydrogen excluded?

Ms P Brown: Again, I think that that would be about applying international best practice, and blue hydrogen wouldn't necessarily meet that bar.

Senator BRAGG: Will green bond issuance be accounted for in the budget papers for MYEFO?

Ms P Brown: It will be accounted for in the same way as other bonds, so we will report on Australian government securities on issue. That will include green bonds.

Senator BRAGG: So it will be in MYEFO?

Ms P Brown: When we report on government securities on issue, that's comprehensive and will include green bonds.

Senator BRAGG: Cool.

CHAIR: Thank you very much. Senator Hume.

Senator HUME: On 19 April there was an article in the *Australian* that said that the Treasurer had flagged, ahead of the budget, that there would be a change to the fiscal strategy. So I'm looking at the budget paper, and I want to know exactly what those changes are.

Ms Reinhardt: There are no changes to the fiscal strategy.

Senator HUME: There are no changes?

Ms Reinhardt: There are no changes to the printed fiscal strategy in the budget. That does not mean that the overall fiscal strategy has not—the government's fiscal strategy is represented by the budget and the budget documents, but the fiscal strategy as you might be referring to it in box 3.1 is the same as the previous fiscal strategy.

Senator HUME: So the government's economic and fiscal strategy hasn't changed, even though the Treasurer said—

Senator Gallagher: I don't have his comments from where you are reading in from me, but I seem to recall at the time the point the Treasurer was making was that whilst inflation remains a primary focus, that, in this budget, we were also looking ahead to the growth agenda and balancing that. So obviously we're able to do that within the written fiscal strategy, but I think that's the point he was making. Instead of it—

Senator HUME: So it was a rhetorical change in the fiscal strategy as opposed to an actual change?

Senator Gallagher: This budget is different to the last we handed down, where inflation was the main primary focus. It remains the key focus in this budget, but we're also shifting the focus to look at how we invest in growth and the future opportunities.

Senator HUME: So, when you were looking at how this budget would be different to the last one, was consideration given to the harder rules that have been called for by, say, the IMF, the OECD or others around things like tax-to-GDP caps or restrictions on real spending growth or any of those things?

Senator Gallagher: I know it's the end of a long day, but I'm not going to take lectures around budget management from—

Senator HUME: It wasn't a lecture; it was a question. Did you give any consideration to those things?

Senator Gallagher: the party that never delivered a surplus, never found savings—where we had deep deficits and large amounts of debt. We have all been turning that around.

Senator BRAGG: Filibustering.

Senator HUME: It's such a basic question. Did you consider these things or did you not consider them?

Senator Gallagher: Anyone who has been sitting here—

Senator BRAGG: It's been a great day so far.

Senator Gallagher: for the last 11 hours would hardly say that I have filibustered. Mathias Cormann used to be the No. 1 player on the field when it came to that, and I am nowhere near his league.

Senator HUME: I asked a pretty basic question.

Senator Gallagher: We are happy with the fiscal strategy, and the budget decisions reflect that. Fiscally responsible—

Senator HUME: So no to the recommendations by the IMF, no to the recommendations by the OECD, and, while the Treasurer is certain the fiscal strategy—

Senator Gallagher: Both of those agencies have actually acknowledged and congratulated in one way or another—maybe not in so many words—the strategy that we have undertaken of fiscal consolidation, repair, savings, paying down debt and delivering surpluses. I think you are selectively quoting from those international organisations. We stand on our very proud record of repairing the budget, investing in the future and providing cost-of-living relief to Australians while they are doing it tough.

Senator HUME: So no significant changes to the economic and fiscal strategy. No changes at all.

Senator Gallagher: It is as outlined in the budget papers. For the first time in a long time, the Australian people have a government that is repairing the budget, paying down debt, delivering surpluses, lowering the interest bill, dealing with all the areas of reform that we have to, finding savings and delivering important investments across health, aged care, NDIS and defence at the same time.

Senator HUME: As Tony Burke said, 'You can feel the change of government in your wallet.'

CHAIR: I will leave it there, despite that having been a very leading comment. We thank Ms Reinhardt and the Fiscal Group for answering our questions. You go with our thanks.

[19:48]

CHAIR: We are now with the Treasury Markets Group. Minister, did you wish to clarify something?

Senator Gallagher: I want to follow up on something Senator Smith had asked me about public information campaigns from 2020 to 2022. The Treasury Economic Recovery Plan campaign was allocated \$39 million, and the Intergenerational Report campaign in 2015 was allocated \$40 million.

CHAIR: Thank you. We'll proceed to questions.

Senator BRAGG: Good evening. I want to start with the new proposal to tax superannuation balances. How much is that policy designed to improve the budget position?

Mr Kelly: Before we answer the question, I'll just flag that my deputy secretary, Brenton Philp, was intending to be here today but, for family reasons, has been unable to do so, so I'll be holding his position. I'll go to Ms Kelly.

Senator BRAGG: So the question is: how much new tax revenue will this measure deliver?

Senator Gallagher: It's estimated to raise, as I understand it, \$2.3 billion.

Mr Hawkins: So \$2.3 billion is in the first full year of the operation of the tax, which is 2027-28.

Senator BRAGG: So in the forward estimates it only comes into one year—the last year of the estimates?

Senator Gallagher: Yes.

Mr Hawkins: That's correct.

Senator BRAGG: And it's \$2.3 billion a year?

Mr Hawkins: When it's fully in operation, it's estimated it will raise just over \$2 billion a year in revenue.

Senator BRAGG: Is there any longer-term costing?

Mr Hawkins: There's no costing beyond the forward estimates, but the rough annual amount expected to be raised in that first full year of operation, as I said, is just over \$2 billion a year.

Senator BRAGG: Is it in the *IGR*, the *Intergenerational report*?

Mr Hawkins: In the *IGR*, we take very much a top-down approach in estimating the cost of the tax concessions that accrue to superannuation, and so we look at the entire policy environment in assessing the extent of those concessions and so—

Senator BRAGG: Is it in or out?

Mr Hawkins: It's part of the policy settings—

Senator BRAGG: So it's in?

Mr Hawkins: Yes.

Senator BRAGG: And \$2.3 billion a year in its first full year of operation—how much of that is coming from defined contributions and how much from defined benefits?

Mr Hawkins: We don't have a separate estimate by the type of scheme.

Senator BRAGG: How have you costed it, then?

Mr Hawkins: As I said, the approach to costing these looks at it at the whole-of-system level. So we do have an estimate in terms of the number of individuals from defined benefit and defined contribution, but the tax is calculated as the earnings across everyone's superannuation interests. So you might have an individual who has both defined contribution and defined benefit—

Senator BRAGG: Sure, I understand—

Mr Hawkins: and their earnings are calculated on the movement on both of those interests. For the purposes of costing, we don't separate out those two types of interests. However, we do have estimates for how many individuals hold either type.

Senator BRAGG: How many people in the defined benefit environment will be hit with this new tax?

Mr Hawkins: We estimate that about 10,000 individuals who have defined benefit interests will be—

Senator BRAGG: Ten thousand?

Mr Hawkins: Yes.

Senator BRAGG: And how many of them are living in Canberra?

Mr Hawkins: We haven't done any analysis—

Senator BRAGG: Well, how many of them do you think will be former public servants?

Mr Hawkins: We haven't done any analysis—

Senator BRAGG: You don't know?

Mr Hawkins: We haven't done any analysis on the individuals who hold those interests. It's not necessary to do that to undertake a costing.

Senator BRAGG: The bill itself doesn't deal with defined benefit, does it?

Mr Hawkins: No, I'm not sure I'd agree with that. The bill provides—

Senator BRAGG: Certain people—

Mr Hawkins: The bill provides for the process by which you calculate the tax in total. However, the way for valuing defined benefit interests, which are important to calculate someone's total superannuation balance at both the start and the end of the year, which are the two reference points by which earnings are calculated, requires a valuation for defined benefit interests and, because those valuations will have to differ depending on the structure of those benefit arrangements, they are set out in regulations.

Senator BRAGG: The regulations will make the final rules for the retired politicians and for the serving politicians like the Prime Minister, Mr Albanese, won't they?

Mr Hawkins: They'll set out the approach to valuing those types of interests.

Senator BRAGG: Who makes those regulations?

Mr Hawkins: Those regulations are made under the legislation.

Senator BRAGG: But by who? Which minister makes them?

Mr Hawkins: They're within the Treasury Portfolio.

Senator BRAGG: Which Treasury minister makes the regs? It's a pretty important question.

Mr Hawkins: The Treasurer is responsible for tax matters such as this.

Senator BRAGG: So the Treasurer makes the regulations, not the Assistant Treasurer?

Mr Hawkins: Well, both ministers work together across the parliament. I can't speak to who might be responsible within the parliament.

Senator BRAGG: So either the Treasurer or the Assistant Treasurer can make the regulations on the final rules for the tax scheme that will apply to people like Mr Albanese, Brendan O'Connor and Senator Wong.

Senator Gallagher: Got any on your side—on the good scheme?

Senator BRAGG: We're not making the rules.

Senator Gallagher: I know, but presumably there'd be people across the parliament—

Senator BRAGG: You've exempted your colleagues from the main bill. You put it in the regs. It's a huge conflict of interest. Anyway, either minister can make the regs; is that right?

Senator Gallagher: Why is it a conflict of interest to impose a higher tax rate?

Senator BRAGG: Because Stephen Jones could be making the regs for his boss, Mr Albanese. Who makes the regs? Is it either Treasury minister?

Mr Hawkins: The regulations would be made in the normal way for regulations made under the legislation—

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

Mr Hawkins: They would be moved in the parliament and could be disallowed within a period of 14 days, as is the case for any other type of—

Senator BRAGG: Sounds like you want to take it on notice. You're not sure which minister can—

Senator Gallagher: Senator Bragg, come on.

Senator BRAGG: Well, I'm not sure he knows the answer.

Senator Gallagher: He's answered the question.

Senator BRAGG: Who makes the regulations?

Senator Gallagher: It's the Treasury portfolio. The Treasury ministers can make the regulations.

Senator BRAGG: So it's either minister?

Senator Gallagher: If we need to correct that, we will.

Senator BRAGG: So we'll take it that either minister can do it—either Dr Chalmers or Mr Jones.

Senator Gallagher: If we have more information, we will provide it.

Senator BRAGG: Can Dr Leigh make the regs?

Mr Hawkins: I think it's usual practice for ministers within the one portfolio to determine who's going to take decisions on things like making of regulations.

Senator BRAGG: It could be any of those three people to make these regs?

Mr Hawkins: As I said, it's a matter for the ministers to determine who's going to take the decisions on particular policy issues.

