

Additional Estimates 2008–09

Report to the Senate

Introduction

1.1 On 4 December 2008 the Senate referred to the committee for examination and report the following documents in relation to the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury portfolios:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2009 [Appropriation Bill (No. 3) 2008-2009];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2008 [Appropriation Bill (No. 4) 2008-2009];
- Final Budget Outcome 2007-2008; and
- Advance to the Finance Minister as a final charge for the year ended 30 June 2008.¹

Portfolio structures and outcomes

1.2 The committee notes that no changes have been made to the portfolio structures and outcomes of the three portfolios since the 2008-09 Budget Estimates round.

1.3 The structures and outcomes for each of the portfolios are summarised in the appendices as indicated below:

- Innovation, Industry, Science and Research (Appendix 4);
- Resources, Energy and Tourism (Appendix 5); and
- Treasury (Appendix 6).

Questions on notice

1.4 The committee draws the attention of all departments and agencies to the deadline of Friday, 14 April 2009 for the receipt of answers to questions taken on notice from this round. As the committee is required to report before responses to questions are due, this report has been prepared without reference to any of these responses. The secretariat has prepared indexes for questions taken on notice during and after the hearings and these will be made available on the following website http://www.aph.gov.au/Senate/committee/economics_ctte/estimates/add_0809/index.htm.

1.5 The committee commends the Innovation, Industry, Science and Research portfolio and the Resources, Energy and Tourism portfolio for submitting all answers

1 *Journals of the Senate*, No. 52, 4 December 2008, p. 1446.

to questions on notice from the 2008-09 Budget Estimates and Supplementary Budget Estimates rounds on time.

1.6 Conversely, the committee expresses concern that, as at the date of this report, one final answer from the Treasury portfolio remains outstanding from the 2008-09 Supplementary Budget Estimates round. The committee also notes that no answers were received from the Treasury portfolio by the due date for that round.

General comments

1.7 The committee received evidence from Senator the Hon Kim Carr, Minister for Innovation, Industry, Science and Research; Senator the Hon Stephen Conroy, representing the Treasurer and Assistant Treasurer; Senator the Hon Nick Sherry, Minister for Superannuation and Corporate Law; and officers from the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury portfolios.

1.8 The committee thanks the ministers and officers who attended the hearings for their assistance.

1.9 The committee conducted hearings over two days, from 25-26 February 2009. In total the committee met for 22 hours and 36 minutes, excluding breaks.

Record of proceedings

1.10 This report does not attempt to analyse the evidence presented over the two days of hearings. However, it does include a brief list of the issues that were traversed by the committee for all portfolios.

1.11 Copies of the Hansard transcripts are available on the internet at http://www.aph.gov.au/Senate/committee/economics_ctte/estimates/add_0809/index.htm. Copies are also tabled with this report for the information of the Senate.

Matters raised – Innovation, Industry, Science and Research portfolio

1.12 On 26 February 2009, the committee examined the estimates for the:

- Department of Innovation, Industry, Science and Research;
- Office of the Chief Scientist;
- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Australian Research Council (ARC); and
- Australian Nuclear Science and Technology Organisation (ANSTO).

1.13 Matters examined included the following:

Department of Innovation, Industry, Science and Research²

- Australian Stem Cell Centre (pp 75–76 and 97–98);
- job losses at Pacific Brands (pp 76–78 and 85);
- jobs in the manufacturing and textile, clothing and footwear sectors (pp 78–82);
- appearance of the Prime Minister in a Holden advertisement (pp 82–83);
- impact of the Government's \$42 billion economic stimulus package on the Innovation, Industry, Science and Research portfolio (pp 83–84);
- Green Car Innovation Fund (pp 84, 88 and 92);
- North East Tasmania Development Program (pp 84–85);
- assistance to the textile, clothing and footwear industry (p. 85);
- other matters arising from the information provided in the Portfolio Additional Estimates 2008-09, Appropriation Bill (No. 3) 2008-09 and Appropriation Bill (No. 4) 2008-09, including an additional section 32 transfer, a decrease in estimates relating to the liquid petroleum gas vehicle scheme, Commercial Ready rephasing, and the Australia-India Strategic Research Fund (pp 85–87);
- Drivetrain Systems International (pp 87–88);
- Melba Industries (pp 88–89);
- \$149 million grant to Holden (pp 89–91);
- ASEAN free trade agreement (pp 91–92);
- Review of the Australian Textile, Clothing and Footwear Industry (pp 92–93);
- departmental involvement in Treasury modelling for the Carbon Pollution Reduction Scheme (pp 93–94);
- Tasmanian paper mills (pp 94–96);
- effect of international developments on the Australian automotive industry (pp 96–97);
- Australia's biotechnology industry (pp 98–100);
- Review of the National Innovation System (pp 100–103); and
- Nanotechnology research (pp 103–105).