Senator BRAGG: What representations have been made to Treasury about the final formulation of these regulations, which you have in a draft form? Who has made representations? Have you had representations from retired judges, retired politicians, retired public servants?

Mr Hawkins: We have undertaken a consultation process on the draft regulations, as you've noted.

Senator BRAGG: I'm aware.

Mr Hawkins: We've received a significant number of submissions to that process, including from a number of the groups you just outlined, particularly groups that represent former judges.

Senator BRAGG: What's their argument to you?

Mr Hawkins: There are several arguments that have been put to us from judicial officers, to the extent that that might influence the independence of the judiciary; that that might compromise the remuneration arrangements that were offered to them at the time they took up their positions; and that it overlaps with the current tax arrangements they face.

Senator BRAGG: And what is the advice that you're giving government about that?

Mr Hawkins: We're working through the feedback we received in consultation, and we will provide advice to government about those issues.

Senator BRAGG: So you haven't made a judgement about whether the tax will apply to former judges?

Senator Gallagher: That's the intention. We want the policy to apply equitably across various schemes.

Senator BRAGG: And you can give an assurance that it will apply to the Prime Minister and other members of the cabinet?

Senator Gallagher: That's the intention.

Senator BRAGG: When will those regs be made?

Ms Kelly: It's customary first for the legislation to be passed. Subsequent to the legislation being passed, that is when you would expect regulations to be made. So I can't give a timeframe until the legislation is passed.

Senator Gallagher: So help us pass it, and we can answer that.

Senator BRAGG: Does your draft reg, in your mind, establish equitable treatment across those classes of people—former politicians, former public servants, former judges?

Ms Kelly: The regulation and overarching legislation is framed to apply as broadly as possible within constitutional limits. It's designed to ensure commensurate treatment between all superannuation interests, including defined benefit and defined contribution schemes.

Senator BRAGG: So the current position is it will apply to all those groups.

Ms Kelly: To the extent permitted by the Constitution, yes.

Senator BRAGG: You don't know when you'll be making the regs, though.

Senator Gallagher: The legislation's got to pass, and we've got a bit of a block happening, in the form of the opposition—for a change!—that says no to everything.

Senator BRAGG: Will you take that on notice—who's going to make the regs—or not? You're going to stand by your answer that it could be any Treasury minister?

Senator Gallagher: Yes, I am. The regs haven't been drafted yet.

Senator BRAGG: It doesn't matter. It's not a hypothetical.

Senator Gallagher: It's in the Treasury portfolio.

Senator BRAGG: It's not a hypothetical.

Senator Gallagher: It will be a Treasury minister.

Senator BRAGG: Any Treasury minister?

Senator Gallagher: I would urge you to pass the legislation so we can get to that stage.

Senator BRAGG: Good to know.

CHAIR: Senator Smith.

Senator DEAN SMITH: Thank you very much for your participation this evening. Why has the government failed to pass its consumer data rights bill?

Mr J Kelly: There is a bill that's gone through the House of Representatives and is in the Senate. It's a matter of parliamentary business as to when that bill is passed.

Senator DEAN SMITH: But the bill enjoys support, I think, from the Greens and the coalition, and is the government's own bill. So why can't the bill be passed?

Mr J Kelly: That's a question better directed to those responsible for managing business in the Senate.

Senator HUME: Who would that be!

Senator DEAN SMITH: That was a very comfortable, polite handball. Thank you, Mr Kelly, for your politeness.

Senator Gallagher: No, that's fine!

Senator DEAN SMITH: Minister, why has the government failed to pass—

Senator Gallagher: We've had a very busy legislative agenda—

Senator DEAN SMITH: Why haven't you guillotined it. like you've guillotined other bills?

Senator Gallagher: as you know. I expect we'll be able to deal with it in the next sittings.

Senator DEAN SMITH: You expect to be able to deal with that in the next sitting?

Senator Gallagher: I'm hopeful.

Senator DEAN SMITH: The June 2024—

Senator Gallagher: Yes. We have quite a lot of legislation backed up for that sitting period.

Senator DEAN SMITH: And you plan to legislate it in its current form?

Mr J Kelly: Senator, there are currently no plans to change the bill as it is. The bill is an enabling framework to allow action initiation to happen in the consumer data framework. We've continued to work on how, once the bill is passed, we would use that framework, but there's plenty of work to do before we even get to that point. It's not as though, if the bill had been passed to date, we would have actually started to enable action initiations under that bill.

Senator DEAN SMITH: To be clear, when Minister Jones characterised the bill as bringing forward 'powerful' changes and being a 'game changer', the government said:

It will enhance competition and mobility in the banking sector and other financial services, and in energy as well.

Are those statements still current?

Mr J Kelly: I think those statements are still current, but the Assistant Treasurer has also made it clear that a lot of detailed work and consideration is required before bringing action initiations into effect under that bill, once it's passed. So, it's not as if, if the bill was passed in the next month, those things would happen. We've done a lot of work on certain areas such as payment initiations. We've done work on other actions that could be undertaken using the bill. But they're not simple or easy things to do, and we need to make sure we get them right.

Senator DEAN SMITH: But that's not code for 'delay', though, is it, Mr Kelly—making sure that you get things right?

Mr J Kelly: No, that's not code for 'delay'.

Senator Gallagher: I think there's been significant—

Senator DEAN SMITH: Support?

Senator Gallagher: There have been issues with CDR, and the Assistant Treasurer has been trying to work through those. There was quite a lot of money invested under your government, and then, quite a lot more by the banking sector, for a relatively limited uptake. So these are issues that we've had to work through—

Senator DEAN SMITH: I would characterise that as a sectorial view, rather than an industry-wide view. I'd characterise it as the talking points of the banks and perhaps the insurers. Would that be a fair characterisation, Mr Kelly?

Mr J Kelly: Sorry, can you repeat the question?

Senator DEAN SMITH: Minister Gallagher was saying that there have been issues with the CDR, and I'm paraphrasing her comment, which was 'considerable sums of money expended but not much benefit realised yet'.

Senator Gallagher: I didn't say 'not much benefit'. I said 'limited uptake'. There was a billion dollars invested by the banks and \$400 million by government. We've invested recently, I think in last year's budget, another \$88.8 million over two years. So there has been a lot of money invested.

Senator DEAN SMITH: But I think that the limited uptake is the consequence of a variety of different issues, Minister.

Senator Gallagher: Well, I think it's had implementation issues. That's alright with me.

Senator DEAN SMITH: My view is that those are talking points that I've heard from banks and insurers, not from others in the industry. Mr Kelly, suppose the bill passes. Minister Gallagher has said the bill may pass the Senate in the next parliamentary sitting period. What is the expected timeframe for those implementation consultations that need to take place? Minister Jones was quite clear in saying of the bill:

It will enhance competition and mobility in the banking sector and other financial services, and in energy as well.

I'm just curious to know how long Australian consumers will have to wait to enjoy those competition benefits.

Mr J Kelly: We already have undertaken consultation on one aspect of initiation, which is around payments. Those consultations were on a range of issues about proceeding with payment initiations if we were to do so. They brought out issues around replacing the structural layout that's already provided under current payment systems through CDR. So it has pointed to issues that we need to work through and that we're still considering. We've also done, through our data standards body, work on how action initiation could be used to support account opening. So we have been progressing work to understand how we would use action initiation, but that work has also brought out some of the challenges in doing that in a cost-effective way. So we're very mindful of that, but we'll continue preparing for the passage of that bill.

Senator DEAN SMITH: What commitments can the Treasury give sector participants that these post-passage-of-the-legislation matters will be dealt with expeditiously by Treasury? Market participants have had to wait some time. We had to wait for this hearing for people to get an understanding of the timing of the passage of the bill. So what commitments can you give industry participants that these post-legislation matters will be dealt with expeditiously? Is there a timeframe that you're working to?

Mr J Kelly: There's not a set timetable that we're working to.

Senator DEAN SMITH: Can there be a set timetable created?

Mr J Kelly: It's always possible to create timetables and publish them, but, as I've already explained, there is a lot of work that has to be done before you enable any particular initiation to make sure that what you're doing will be effective and useful.

Senator DEAN SMITH: Of course, some industry participants are so large that they can manage the costs of extended or delayed timetables. Other industry participants don't have the capacity to carry costs if timetables are delayed, extended or indefinite. I don't have to name the industry participants, do I, Mr Kelly? You're pretty familiar with—

Mr J Kelly: Yes, Senator. We understand that particularly for fintech players, who tend to be smaller, certainty is useful when they are making investments, and they have a limited amount of funds. That said, we still have to do the work. In some ways, once the bill is passed, we'd still need to wait to establish the strong case for initiating any particular action under that framework.

CHAIR: Senator Smith, I am advised that a number of senators in the room have questions, so I will proceed to 10-minute blocks. Are you able to conclude with a couple more questions?

Senator DEAN SMITH: You can come back to me.

CHAIR: I'll go to you, Senator McKim.

Senator McKIM: Good evening. I want to start by asking some questions around A Future Made in Australia and specifically the national interest framework.

Senator Gallagher: That was just the previous—

Senator McKIM: Oh, that was in the previous group?

Senator Gallagher: The previous witnesses, yes. In fact, essentially everyone who's appeared up to this point has been able to—

Senator McKIM: Alright, then; I'll put them on notice. What about unfunded liabilities on decommissioned gas fields? Am I in the right group there?

Senator Gallagher: I don't think so.

Mr J Kelly: You're certainly not in the right group, Senator; it's a question of whether you're in the right portfolio.

Senator McKIM: What about the Competition Taskforce?

Mr J Kelly: You're in the right group.

Senator McKIM: Sensational! I was going to stumble across one eventually, I'm sure.

Senator Gallagher: I thought we were really going to whip through things then.

Senator McKIM: Budget Paper No. 2 includes \$8.9 million over the forward estimates for the ACCC inquiry into supermarket practices and the publication of supermarket prices by CHOICE. In January this year the government announced it was directing the ACCC to undertake an inquiry into supermarkets and that it would give CHOICE \$1.1 million to provide price comparison reports between different retailers. Does that \$8.9 million measure that was in Budget Paper No. 2 include the \$1.1 million for CHOICE and \$7.8 million for the ACCC?

Mr T McDonald: Yes, it does. That's what it's comprised of. Those were announcements made in January, between MYEFO and the budget, so the measure is recorded in the budget.

Senator McKIM: I understood that. But was the money appropriated prior to the budget?

Mr T McDonald: Yes. It was included in the portfolio additional estimates.

Senator McKIM: That's right. So, just to confirm, that means there were actually no new measures in this budget, in terms of money to be allocated that hadn't already been appropriated, to address the cost of food and groceries in Australia—is that right?

Mr T McDonald: That's correct. But, because the announcement was made after MYEFO, it still needs to be recorded in the budget papers.

Senator McKIM: I understand that. Minister, this one's for you. The Treasurer talked up a pretty big talk in his budget speech about creating a fairer go at every check-out, when the direct translation of that is actually: there is no new money in this budget to bring down food and grocery prices.

Senator Gallagher: Well, it is new money.

Senator McKIM: It's not new money. We've just heard Mr McDonald say the money was already appropriated. It's not new money, Minister, if it's already been appropriated.

Senator Gallagher: It was not in MYEFO. It's being shown in the budget.

Senator McKIM: It's not new money, is it?

Senator Gallagher: It is.

Senator McKIM: It was appropriated prior to the budget, wasn't it?

Senator Gallagher: And reflected at the first opportunity, in the budget.

Senator McKIM: I'm talking about the Treasurer's budget speech, where he talked up an absolute storm about this budget creating a fairer go at the check-out.

Senator Gallagher: I thought you would have supported it.

Senator McKIM: But this budget doesn't actually create—

Senator Gallagher: I thought you would have supported—

Senator McKIM: a fairer go at the check-out at all, does it?

Senator Gallagher: Well, it does, and I support the comments—

Senator McKIM: Well, there's no new money in this budget to do that, is there?

Senator Gallagher: It is. You can choose to say different thing, but it is. It wasn't in MYEFO. It was a decision taken in January and reflected at the first opportunity, in the budget.

Senator McKIM: I guess we'll just have to agree to disagree there. Is there anyone who can provide an update on the ACCC proposals to introduce mandatory codes of conduct for digital platform services?

Mr T McDonald: Senator, as you would be aware, in December last year the government released its response to the Treasury review into the ACCC's Digital Platform Services Inquiry report 5. That report had four recommendations. The first related to introducing unfair contract term and unfair trading practice arrangements. Unfair contract term arrangements have been legislated and are now in place. The government—or Treasury—undertook an exercise of consultation in relation to unfair trading practices last year. A significant number of submissions have been received in relation to that, reflecting a broad range of views. We are proceeding to work through and consider the next steps in relation to that piece of work.

Senator McKIM: Can I just pause you there, Mr McDonald?

Mr T McDonald: Yes.

Senator McKIM: I just want to make sure that my understanding is correct. In December, Minister Jones announced there would be a further round of consultation in 2024.

Mr T McDonald: I'm going through the different recommendations, and that's in relation to recommendations 3 and 4. The second recommendation of that inquiry was in relation to work on scams, and the budget included measures in relation to fighting scams including on digital platforms. As you noted, the government response said a couple of things. It first of all noted that Treasury had been commissioned to undertake and develop a legislative framework on how the digital competition proposal would work in practice. It also noted, as you said, that there would be extensive consultation on that framework. We've been working really closely with the ACCC on that, developing the detail of that proposal so that, when there is further consultation, it would not be talking about the same proposals again but discussing how this would actually work in practice.

Senator McKIM: When might those consultations take place?

Mr T McDonald: That will ultimately be a matter for government. We haven't yet concluded the work with the ACCC on how that framework would be developed, but I think we've made very good progress.

Senator McKIM: Minister Jones said it would be in 2024. Do you have any reason to suggest that that timeline might not be met?

Mr T McDonald: I think it will be met, yes.

Senator McKIM: The government has set up a competition taskforce inside Treasury, but that taskforce isn't doing this work, or is it?

Mr T McDonald: No. I'll let my colleagues add to this, if you wish, but this work precedes the taskforce. There's work that is underway in my branch which is not part of the taskforce. It's ongoing work in the competition space. I think the taskforce's mandate is to go over and above the business-as-usual work on competition policy. Business-as-usual doesn't mean unimportant, though.

Senator McKIM: Sorry, what was that last thing you said?

Mr T McDonald: Business as usual doesn't mean it is unimportant. For example, the work in relation to the establishment of the ACCC's supermarket inquiry, the establishment of Dr Emerson's report on the food and grocery code review and a number of other ongoing pieces of work are being covered within my branch on an ongoing basis. The work that my colleagues in the taskforce are doing is transformative in nature as well, but it's over and above what we would have otherwise been able to do.

Senator McKIM: Thank you, Mr McDonald. Did anyone else wish to add anything else? Mr McDonald did give you the opportunity. Everybody is happy? Alright, thanks. Does this group monitor insurance premiums? Yes? You'd be aware that the Senate has established an inquiry into some aspects of insurance premiums, and no doubt the department will be asked to provide some evidence to that inquiry. I did want to ask whether Treasury has a view on what is driving significant increases in insurance premiums in Australia at the moment. We've seen some of the biggest and most persistent increases in prices contained in the quarterly CPI releases attributed to insurance premiums. Would Treasury accept the proposition that things like climate change are actually driving significant increases in insurance premiums?

Mr Preston: I think there are a range of different factors that are driving insurance premiums. Key ones relate to national hazard risk, and there is definitely a climate component to that. The one key factor behind insurance premiums in Australia is the rule of reinsurance. There is a broader global impact there which, again, has a climate dimension to it. Reinsurance costs in Australia rose to a 20-year high in 2022-23, and, because of the global impact that I mentioned, losses across the global reinsurance industry have doubled over the past decade. There has also more recently—although this has been abating some supply chain factors that relate to the cost of insurance. But the key factors in Australia when we think about household insurance relate to the extreme weather events we saw. I think a key piece of data that APRA reports on is underwriting losses. That compares the premiums that insurers collect to the payouts they make. On the household insurance line, insurers have been underwriting losses for four years in a row. So there's a confluence of factors there, and there is definitely a climate component to the premium story.

CHAIR: I will have to share the call. Senator Pratt.

Senator PRATT: I've got some questions for markets group in relation to the A-GLIMMER report funded by the Commonwealth, which is the Australian genetics and life insurance moratorium. I understand that the government has received the report and that it recommends the Australian government amend the Disability Discrimination Act so that risk rated insurers cannot use genetic or genomic testing results in underwriting, and it also recommends the legislation of a positive duty not to discriminate into an appropriate piece of financial services regulation to ensure a robust, enforceable protective regime. I understand the consultation closed in January. What progress is government making on these proposals to address the issue?

Mr Preston: We received 940 submissions to the consultation that, as you said, closed on 31 January. The government is considering the submissions that have been received, and Treasury is leading this work in consultation with other departments, such as health and also the Attorney-General's. We've provided advice to the minister on this topic on 17 May.

Senator PRATT: So you've provided him advice. I won't ask what the advice is because I know that would be for cabinet deliberation. In that context, what is the impact of the issue across other portfolios? Of course, it was flagged that the Disability Discrimination Act would need amending and that that relates to the Attorney-General's portfolio. Has liaison started with other departments outside Treasury?

Mr Preston: Yes, indeed. We've consulted with colleagues, particularly across the Department of Health and Aged Care and the Attorney-General's, through this process. Engagement with the Department of Health and Aged Care was important to think through and understand the specific nature of genomic testing and the factors that are involved. Issues relate to distinguishing between the diagnostic and other forms of testing, whereas in the engagement with the Attorney-General's we're thinking about the intersection of financial services law with the human rights exemption. So we've continued to have ongoing discussions with those agencies.

Senator PRATT: In that context, in making an economic or Treasury decision, you have to weigh up the advice on human rights and health implications—for example, the use of genetic testing in insurance being a disincentive to getting tested when it might, indeed, save your life or even, ironically, lower insurance premiums because you take proactive action on health issues that are identified?

Mr Preston: Indeed. To express it quite crudely, perhaps, it's balancing the concerns around a disincentive to take genetic testing. A lot of submissions discussed the uncertainty that might relate to insurance as a key factor balanced against considering implications that changing access to genetic testing might have within the insurance market.

Senator PRATT: And you would have been getting the advice from Health that genetic testing is accelerating as a tool and that, as it becomes more widespread, it will become even more complex to include it as an indicator in life insurance?

Mr Preston: I don't know that the uptake necessarily adds to the complexity. We've been getting—

Senator PRATT: It could be a disincentive to get tests when they're widely recommended.

Mr Preston: We have been looking at examples internationally where there have been interventions made. Some were made in the UK 20 years ago and others are more recent. You can see, as best as data can show, the impact those interventions have had as the advent of cheaper genetic testing has increased in prevalence.

Senator PRATT: I guess many Australians would be unaware that their primary form of income protection is a baseline in their superannuation, which, at the bottom level, doesn't include genetic testing, but nevertheless they might be disincentivised from getting such a test in any case.

Mr Preston: In general terms, there are two types of life insurance available. One is group cover through superannuation and the other is underwritten life cover. I think for the group cover, because it's not underwritten and isn't for an individual, the role of genetic testing is not really a factor there. This is more about individual cover that someone might choose to purchase.

Senator PRATT: There could be a bunch of different presumptions made by consumers about the impacts of tests on their insurance, whether they are true or not. Thank you for that. Did it canvass issues of underwriting in things other than life insurance? I wasn't familiar with whether it covered travel and other forms of insurance or not.

Mr Preston: No, it was focused on life insurance.

Senator BRAGG: We have had a number of discussions in this committee since the election about the government's apparent commitment to do something on regulating cryptocurrency. There was a process of regulating crypto markets which was inherited by the government. There was a consultation paper issued in October last year which was very similar to the one issued in 2022. I think it said that there would be draft legislation this year. I am wondering what's happening with these issues. Does the government have any intention of progressing regulation of cryptocurrency?

Senator Gallagher: Yes. The officials can answer—

Senator BRAGG: What's the hold up here?

Senator Gallagher: I think there's been a range of consultation processes. The Assistant Treasurer and his department are considering the feedback before coming back with any proposed legislation.

Senator BRAGG: Do you think it's going to plan?

Senator Gallagher: I think the Assistant Treasurer and his officials are doing the work that needs to be done.

Senator BRAGG: What's holding it up?

Ms Luu: As you'll appreciate, this is a very complex piece of work. We're continuing to work on it, we're continuing to consult on it, and we're providing advice to the government.

Senator BRAGG: Something has jogged my mind. I looked up a news article. Do you remember the FTX collapse?

Ms Luu: Yes.

Senator BRAGG: The collapse flushed out Dr Chalmers and Mr Jones. They put out a statement saying:

We are releasing a proposal paper today that recommends making crypto exchanges and digital asset platforms subject to existing Australian financial services laws ...

Of course, this is all about protecting consumers, isn't it? This was in October 2023.

Ms Luu: Do you mean in October 2023, when the consultation paper was put out?

Senator BRAGG: Yes.

Ms Luu: Yes.

Senator BRAGG: I said this to you ages ago—I'm not sure you agreed with me at the time—I don't think, at this rate, this government is going to deliver anything in this parliamentary term.' What is your view?