2 Transcript page numbers for the Department of Innovation, Industry, Science and Research, refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

Office of the Chief Scientist³

- staffing for the Office of the Chief Scientist (p. 105);
- priority issues for the Chief Scientist (p. 105); and
- role of the Chief Scientist (pp 105–107).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)⁴

- opening statement from new CSIRO Chief Executive (pp 107–108);
- research relating to bushfires (pp 108 and 111–112);
- impact of efficiency dividends on CSIRO operations and Report 413 of the Joint Committee of Public Accounts and Audit relating to efficiency dividends and small agencies (pp 108–110 and 112–113);
- geosequestration research (p. 110);
- new CSIRO charter (pp 110–111, 123 and 124–125);
- research relating to exploration, extraction and processing of mineral resources (p. 111);
- UltraBattery research project (p. 111);
- risk assessment model relating to air service officers (pp 113–115);
- research at the Australian Animal Health Laboratory and recommendation 59 of the *One Biosecurity – a Working Partnership* report relating to the importation of positive control samples (including the foot and mouth disease virus) for use in laboratory diagnostic research and capacity building for exotic disease pathogens (pp 115–119);
- reduction in staff numbers (pp 119–120);
- impact of the closure of the Commercial Ready program on the CSIRO's ability to attract external income (pp 120–121);
- travel expenditure (pp 121–122);
- asset sales (pp 122–123);
- implementation of a new information technology system relating to financial reports (pp 123–124);
- consultancies (p. 124);
- research relating to alternatives to mulesing (p. 125);
- bee health research (p. 125);

3 Transcript page numbers for the Office of the Chief Scientist, refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

4 Transcript page numbers for the Commonwealth Scientific and Industrial Research Organisation (CSIRO), refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

- forestry research and the Gunns Pulp Mill in Tasmania (pp 125–127);
- nanotechnology research (pp 127–128);
- research relating to northern Australia (pp 128–130); and
- climate change research (pp 130–131).

Australian Research Council (ARC)⁵

- assessment of academic journals (pp 131–132);
- measurement of applied research (pp 132–133);
- ARC grant programs (pp 133–134);
- ARC's internationalisation objective (pp 134–135); and
- senior staff (pp 135–136).

Australian Nuclear Science and Technology Organisation (ANSTO)⁶

- impact of funding cuts on ANSTO operations (pp 136–137); and
- operation of the new OPAL nuclear reactor (pp 137–138).

Matters raised – Resources, Energy and Tourism portfolio

1.14 On 26 February 2009, the committee examined the estimates for the:

- Department of Resources, Energy and Tourism; and
- Tourism Australia.

1.15 Matters examined included the following:

Department of Resources, Energy and Tourism⁷

- operation of the National Tourism Incident Response Plan (pp 45–50);
- tourism industry accreditation scheme (pp 50–51);
- effect of changes to industrial awards on the tourism industry (p. 51);
- Australian Tourism Export Council (pp 51–52);
- assistance to the north Queensland tourism industry (pp 52–53);
- radioactive waste (pp 59–61);

5 Transcript page numbers for the Australian Research Council (ARC), refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

6 Transcript page numbers for the Australian Nuclear Science and Technology Organisation (ANSTO), refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

7 Transcript page numbers for the Department of Resources, Energy and Tourism, refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

- foreign ownership in the resources sector (pp 61–63 and 71–72);
- Renewable Energy Fund and the Renewable Energy Demonstration Program (pp 63–65);
- feed-in tariffs (pp 65–66);
- carbon capture and storage and the Global Carbon Capture and Storage Institute (pp 66–67, 68–71 and 72–73); and
- flow-through shares initiative (pp 67–68).

Tourism Australia⁸

- impact of increased climate change awareness on tourism industry (pp 53–54);
- inbound tourism from India (p. 54);
- inbound tourism from Japan (pp 54 and 55–56);
- *Australia* destination campaign (pp 54–55, 56–57 and 58);
- tourism forecasting (pp 57–58);
- No Leave, No Life program (p. 59); and
- Business Events Australia program (p. 59).

Matters raised – Treasury portfolio

1.16 On 25 February 2009, the committee examined the estimates for the:

- Treasury – outcome 1: sound macroeconomic environment;
- Treasury – outcome 2: effective government spending arrangements;
- Treasury – outcome 3: effective taxation and retirement income arrangements;
- Treasury – outcome 4: well functioning markets;
- Australian Taxation Office (ATO);
- Australian Prudential Regulation Authority (APRA); and
- Australian Securities and Investments Commission (ASIC).

1.17 On 26 February 2009, the committee examined the estimates for the:

- Australian Bureau of Statistics (ABS);
- Australian Office of Financial Management (AOFM);
- Australian Competition and Consumer Commission (ACCC); and
- Productivity Commission.

8 Transcript page numbers for Tourism Australia, refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

1.18 Matters examined included the following:

Treasury – outcome 1: sound macroeconomic environment⁹

- global financial crisis and economic stimulus packages (pp 4–48)

Treasury – outcome 4: well functioning markets¹⁰

- short selling (pp 48-49);
- car dealer special purpose vehicle (pp 49–58); and
- foreign acquisitions, including Chinalco's proposal to invest in Rio Tinto (pp 58–62).