Ms Luu: We are continuing to progress the reforms.

Senator BRAGG: Sure.

Ms Luu: Whether it is introduced is a matter for government.

Senator BRAGG: Okay. It's a matter for government.

Minister, you've been in office for two years. You inherited a huge body of work on how to regulate and protect Australian consumers in the face of risks—

Senator Gallagher: Except, other than they weren't regulated.

Senator BRAGG: No. You inherited a whole body of work which showed you how to do this. There's a bill in the parliament now which you could vote for which regulates—

Senator Gallagher: Your bill?

Senator BRAGG: It's a very good bill.

Senator Gallagher: Well, it's not, according to my notes.

Senator BRAGG: What's wrong with it.

Senator O'NEILL: You couldn't get your team to do it in nine years.

Senator BRAGG: How many people were talking about those issues nine years ago?

Senator Gallagher: Based on industry feedback, it's not seen as adequate.

Senator BRAGG: My question for you is: do you think you're going to deliver law reform in this parliament that is going to protect consumers and give certainty to the industry that they can invest in Australia?

Senator Gallagher: Yes. The intention is to come back with proposed legislation. I don't have a date on when that would be, but we're working through the feedback that's been provided from the consultation paper.

Senator BRAGG: Are you committing to legislation this term?

Senator Gallagher: I don't have a date in front of me, other than, we are committed to bringing forward legislation.

Senator BRAGG: So you're not committed to it this term?

Senator Gallagher: Well, no. I think the intention is to get it this term, to do it this term. That's what the Assistant Treasurer is working towards. But we don't control the parliament. Once that legislation gets—

Senator BRAGG: You haven't even released a draft bill. That has nothing to do with parliament.

Senator Gallagher: Once it gets to the parliament, it will be over to the parliament. The work is being done, Senator Bragg.

Senator BRAGG: Okay. If there is another FTX-style collapse in Australia, what will you say to people who lose their money unnecessarily?

Senator Gallagher: That's a hypothetical.

Senator BRAGG: It could be cold comfort. I hope it doesn't happen.

Senator Gallagher: So do I.

Senator BRAGG: So you've allocated \$7.5 million over four years in the budget on these matters. What is the money being used for? What are you doing with that money?

Ms Luu: Some funding is going towards APRA and ASIC.

Senator BRAGG: Yes, but to do what?

Ms Luu: When the regime takes effect, they will need to ramp up and build their skills. This is a new regime. It's currently an unregulated sector.

Senator BRAGG: I know it's unregulated, but there was a whole process in the last parliament, including your department issuing a paper that proposed different ways of regulating it. We have done round and round the circle, and every time you come to estimates about this issue, and every time you give the same answer. You give the answer as the official, I get that, and the government says, 'Oh, the department's working on it.' It's a pretty hopeless outcome for an industry that would want to invest more in Australia and for consumers who would expect their government to try and protect them against unnecessary risks.

Mr J Kelly: I'm not sure there's more that we can add to the answers given. The budget sets out a funding framework going forward for the next few years to support the work. Treasury has made considerable progress understanding—

Senator BRAGG: You haven't.

Mr J Kelly: what has been an extremely complex issue and set of technologies to regulate. We're well advanced in preparing a bill.

Senator BRAGG: If I took that argument, I would never do anything. All you're doing is regulating gatekeepers. You don't need to regulate every single token.

Senator Gallagher: Based on your bill—I think a polite way of saying it is that it's 'half baked'—

Senator BRAGG: I'm one person. You've got a whole department. You're comparing a whole government and the department with one person.

Senator Gallagher: Yes, but we're not in a position to just put a piece of half-baked legislation into the parliament and hope for the best. There has been considerable work done. Maybe we disagree that there was a comprehensive piece of work that we inherited. I don't think that was the case, from what I understand. We've had to build quite a bit more into the regulations and discuss—

Senator BRAGG: There are no regulations.

Senator Gallagher: No—to consult with industry over what might be in the regulations. That's the issue that I think there's a lot of interest in. We're doing that work. It's not the first area that was underdone and underdealt with that we're cleaning up and comprehensively responding to.

Senator BRAGG: You can say all your political spin—

Senator Gallagher: It's true.

Senator BRAGG: but no-one in the industry believes you. No-one would agree with you that we didn't do anything. You've had two years, and you've made no progress on crypto. Australia is going backwards on every measure here.

Senator Gallagher: I don't agree with that.

Ms Luu: I might just add that, in terms of consumer protection, ASIC has taken proceedings against a number of digital asset providers, so there are protections under the existing law.

Senator BRAGG: Wouldn't it be better if we had a comprehensive legal framework?

Senator Gallagher: That's why we're developing one.

Senator BRAGG: We wait with bated breath, but you're not serious about it.

Senator Gallagher: We are serious about it.

Senator BRAGG: We're not going to agree. We don't have to agree. That's a great thing about democracy.

Senator Gallagher: It is.

Senator BRAGG: The people will decide. I want to ask you about this very, very curious ASX ownership change bill. Why are you wanting to do this? Who asked for this and why are you doing it?

Ms Luu: It was a recommendation of the FSI in 2014, to ensure that ASX gets the same treatment as other entities in the financial sector. Are you talking about the 15 per cent?

Senator BRAGG: Why are you doing it? Did the government take it as an election policy? Minister, is this one of your election policies: to change the ASX ownership arrangements?

Senator Gallagher: I don't recall one.

Senator BRAGG: I wouldn't think so. It would be an election-winning policy if you did, though.

Ms Hoang: Can I clarify: does your question relate to the change of approval powers for the minister to parliament or around the change of the threshold?

Senator BRAGG: It's about stripping parliament of its oversight and giving it to a minister to decide the ownership arrangements of the ASX.

Ms Hoang: In 2019 we consulted with industry as part of the Council of Financial Regulators through a broad range of reforms on the financial market infrastructures, including changing legislation to align restrictions to the ASX voting powers to be treated as other widely held market bodies. This proposal was originally brought forth by the 2014 Financial System Inquiry, which recommended to remove market ownership restrictions from the Corporations Act once the current reforms to cross-border regulation of financial market infrastructures are completed. This change aligns with the recommendation of the Financial System Inquiry. It was recommended by the Council of Financial Regulators in its advice to government in 2020. That's why you see it come through the FMI bill that's currently before parliament.

Senator BRAGG: Thanks. That's very useful. When did the government adopt it as policy? This is something that Treasury gave to the government, was it?

Ms Hoang: This is something that was recommended by the Council of Financial Regulators.

Senator BRAGG: I understand that. But I'm trying to work out the mechanics of how the government ended up with this bill in the parliament.

Ms Hoang: In August 2022 the Treasurer at that time agreed to all of the CFR recommendations, and policy authority was subsequently granted by the Prime Minister. That's why it has come through the bill. We undertook public consultation on the draft legislation from 15 December 2023 to 9 February 2024.

Senator BRAGG: So the Treasury has pushed this into the government. The government has swallowed it hook, line and sinker.

Senator Gallagher: Hang on—

Senator BRAGG: Have you or the department taken meetings with ASX or any major investors about this?

Senator Gallagher: I haven't. I can't speak for the Treasury ministers. But let's just listen to what the official said. It has been around a long time, supported by both sides of government, through 2014, 2019, 2020 and 2022. In government you just don't do your election commitments; you have to keep the business of government going as well. So it's not unusual that you would get pieces of work progressed through legislation, especially based on recommendations.

Senator BRAGG: Who are the main proponents of it now?

Ms Luu: We have met with ASX on this matter, and they support the changes in the exposure draft legislation.

Senator BRAGG: I bet they do. Does anyone else?

Ms Hoang: Not that we're aware of.

Mr J Kelly: Just to add, from the point of view of the Reserve Bank of Australia and other regulators, this is seen as a critical piece of regulatory infrastructure to ensure the stability of Australia's financial system.

Senator BRAGG: Why is it critical to strip parliament's oversight? Why is that critical?

Mr J Kelly: I'm talking about the bill overall. You're going to a particular issue in that bill.

Senator BRAGG: Why do you have a bill in the parliament that seeks to remove the disallowance capacity of—

CHAIR: It is getting very specific.

Senator DEAN SMITH: It's in the bill.

Senator BRAGG: This is in the bill. This is Senate estimates.

Senator DEAN SMITH: The officials will know what Senator Bragg is talking about.

CHAIR: I think Mr Kelly may have been indicating that, when there is a bill in front of the parliament and the question in estimates goes to specific clauses of bills, that may be more appropriately dealt with elsewhere. I do need to share the call, so we'll let the officials answer.

Senator Gallagher: Can I follow up? If there's a bill before the parliament, is there a bill before the Senate committee?

Senator BRAGG: No. And as we discussed before—

Unidentified speaker: It hasn't come before the committee yet.

Senator Gallagher: Is it?

Senator BRAGG: Sorry—this is quite a pertinent point.

Senator Gallagher: It must be.

Senator BRAGG: Sorry, can I make this point, Chair?

CHAIR: I don't think it's been referred yet.

Senator Gallagher: Oh, you've finished.

Senator BRAGG: We made this point before. On three occasions we have put questions to Treasury that have not been responded to in the time that the committee had to report back to the Senate.

Senator Gallagher: You raised this earlier.

Senator BRAGG: This is actually one of those three cases. So I think it's reasonable that, if you're not going to answer our questions through the committee process, we should at least be able to ask you about it at Senate estimates. It's not a trick question. I understand the reason that you want to change the ownership arrangements. I don't understand the need to strip away the parliamentary oversight and the disallowance capacity.

Ms Luu: The changes would ensure consistency in the treatment with other entities in the financial sector. This aligns with the way other entities are treated.

Senator BRAGG: Like what?

Ms Luu: It could be a banking sector or other sectors. I understand that the—

Senator BRAGG: What else is like the exchange?

CHAIR: I'm going to share the call. I'll go to Senator Barbara Pocock.

Senator BARBARA POCOCK: Thanks, everyone, for being here at this hour. I want to go to the beneficial ownership registry. The budget announced a \$41.7 million investment over four years to regulate and support new beneficial ownership transparency requirements for Australian companies and other entities. Can you explain exactly what's meant by that?

Mr Dickson: Certainly. The government had made an election commitment to introduce a beneficial ownership register. We've been working through the process of designing that beneficial ownership regime. We are now at a stage where we've undertaken consultation. We've done quite a bit of detailed design work. It's one of those complex areas that's quite challenging to navigate. We've been working through those implementation issues, including, most recently, undertaking a privacy impact analysis, which is helping us to inform further detailed policy design.

The funding that was provided in the budget is enabling us to position the regulator so that they're also prepared to carry out the implementation of a regime. So, by and large, that funding is designed for the regulator uplift that's required so that, once we move into an implementation phase, they'll be ready and prepared. Part of that is related to information technology. As you'd imagine, some capability uplift is rather straightforward to bring in—if you need to bring in people and capability—but IT sometimes takes a bit longer to design and make sure that you've got it in place so that, when you do move forward to an implementation stage, you can do that. That's by and large what that's referring to.

Senator BARBARA POCOCK: Is that going to be a separate, standalone regulator?

Mr Dickson: At this stage, the intent is that ASIC is the regulator for that, so, no, it wouldn't be a separate, standalone regulator.

Senator BARBARA POCOCK: Within ASIC?

Mr Dickson: With ASIC.

Senator BARBARA POCOCK: Will that have separate funding out of that \$41.7 million? We've got other evidence of ASIC being under financial resource pressure.

Mr Dickson: The \$41.7 million includes the funding for ASIC, and the bulk of that is funding for ASIC.

Senator BARBARA POCOCK: When do you think the register will be delivered?

Mr Dickson: Just to explain: in terms of the consultation exercise that we undertook, one of the things that we needed to consider was how we would eventually arrive at something that you would conceptualise as a centralised register. What we're doing is taking a phased approach to that. In the consultation, we've been canvassing the concept that an initial phase would involve making sure that the information is accessible to regulators, which means that one option that's available to the government is the requirement that entities hold that information. What we're doing in relation to centralisation is considering the impacts of other IT processes that are going on in government—for example the Modernising Business Registers program. So rather than transitioning right now into a centralised register, the intent is that we would first consider what the impact would be.

Senator BARBARA POCOCK: I'm just asking when. I appreciate all that detail; it's just that I'm conscious of time at this hour of the night.

Mr Dickson: Apologies about that. In terms of a centralised register, we don't have a timeframe at this stage.

Senator BARBARA POCOCK: This is a project that's had, I think, many years now, but we're still some way off.

Mr Dickson: In terms of many years, it's something that's been considered under various governments in the past, and it's something that was committed to by this government as an election commitment.

Senator BARBARA POCOCK: I think Treasury first committed to a public beneficial ownership register in 2017, so we're slow to get this realised. Am I right?

Mr Dickson: In terms of getting it realised, in terms of the work that we've been doing in Treasury since the election commitment was made, it's actually been quite rapid, if you don't mind me offering that opinion.

Senator BARBARA POCOCK: Do you expect to do this all through regulation, or will there be legislation?

Mr Dickson: There will be legislation if the government decides to move down that path.

Senator BARBARA POCOCK: Do you have a timeline, Minister, on when that might happen?

Senator Gallagher: I don't have one that I can provide you. I'll see if I can.

Senator BARBARA POCOCK: Will it be a compulsory register?

Mr Dickson: In terms of clarifying the use of the term register, maybe we could call it a regulatory regime or whatnot. In terms of compulsory, yes, there would be requirements on entities to comply.

Senator BARBARA POCOCK: What is the definition of people who are required to report?

Mr Dickson: If you look at the consultation paper that we put out under this government, there's information in there that would give you an idea of the sorts of entities. But a good way to characterise it is that there's information that relates to listed entities, and we already have a regime in Australia that deals with listed entities. That's the notices regime that's operated through the ASX. So there's a decision that the government would have to make around what it would do in respect of listed entities. Then there's the decision the government would have to make in relation to unlisted entities. They're the two broad categories of entities, but we also have been provided with funding in the budget to examine whether or not beneficial ownership requirements could also apply in relation to trust arrangements. That's something that's under investigation. But, again, trusts are another degree of complexity beyond what we're already dealing with, so it's something that would be examined at a later stage.

Senator BARBARA POCOCK: Is all of the work on this project being done in house?

Mr Dickson: Yes.

Senator BARBARA POCOCK: There's no external work?

Mr Dickson: Yes, with one caveat, which is that our privacy impact assessment is something that has to be done by a specialist. So we've engaged the Attorney-General's Department, which has provided us with an excellent service on that.

Senator BARBARA POCOCK: There are people who really don't want to see this kind of entity get up. There are real opponents to such a thing. This is probably a question for you, Minister. Are you confident that you will be able to withstand the pressure and that this project is on the road and is going to be implemented?

Senator Gallagher: Yes.

Senator BARBARA POCOCK: You're confident?

Senator Gallagher: Yes.

Senator BARBARA POCOCK: I've got another question, but do you want me to leave it there?

CHAIR: I do. Thank you very much. The committee will now break, and we will still be with Markets Group when we resume.

Proceedings suspended from 20:50 to 21:02

CHAIR: The committee resumes with Treasury Markets Group. Senator Hume.

Senator HUME: Thank you. I have some questions about a media report on Friday, which says that the government has scrapped plans to change the sophisticated investor test. Has Treasury officially abandoned its reforms to manage investment trusts and the sophisticated investor test? Or has it just been placed on hold?

Ms Kelly: The managed investment scheme review was announced in the budget in October 2022. So we have been consulting on that. Part of the terms of reference required us to look at the wholesale and retail client test. The MIS review does that. I think the sophisticated test is being examined by a Senate inquiry into the sophisticated test. That's ongoing. In terms of our MIS review, we've handed our advice to government.

Senator HUME: Advice has gone to government?

Ms Kelly: Yes.

Senator HUME: Sorry, is that then a mistake—the media report on Friday that the government scrapped plans to change any sophisticated investor test?

Dr Moore: The current situation is that we have concluded our review. We provided our advice to government. We provided that advice on 29 May, just last week.

Senator HUME: Right. But that's on wholesale retail, not on sophisticated investing. You said that was a Senate review?

Dr Moore: The parliamentary joint committee is looking at that. The terms of reference for that inquiry are broader than the terms of reference for the MIS review. But the sophisticated investor test was an issue that did arise in submissions during the course of our inquiry.

Senator HUME: During the course of the inquiry—

Dr Moore: That's correct.

Senator HUME: The MIS inquiry?

Dr Moore: That's correct, yes.

Senator HUME: Okay. Did the MIS inquiry that has now gone to government make a recommendation on the sophisticated investor test, or just wholesale and retail?

Dr Moore: I won't go to the content of our advice, but our advice did cover the full terms of reference for the MIS review.

Senator HUME: But the full terms of reference for the MIS review, you just said, covered wholesale and retail but not sophisticated investor. Sophisticated investor is instead covered by the terms of reference for the PJC, I'm assuming?

Dr Moore: That's correct. But it did arise in the course of our review and we did take that into account in preparing our advice to government.

Senator HUME: Okay. And when did you give the advice to government?

Dr Moore: The 29th of May.

Senator HUME: What day was 29 May; was that last Friday?

Dr Moore: It was Wednesday of last week.

Senator HUME: It was last week?

Dr Moore: Yes.

Senator HUME: It sounds like an extraordinary coincidence that you would provide your advice to government last week and on Friday the media reports that the government has scrapped plans to change its sophisticated investor test. Am I reading too much into this?

Senator Gallagher: Yes. There hasn't been a decision of government on this.

Senator HUME: There has not been a decision of government?

Senator Gallagher: No.

Senator HUME: Okay. Has the Minister for Small Business or the minister for industry made any representations to the Assistant Treasurer about the potential impacts on startup financing from these changes?

Dr Moore: I'm not able to advise on that. I understand there have been discussions between ministers' offices on aspects of the review. But we have certainly met with Minister Husic's department through the course of our review.

Senator HUME: Just to be very clear, did your report to government go to the Treasurer or to the Assistant Treasurer?

Dr Moore: To the Assistant Treasurer.

Senator HUME: And he received it in advance of last Friday?

Dr Moore: That is correct. It is now a matter for the minister and for the government how it deals with—

Senator HUME: So there needs to be an official announcement from the Assistant Treasurer about not just that particular recommendation but about other changes that have been recommended to him by you from the MIS review. Yes?

Dr Moore: Yes. It will be—

Senator HUME: And what would the timing of that be?

Dr Moore: That's a matter for the minister and the government.

Senator HUME: Do you think that there was a level of urgency attached to the review? What was the timeframe that was set out for you?

Dr Moore: When the review was announced in March 2023, we were asked to provide our report to government by early 2024. During the course of the review, particularly following the release of submissions that were received on our discussion paper—in late November, early December last year there was an uptick of interest in aspects of the inquiry, including the wholesale investor test and from the VC sector—we chose to extend our review a few months just to ensure that we were able to work through those issues with those stakeholders.

Senator HUME: It is not clear to you whether the report will be made public?

Dr Moore: Our advice is advice to government. It's a matter for government how it deals with our advice.

Senator HUME: Yes. So the government hasn't given you an indication as to whether it will make your recommendations public—

Dr Moore: No.

Senator HUME: and whether it will respond to the recommendations publicly, or even if it has to respond.

Dr Moore: We only gave our advice to government a few days ago. It's a substantial review with quite broad terms of reference.

Senator HUME: How many pages?

Dr Moore: I'm not exactly sure the total number of pages.

Senator HUME: Twenty, 100?

Senator Gallagher: If you want, we'll take it on notice.

Dr Moore: There are a few components. There is our report to government and our advice that encapsulates the report. It would be the order of, in total, 70 or 100 pages.

Senator HUME: Okay. So you've given that report to the Assistant Treasurer and now we await the Assistant Treasurer to respond to that?

Dr Moore: Yes. Obviously the minister and the government have to digest our report and our advice and—

Senator Gallagher: He will routinely discuss it with colleagues.

Senator HUME: Minister, do you have a sense of when there might be a response to this?

Senator Gallagher: No, I don't.

Senator HUME: Do you have a sense of which stakeholders are seeking a response to this review?

Senator Gallagher: I imagine it would be people affected by the managed investment schemes. It would be the stakeholders.

Senator HUME: There are probably a lot of those. I am wondering which stakeholders are waiting with bated breath tapping their fingers.

Senator Gallagher: I don't know.

Dr Moore: We received 85 submissions in total to the review, over the course of it, including submissions that were received this year after our formal consultation process closed. We met with around 55 separate organisations—many of those multiple times. There is definitely broad interest in the review.

Senator HUME: Thank you for that. I've got some more questions, but I'm happy to share the call.

CHAIR: Senator Smith.

Senator DEAN SMITH: Mr Kelly, I want to return to the CDR matter briefly. Can you advise the committee how many ASL are currently working in the Consumer Data Right Implementation Branch of the Markets Group?

Mr J Kelly: There are three branches in my division that have staff working in respect of CDRs. Off the top of my head, do I know the number in that individual branch? No, but overall it's probably 25-plus.

Senator DEAN SMITH: Have you asked the minister for a timetable or a timeframe for the implementation of those matters following the passage of the CDR legislation?