Treasury – outcome 2: effective government spending arrangements¹¹

- First Home Owners Grant and the First Home Owners Boost (pp 62–65);
- housing provisions in the \$42 billion economic stimulus package (pp 65–68);
- climate change modelling (pp 68–86); and
- growth in government spending (pp 86–87).

Treasury – outcome 3: effective taxation and retirement income arrangements and the Australian Taxation Office (ATO)¹²

- impact of the global financial crisis on retirees and pensioners (pp 87–91 and 92–93);
- default superannuation funds (pp 91–92 and 93–97);
- consultancies (p. 93);
- First Home Saver Accounts (pp 97–99);
- taxation treatment of the accelerated depreciation of irrigation and farming equipment (pp 99–100);
- recovery of tax debts (pp 100–101);
- Review of Australia's Tax System (pp 101–103);
- taxation revenue as a proportion of gross domestic product (pp 103–106);

9 Transcript page numbers for the Treasury – outcome 1, refer to *Proof Hansard*, 25 February 2009 (see the index at Appendix 2 of this report).

10 Transcript page numbers for the Treasury – outcome 4, refer to *Proof Hansard*, 25 February 2009 (see the index at Appendix 2 of this report).

11 Transcript page numbers for the Treasury – outcome 2, refer to *Proof Hansard*, 25 February 2009 (see the index at Appendix 2 of this report).

12 Treasury – outcome 3 and the Australian Taxation Office were heard together. Transcript page numbers for the Treasury – outcome 3 and the ATO, refer to *Proof Hansard*, 25 February 2009 (see the index at Appendix 2 of this report).

- taxation of ready-to-drink alcoholic beverages (pp 106–107);
- changes to the Medicare Levy Surcharge thresholds (p. 107);
- cash payment component of the \$42 billion economic stimulus package (pp 107–108);
- managed investment schemes (p. 108); and
- ATO overspend and the impact of efficiency dividends on the ATO's staff numbers (pp 108–111).

Australian Prudential Regulation Authority (APRA)¹³

- opening statement outlining global financial market developments and their implications for APRA and financial institutions (pp 111–112);
- superannuation fund losses (pp 112–113);
- superannuation fund performance reporting (pp 113–114);
- default superannuation funds (pp 114–117);
- superannuation fees (p. 117);
- Australian financial institutions' exposure to the United States subprime mortgage market (pp 117–118);
- bank deposit guarantee (pp 118–120);
- industry superannuation funds (pp 120–121); and
- executive remuneration (pp 121–123).

Australian Securities and Investments Commission (ASIC)¹⁴

- principles of continuous disclosure applying to publicly listed companies (pp 123–126);
- rumourtrage (p. 126);
- short selling (p. 126);
- trading during blackout periods (pp 126–127);
- Storm Financial (pp 127–136 and 137–139); and
- Drivetrain Systems International (pp 136–137).

13 Transcript page numbers for the Australian Prudential Regulation Authority (APRA) refer to *Proof Hansard*, 25 February 2009 (see the index at Appendix 2 of this report).

14 Transcript page numbers for the Australian Securities and Investments Commission (ASIC) refer to *Proof Hansard*, 25 February 2009 (see the index at Appendix 2 of this report).

Australian Bureau of Statistics (ABS)¹⁵

- impact of budget cuts on ABS operations and statistical products and services (pp 4–8 and 9); and
- undercounting of indigenous people in the 2006 census (pp 8–9).

Australian Office of Financial Management (AOFM)¹⁶

- government bonds (pp 9–15)

Australian Competition and Consumer Commission (ACCC)¹⁷

- predatory pricing complaints and the Birdsville amendment to the *Trade Practices Act 1974* (pp 15–16 and 21);
- creeping acquisition complaints (pp 16–17, 19–20 and 21);
- unconscionable conduct complaints (pp 17–18)
- complaints relating to the franchising code of conduct (p. 18);
- petrol prices (pp 18–19, 20, 21–24 and 27);
- Grocerychoice website (pp 20–21 and 35–38);
- ACCC examination of fertiliser prices (pp 24–25);
- horticulture code (pp 25–27);
- legal and competition issues associated with the Australian Business Investment Partnership (pp 27–33); and
- national broadband network (pp 33–35).

Productivity Commission¹⁸

- opening statement on developments in relation to the Productivity Commission's work program (pp 38–39);
- regulatory burdens (pp 39–41);
- work relating to overcoming indigenous disadvantage (pp 41–42); and
- maternity leave (pp 42–43).

15 Transcript page numbers for the Australian Bureau of Statistics (ABS) refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

16 Transcript page numbers for the Australian Office of Financial Management (AOFM), refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

17 Transcript page numbers for the Australian Competition and Consumer Commission (ACCC) refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

18 Transcript page numbers for the Productivity Commission refer to *Proof Hansard*, 26 February 2009 (see the index at Appendix 2 of this report).

Senator Annette Hurley
Chair