Mr J Kelly: In the usual course of business it would be Treasury who provides advice to the minister on a timeline or timetable.

Senator DEAN SMITH: Has Treasury asked the minister for an indicative timeframe or timetable?

Mr J Kelly: No.

Senator Gallagher: We'll pass the legislation, and, on notice, I'll see if there's anything more I can provide that's helpful about—

Senator DEAN SMITH: That's not good enough.

Senator Gallagher: You don't get to determine what's good enough.

Senator DEAN SMITH: It's just not good enough. The CDR reforms have taken a long time to pass the parliament.

Senator Gallagher: They haven't.

Senator DEAN SMITH: They're uncontested. There's tripartisan support in the Senate and the bill has sat there. Then we hear from Treasury officials that they don't have a timeframe. They don't have a timetable to guide them on those implementation issues, following the passage of the legislation. This could be a never-ending story for CDR advocates.

I'll go back to your opening remarks, Minister, when you identified some of the hesitations or some of the concerns around CDR. These comments come from an *Australian Financial Review* article of yesterday, 2 June—'New MoneyMe chairman accuses banks of stunting competition'. The article says that the CDR system:

... has been weighed down by poor quality data and a slow accreditation process for challengers. There has also been limited enforcement action against big players such as the major banks when they share low-quality data.

It goes on to say:

The banks consider open banking disruptive given it will make it easier for customers to shift providers and threaten their dominant market position.

The article goes on to say:

Analysis by OpenAssure, an open banking compliance platform created by start-up Stay or Go, has found 138,848 data issues across the banking industry as of the start of April.

'We are detecting more issues today than 12 months ago,' Stay or Go chief executive Anthony Fitzgerald said.

And then:

'Some banks are not as focused on CDR product data quality as others. OpenAssure has identified that, among the top 20 banking groups, five banks account for two-thirds of all issues, one of them a major bank,' he said.

The point I'm trying to make is that it's just not good enough for there to be this never-ending—

Senator Gallagher: That's not what we've said.

Senator DEAN SMITH: But Mr Kelly can't give me a timetable for—

Senator Gallagher: That's not the same as never-ending.

Senator DEAN SMITH: There is no timetable.

Mr J Kelly: There is legislation that has established CDR—

Senator DEAN SMITH: And the minister has said it will be put before the Senate in the next sitting fortnight.

Mr J Kelly: It is a scheme that is operating and functioning. For any new scheme there are always going to be issues that are identified that we need to work through. One of those that has been identified, particularly by data holders, goes to the ongoing compliance costs to them of operating the scheme. Another one, which is more relevant to the fintechs and the data recipients, goes to issues around data quality. Data quality is an issue that we are very aware of. It is a matter of concern for some of the participants like MoneyMe. It is something the ACCC has been investing a lot of effort in, in getting its head around what those issues are, and it has quite a detailed plan of action. On that particular issue, that's worth investigating with the ACCC. That's quite separate from the issue of the next stage of CDR, which is around action initiation. Where there is enabling legislation in the parliament, once it's passed it can be used—but we are still in the process of doing the detailed work to support those actions we want to turn on under that legislation. Until we've done that, there is little point in the minister giving us a timetable or us giving the minister a timetable.

Senator DEAN SMITH: Thank you. Have you produced any meeting briefs for the Assistant Treasurer's office that reference the CDR legislation since January this year?

Mr J Kelly: I'm not aware of any, but we can take that on notice.

Senator DEAN SMITH: If you have prepared them, can they be made available to this committee?

Mr J Kelly: I'll take that on notice.

Senator DEAN SMITH: The Clerk has made his views clear in regard to that matter.

I will return to the digital platform services inquiry. On 11 November 2022 the ACCC released the fifth interim report of the digital platform services inquiry. It also issued a fact sheet with the release of that digital platform services inquiry report, which said:

We need targeted competition measures for certain digital platforms

The ACCC recommends legally binding codes of conduct, applied service-by-service, which require certain Designated Digital Platforms to address issues including anti-competitive self-preferencing, tying and exclusive pre-installation agreements.

It's now been 570 days since the ACCC brought down that interim report. It's true, is it, that legislative change is required to take forward the ACCC's recommended legally binding code of conduct to enhance competition in digital platform markets?

Mr T McDonald: Yes, legislation would be required.

Senator DEAN SMITH: Has the legislation passed the parliament?

Mr T McDonald: I mentioned earlier to Senator McKim that the government, following the release of the ACCC's report, asked Treasury to consult on the ACCC's recommendations—which we did from December 2022 to February last year. In December last year the government released its response to that report. Among the things that response said was that the government had tasked Treasury to develop the legislative framework, or what a legislative framework would look like, in order to translate those recommendations into an effective regime. As I mentioned to Senator McKim, that's something we've been working very closely with the ACCC on since then, and we are making very good progress on fleshing that out. The experience internationally is that this is a very complex area that requires a great deal of attention to get the details right. We're trying to pay close attention to the developments internationally—both to the EU scheme that is now in operation and the scheme in the UK that's recently received royal assent.

Senator DEAN SMITH: In the European Union there is a legislative framework now operating?

Mr T McDonald: Correct.

Senator DEAN SMITH: And in the United Kingdom there is now a legislative framework operating?

Mr T McDonald: I think it's received royal assent.

Senator DEAN SMITH: In May 2024; that's right.

Mr T McDonald: I don't think it's operational yet.

Senator DEAN SMITH: What is the timeframe for Australia's legislation framework?

Mr T McDonald: The government's response noted that Treasury, in addition to being tasked with developing the framework for the implementation of digital competition rules, would also consult extensively on those rules. That would be the next step in that process. We're not yet at the point of having that framework ready for consultation. As I mentioned to Senator McKim earlier, I don't think we're too far away from being there but, ultimately, the timing of that consultation would be a matter for government.

Senator DEAN SMITH: Is it anticipated that Australia will legislate those reforms before the expiry of this parliament?

Mr T McDonald: Ultimately, that will be a matter for the government.

Senator DEAN SMITH: It doesn't sound to me that the government's got its foot to the pedal on this either.

Mr T McDonald: As I mentioned before, the time periods involved in the development of the EU and the UK rules were also quite extensive. We're looking to learn from that experience. We've also been talking to a number of participants on either side of those regimes, just to understand the lived experience of how they've been coming into practice. We, working very closely with our colleagues in the ACCC, feel like we're making very good progress, but it's important to get it right.

Senator DEAN SMITH: That's a bit self-congratulatory, because external stakeholders would point to the fact that, over 570 days, progress has been slow. Who benefits as long as there is not an effective competition regulation of digital platforms in Australia? Who's the beneficiary of this go-slow?

Mr T McDonald: I'd say two things. First of all, having effective digital competition rules in place is, I believe, in the national interest—so you would like them to be in place sooner rather than later. But having effective rules is important, and rushing rules that will not achieve the desired or intended purpose, that have unintended costs or that do not achieve the benefits would also be a challenge. Some of the feedback we see from the EU rules in particular is that the way in which platforms have sought to comply with those rules has meant that perhaps they're not achieving immediately the impacts EU authorities may wish them to achieve. I think there is a series of actions EU authorities have taken against a number of platforms to try and effectively enforce that.

Senator DEAN SMITH: No-one is accusing you of rushing to ineffective rules. The Prime Minister said in April this year, when commenting on his Future Made in Australia speech:

Australia's economy is not productive enough, not resilient enough and not competitive enough.

The delay in progressing these reforms, added to the delay in progressing the CDR reforms, is dampening Australia's competitive edge.

Mr T McDonald: Is there a question?

Senator DEAN SMITH: Do you think the delay in the CDR reforms and the digital services platform reforms is dampening Australia's competitive edge?

Mr T McDonald: If we could have the most effective rules possibly at the leading edge of the international debate and have them in place sooner, clearly that would be preferable. But the reality is that there are trade-offs involved in the process and that we undertake detailed analysis and consultations for reasons—that is, to get it right. I think the experience shows many examples of rules where those processes haven't been followed and we then end up worse off overall, because rules that are not effective don't help anyone and also have a significant opportunity cost in that you're not achieving the benefits that you otherwise would.

CHAIR: Thanks, Mr McDonald.

Senator DEAN SMITH: So you think you're working at the optimum speed at the moment, Mr McDonald?

CHAIR: Senator Smith, I'll need to share the call now. I'll go the deputy chair.

Senator BRAGG: Was there a Treasury review into the CDR, or did Treasury ask some other people to help them with it?

Mr J Kelly: There was a statutory review of the CDR undertaken by Ms Elizabeth Kelly, who was an independent reviewer.

Senator BRAGG: Who's Heidi Richards?

Mr J Kelly: One of the issues that have been raised around the CDR, particularly by data holders, has been the ongoing cost of compliance with the CDR. Given that, Treasury has done a range of work to understand those concerns and whether they're supported by the evidence. Late last year we decided to have someone do an independent examination of that issue for us. We did a select tender and we went to three parties to see if they would be willing to do that work. In the end, Ms Richards was available and able to do that work, so we selected her to do that.

Senator BRAGG: Okay. So you gave Ms Richards the contract with Treasury?

Mr J Kelly: That's right.

Senator BRAGG: And to do what exactly?

Mr J Kelly: The contract was essentially to understand what the issues are around costs in the system for the data holders—so to understand those costs and the drivers of those costs. It was also to look at the decision-making processes that we went through in making standards by the data standards chair and rules by the minister. But it essentially went to how Treasury advised the minister on those rules and how we took into account cost considerations. It was to understand the substance of issues and how we improve the process.

Senator BRAGG: So she gave you a report?

Mr J Kelly: She gave us a report at the end of last year.

Senator BRAGG: How much did it cost?

Mr J Kelly: From memory, I'm pretty sure it was \$16,400.

Senator BRAGG: So 16,000 bucks?

Mr J Kelly: A little over.

Senator BRAGG: At this time, did you ask her to fill out a conflict-of-interest form or anything like that?

Mr J Kelly: As part of arranging the contract, advice was sought for any conflict of interest, and she didn't advise of any.

Senator BRAGG: Do you know whether she was working in politics at that time?

Mr J Kelly: At the time of entering the contract, no. There has been subsequent reporting that she was then working for an independent member of parliament. That work related to, apparently, some community housing consultations. We were aware, at the time of arranging the contract, that she was doing work around community housing and a forum; we didn't know who for. That delayed the start of the contract so that that work could essentially be complete before she started the work for Treasury.

Senator BRAGG: Okay. So there was no crossover between her work for the Treasury and her work with a federal member.

Mr J Kelly: I think the work for the federal member extended a few more weeks after the work for Treasury started. I understand it was largely to finish off or finalise the more administrative side of what she'd done.

Senator BRAGG: You seem pretty comfortable that that was managed well.

Mr J Kelly: I'm certainly comfortable with the report that we got from Ms Richards, and we went through the normal kinds of processes in signing the contract.

Senator BRAGG: Fair enough. I want to ask you about the payments proposal. We had a discussion earlier about the ASX and your view, for whatever reason, that parliamentary oversight should be stripped in respect of these ASX ownership arrangements. It's also the case that there's a proposal, isn't there, to give the RBA more power over payments? Where that power is granted, the bank will not be subject to disallowance. So it's a similar approach to what's being proposed with the ASX and its ownership. I guess the question is: what's the story with all these Treasury bills coming to the parliament with a consistent approach to remove parliamentary oversight, or remove the capacity of the parliament to disallow a subordinated piece of legislation?

Mr J Kelly: I might let Ms Luu or one of the branch heads speak to the payment side, but, before going there, I don't think there's a pattern. Coming back to the questions around ASX, my understanding, obtained through the break, of that issue is that it's in the current legislation as a consequence of the history around the demutualisation of ASX. There is a limit there about someone owning more than 15 per cent of ASX. An amount of ownership above that can happen if a regulation is issued by a minister but subject to disallowance by parliament. The changes that are proposed in the bill go to increasing that limited to 20 per cent and allowing the minister to do that on a non-disallowable basis. In effect, that's very similar to the arrangements that exist in, say, owning a similar stake in a bank under the Financial Sector (Shareholding) Act. That is what Ms Luu referred to as being consistent with other legislation. I'll let Ms Luu speak to the payments.

Ms N Luu: I think you're referring to the Payment Systems (Regulation) Act.

Senator BRAGG: Just on that point, Mr Kelly, how many of those reviews that you refer to recommended that the parliament be stripped of its capacity to disallow something?

Mr J Kelly: In the context of the takeover of a specific institution, it's currently the case that the Treasurer—it's typically the Treasurer but it can also be APRA, by delegation—can stop a takeover for ownership above a certain limit, and that is not subject to any disallowance process.

Senator BRAGG: I understand that, Mr Kelly.

CHAIR: Deputy Chair and Mr Kelly, I'm just going to suspend the committee for a moment for a very brief discussion on the program.

Proceedings suspended from 21:32 to 21:33

CHAIR: The committee resumes. The committee would like to let everyone know that we will release the Revenue Group, the ATO, the Tax Practitioners Board and the Australian Charities and Not-for-Profits Commission. We have been making our best endeavours to get to you this evening, but it doesn't appear that we'll be able to do that. In particular, we note that we have a new Commissioner of Taxation, who has been waiting carefully and will be unable to make an appearance this evening—again, despite our best efforts to get there. We will spill over and we will welcome that group for further questions at a later date. We remain with Markets Group. Senator Bragg.

Senator BRAGG: In the interests of time, all I'm asking you is: in these reports that you've referred to, like the FSI and other things, was there a recommendation that said that the parliament should be relieved of its oversight capability, here in these transactions, or was it more of a thematic?

Ms N Luu: Those were not the words. The recommendation was to align the treatment of ASX with other entities in the financial system.

Senator BRAGG: It's a very strange recommendation, because how many other financial market exchanges like the ASX are there? Not many. Just quickly, my last area of inquiry is in relation to this CSLR issue. How many former Treasury officials do you think were investors with Dixon Advisory?

Ms N Luu: I understand there were three previous Treasury officers that did declare a conflict of interest, but I'll just check with Ms Hoang.

Ms Hoang: That's right. On record, we know that three staff members in the department have declared a possible conflict of interest in relation to Dixon Advisory. One Treasury staff member has indicated that the possible conflict of interest ended in November 2019. The other two staff members did not work on any matters relating to the CSLR. None of the declarations represent current conflicts with respect to the staff members' role with Treasury.

Senator BRAGG: How many former Treasury officials have sought meetings with Treasury officials about Dixon, if any?

Mr J Kelly: Can you repeat the question, Senator? I didn't fully understand your—

Senator BRAGG: It wasn't a trick question. How many former Treasury officials have sought meetings with Treasury about the Dixon matter?

Mr J Kelly: Is that in a personal capacity?

Senator BRAGG: Any capacity. I'm trying to get to the bottom of this.

Ms N Luu: I'm not aware of any Treasury officials that have sought a meeting on this.

Senator BRAGG: None?

Ms N Luu: We will have to be—

Mr J Kelly: I am aware of one former Treasury member, who is in an industry association, who may have sought meetings. It's hard to sit here. We could take it on notice, but there are plenty of people that have worked in Treasury and have gone on to other careers, and it's hard to always track them all.

Senator BRAGG: Maybe I should just ask you the direct question: do you think there's been any undue influence on the department by people who have lost money in the Dixon fiasco?

Mr J Kelly: No.

Senator BRAGG: How much of the CSLR is going to be appropriated—to use that expression loosely—for the Dixon saga?

Ms Hoang: I can say that the majority of the compensation to be paid out under the CSLR due to complaints against Dixon Advisory will be paid by the one-off levy of \$241 million, levied on the 10 largest banks and insurers. Other than that, we do have an estimate for the first levy period, which is between 2 April to 30 June 2024. The CSLR operator has estimated that that first levy period is \$4.8 million, in which \$0.15 million would be attributed to Dixon Advisory claims. The second levy period spans between 1 July 2024 to 30 June 2025. It's been estimated that the levy will be \$24.1 million, of which \$10.8 million is attributed to Dixon Advisory claims. We don't know the estimates for any future levy periods, because it hasn't been estimated yet.

Senator BRAGG: So about 40 per cent of it is in that second year?

Ms Hoang: That's right.

Senator BRAGG: My final question, then, is to you, Minister. Given that ASIC has not been able to even pursue the fine of \$7 million with Dixon, does the government think this is a good resolution? Ultimately, this entity, which has an ongoing function in some way, is now being tidied up by other people in this industry where the regulator hasn't pursued all the options. I'm just wondering whether you, or the government, has a view on this as an outcome, because ultimately now this is going to fall on people that have nothing to do with this.

Senator Gallagher: The compensation scheme of last resort was a recommendation of the Hayne royal commission—

Senator BRAGG: I understand that.

Senator Gallagher: yes—passed with bipartisan support, and this is the purpose of the compensation scheme of last resort.

Senator BRAGG: But do you think ASIC could have done more?

Senator Gallagher: You can put that question to ASIC tomorrow.

Senator BRAGG: Government doesn't have a view?

Senator Gallagher: I think that question is best placed to ASIC.

Senator BRAGG: Thanks.

CHAIR: Senator Smith.

Senator DEAN SMITH: Mr Kelly, I'm just looking at the organisational structure for the Treasury, and I just want to be clear. In the Market Conduct and Digital Division, it says there's the CDR Implementation Branch, the Corporations Branch, the Competition and Consumer Branch, the Data and Digital Infrastructure Branch, the Data Standards Body and the Food and Grocery Code Review Secretariat.

Mr J Kelly: Yes.

Senator DEAN SMITH: Can you identify for me how many ASL there are in each of those branches?

Mr J Kelly: Not off the top of my head, precisely.

Senator DEAN SMITH: Perhaps we can do it roughly.

Mr J Kelly: The Corporations Branch, I'd say, is about 40. The Competition and Consumer Branch, I'd say, is about 30. The implementation branch would be under 20. The Data and Digital Infrastructure Branch has 25 to 30. The Data Standards Body has five or so APS staff. It has 20 or so contractors. Of course, I haven't included the SES in those headcounts, but they're all rough numbers.

Senator DEAN SMITH: In the CDR Implementation Branch, you said there were under 20. Is that between 10 and 20?

Senator Gallagher: Do you want the exact ASL for all of this?

Mr J Kelly: Between 10 and 20, Senator.

Senator DEAN SMITH: Mr Kelly's doing very well, Minister.

Senator Gallagher: I just—

Senator DEAN SMITH: You shouldn't interrupt his train of thought like that. It's embarrassing. And now I've missed what Mr Kelly just said.

Senator Gallagher: I think going on not accurate things is not that useful.

Senator DEAN SMITH: You'd be surprised how someone who thinks they're guessing is actually getting it correct.

Senator Gallagher: So you know the answer?

Senator DEAN SMITH: No, I'm just reducing the workload for Mr Kelly.

CHAIR: We're trying to release Markets, aren't we?

Senator DEAN SMITH: No, Markets is going till 10.

Senator Gallagher: It doesn't appear so!

CHAIR: Till 10—yes, that's right. I'm just giving us a bit of a rev-up to get there.

Senator DEAN SMITH: I thought it was a hard marker.

CHAIR: Yes, a hard marker at 10. We've got 15 minutes.

Senator Gallagher: It is—because we've squibbed on the breaks.

Senator DEAN SMITH: So it doesn't matter if we get there quickly or slowly. It's still 10 o'clock.

Senator Gallagher: We're definitely out at 10.

Senator DEAN SMITH: I want to turn to the matter of the competition review. Thank you, gentlemen. Thank you for your deliberative work. When last I looked, there was an unanswered question on notice about the competition review's work plan. Is that still unanswered?

Mr J McDonald: I don't actually recall that question not being answered, so I'll make best endeavours to look into it.

Mr Bezzi: Was that a question asked by Senator Hume?

Senator HUME: It was a while back. I can't remember.

Senator Gallagher: She's asked 13,000 of them! No wonder you don't remember!

Senator DEAN SMITH: I think who asked it is less important than what was asked.

Mr Bezzi: I'm just trying to clarify whether or not—

Senator DEAN SMITH: My understanding is that the unanswered question deals with the competition review's work plan.

Mr Bezzi: I've got a response here dated 23 February 2024. The senator who asked the question was Senator Hume. The question number was AET096.

Senator DEAN SMITH: Thank you very much. My apologies for missing that. The budget contains some additional moneys to fund the competition review to undertake work on a range of measures. What was the quantum of moneys that were allocated to the competition review?

Mr J McDonald: We're getting \$6.1 million in 2024-25 and I think \$1.2 million the year after that, and about half a million in 2023-24.

Senator DEAN SMITH: In the budget measures, under competition reform, it says that the government will provide '\$13.9 million over five years from 2023-24 (and \$0.3 million per year ongoing) to progress competition reforms to include'—and there are three identified there: the current merger controls, expansion of the competition review which was announced in 2023 to include advice on non-compete clauses, and developing a regulatory initiatives grid. Are you able to identify for me what quantum of funds have been allocated to each of those three tasks?

Mr J McDonald: Since that involves some things that aren't in the taskforce, I'll take that on notice and get that for you.

Senator DEAN SMITH: Okay. Thanks very much. Turning to the matter of non-compete clauses—and I notice that the assistant minister had an opinion piece today on the matter; prolific!—has the Department of Employment and Workplace Relations been consulted by Treasury with respect to the issues paper?

Mr J McDonald: Yes.

Senator DEAN SMITH: How did that form of consultation take place?

Mr J McDonald: We've been consulting them quite closely on every step of the process, including looking at drafts of the issues paper and obviously also the potential policy processes going forward.

Senator DEAN SMITH: Why is the subject matter in the competition review mechanism in Treasury and not in the department of employment?

Mr J McDonald: There are a number of different elements of the non-competes which go even beyond workplace relations types of issues, and some of the potential options for reform go outside of the Fair Work Act, for example. Some of the issues, including no-poach agreements, are inside the Competition and Consumer Act, so it's a broader remit than just employment issues.

Senator DEAN SMITH: I accept that.

Mr Bezzi: I might add that there are aspects of non-competes in agreements like franchise agreements, and the taskforce has been asked to look at those issues while we're looking at non-competes. So, it's a broad range of issues, mainly in the area of employment but not only in the area of employment.

Senator DEAN SMITH: Has the minister for employment met with the Treasurer on the topic of non-compete and other restraint clauses?

Mr J McDonald: Not to my knowledge, but they may have discussed it at other meetings.

Senator DEAN SMITH: Are you aware of any potential amendments to the Fair Work Act having been drafted in respect to non-compete and other restraint clauses?

Mr J McDonald: There is no clear commitment of the government to reform non-competes in any particular way. We have just concluded an issues paper process where the community has provided advice and their points of view on the issue of non-competes, whereas any potential changes, if any, is a matter for government to consider.

Senator DEAN SMITH: When the review was announced, there was some commentary on the taskforce making a contribution to the aviation paper process. Has the Competition Review Taskforce made any representations, provided any views, to the aviation review?

Mr J McDonald: Yes, we've been working closely with the aviation white paper people within the department of infrastructure and transport and providing support for them in their efforts on the white paper.

Senator DEAN SMITH: What are the themes or issues you've drawn to their attention?

Mr J McDonald: We've been doing some analysis in particular of competition on particular aviation routes. I think some of that has become public, and we're hoping for more of that to become public in the future, and consulting on and talking to stakeholders about different issues within aviation that are affecting competition.

Senator DEAN SMITH: Has the issue of cabotage been discussed between yourselves and the department of transport?

Mr J McDonald: Different stakeholders have raised that with us, and we've been talking about that and many other options with that department.

Senator DEAN SMITH: In a limited sense, rather than a wholesale sense?

Mr J McDonald: Just as one of the many issues around competition.

Senator DEAN SMITH: In subsequent commentary, the Treasurer has reflected on how to use federal-state relationships as a way of progressing competition issues. Where are those discussions up to?

Mr J McDonald: In the budget part of the renewed emphasis and reprioritisation of what the competition review should be doing is working more closely with the states on revitalising the National Competition Policy. We've been working quite closely with the states to do that around three main areas: what kind of institutional framework the National Competition Policy has that might need to be reformed, what principles underlie the existing competition policy that was agreed to by Hilmer and are still in place, and what policies the National Competition Policy is responsible for that might need to be refocused to meet some of the modern challenges facing the Australian economy.

Senator DEAN SMITH: Are there any—

CHAIR: I need to share the call with your colleague.

Senator HUME: That's alright; you can keep going. I've got a couple.

Senator DEAN SMITH: Are there any timeframes attached to the consideration of those issues? Is there a mechanism for reporting back?

Mr J McDonald: Yes. We have quite a vigorous steering committee with the states, and the Treasurer is looking to revitalise the NCP to be ready, potentially, by the end of the year, depending on how those negotiations and discussions with the states and territories go.

Senator DEAN SMITH: How are they being progressed? Is it a subcommittee or a steering group of the Council on Federal Financial Relations or is it a National Cabinet subcommittee process?

Mr J McDonald: There is a steering committee on, explicitly, national competition policy, which is within the treasuries of each state and territory. It's at deputy secretary level, and they meet regularly. There's also a working group—

Senator DEAN SMITH: What is that state and territory head of treasuries—

Mr J McDonald: There's Heads of Treasuries—

Senator BRAGG: That's the forum name.

Mr J McDonald: Heads of Treasuries is who they report to.

Senator DEAN SMITH: Yes.

Mr J McDonald: And then deputy heads of treasuries—at that equivalent level, there's a steering group. There's also a working group at the same time which is trying to do a lot of the hard yards at that level.

Senator DEAN SMITH: Last estimates I asked the secretary to reflect on whether or not he thought financial incentives might be necessary to drive competition reform at that state level, and he didn't rule it out. Are financial incentives being considered as part of the discussion? Have they been ruled out?

Mr J McDonald: Part of the agreement that the treasurers have reached is the beneficiary principle that the jurisdiction that does a reform and bears the costs of implementing any competition reform should benefit fiscally from that reform. That is a principle underpinning all the negotiations with the states and work that we've been doing with them on institution policies and principles.

Senator DEAN SMITH: I will defer to Senator Hume.

Senator HUME: In the very little time that we have left I want to run through an update on some of the reviews that are going on at the moment. There is, first, the food and grocery code review. When is Dr Emerson's final report due to be delivered?

Mr J Kelly: While Mr McDonald is joining the table I will jump back to a question from Senator Bragg relating to the value of Heidi Richards's contract. It's \$16,500 inclusive of GST.

CHAIR: Thank you.

Mr T McDonald: Senator Hume, Dr Emerson's report is due by 30 June.

Senator HUME: Terrific. The Treasurer and the Prime Minister launched the interim report. There are recommendations in that report. Are they now formally government policy?

Mr T McDonald: I think the normal process would be that that would follow the release of the final report, and that would then go through the formal decision-making process.

Senator HUME: Have any of the interim report's recommendations been implemented?

Mr T McDonald: They haven't been implemented yet, no.

Senator HUME: Thank you. Was an interim report a requirement of the review?

Mr T McDonald: No. From my recollection, I think it was Dr Emerson's initiative to undertake an interim report. But I think that it has been quite a useful innovation, and I understand that's the feedback that stakeholders have provided as well.

Senator HUME: One of the things that the government made a lot of noise about was making the code mandatory. That shouldn't be a complicated procedure, surely? It's just drafting an instrument. When will that happen?

Mr T McDonald: I think that would require changes to the Competition and Consumer Act.

Senator HUME: So it's a legislative change rather than simply just drafting it?

Mr T McDonald: I would think so, because part of making an instrument mandatory is that there needs to be a consequence in order for that act to follow. I think that Dr Emerson had recommendations in relation to firm positions in relation to the code being both mandatory and there being penalties. Both of those things together would require legislative changes.

Senator HUME: Excellent—that's very helpful. Thank you. Obviously, Dr Emerson was remunerated for his time doing the review. Was that a contracted amount or was it per diem?

Mr T McDonald: It was a daily rate. We went through this at the last estimates—

Senator HUME: Yes.

Mr T McDonald: The rate for a full day was \$1,650 per day.

Senator HUME: Was doing media on the interim report included as part of that daily rate?

Mr T McDonald: All the invoices come to me for approval, but I think that media would be included in the terms of reference for the review, and would be—

Senator HUME: Is it possible to check whether that was included in the terms of employment on that per diem—

Mr T McDonald: I would see that as part of it. Those are things that I would have approved—

Senator HUME: You would have approved that?

Mr T McDonald: and I would have approved them on the basis that they would be part of his undertaking of that review.

Senator HUME: Right. I want to ask some questions about an independent review into the implementation of continuous disclosure laws which was undertaken in 2021. Has the government responded to the Treasury's 2021 review into the changes to continuous disclosure rules?

Mr Dickson: No.

Senator HUME: No, it hasn't—okay. Do you know then if the government intends to accept or reject the recommendation to repeal the 2021 changes?

Mr Dickson: Sorry, I don't have information on what the government has decided in relation to that.

Senator HUME: Minister, can you enlighten us at all?

Senator Gallagher: I don't have any further information.

Senator HUME: Could you seek some further information?

Senator Gallagher: I'm happy to do that.

Senator HUME: Thank you. Do you know if there's an expected timeframe for the government to respond to that review?

Mr Dickson: Yes. There's a statutory timeframe for that. The response from the government is due in August.

Senator HUME: Due in August this year?

Mr Dickson: Due in August this year.

Senator HUME: Terrific. Do you know if the government remains opposed to the changes, which it noted through second reading amendments back in 2021?

Mr Dickson: I don't have information on what the government's current view is.

Senator HUME: Minister, will the government repeal the requirements for ASIC to prove recklessness, negligence or knowledge when pursuing penalties in response to breaches for continuous disclosure laws?

Senator Gallagher: I'll have to come back to you on that.

Senator HUME: You'll take that on notice?

Senator Gallagher: Yes.

Senator HUME: Now, about the quality of advice review: I want to understand if the government has given further thought to changing the designation 'qualified adviser' in the second tranche of the quality-of-advice response to something more specific, like 'product adviser'?

Dr Moore: I think we went through a little bit of this in the last hearings. There certainly have been comments and concerns about the label 'qualified adviser' and that it may be misleading.

Senator HUME: Yes.

Dr Moore: In the course of developing the legislation this year, we have engaged, both through roundtables and bilaterally, with a number of stakeholders who are invested in the reforms. In the course of those discussions we've acknowledged the concerns which have been raised. And we've raised the question about the label and inquired about whether alternative labels might be more appropriate. We've had some suggestions. What was the label that you—

Senator HUME: 'Product adviser'.

Dr Moore: That was one of the ones, but there were others. There has been no decision about a change to the label—

Senator HUME: No decision.

Dr Moore: That will be sorted through in the course of finalising the legislation.

Senator HUME: Was the evidence you received, essentially, that it would undermine steps taken over many, many years towards professionalisation of the financial advice industry if you simply designated someone as a qualified adviser?

Dr Moore: The feedback from some stakeholders was that with relevant providers or the professional adviser class, there might be some confusion about the level of qualification of the new class, relative to the professional class, because the government's position is that relevant providers should have a higher qualification than qualified advisers.

Senator HUME: There were significant drafting errors in the 'delivering better financial outcomes bill', even before it made it to parliament. Things like accidentally banning life insurance commissions. When were those drafting errors first identified?

Dr Moore: There were two drafting errors in the bill. One is the one that you referred to and a second one was a small typographical error in a penalty provision. The first one relating to conflicted remuneration for general advice in relation to insurance products was alerted to us about two or three days after the bill was introduced.

Senator HUME: Who by?

Dr Moore: The Council of Australian Life Insurers, the Insurance Council of Australia and Radford Lawyers.

CHAIR: Thank you everyone for participating.

Committee adjourned at 22:01