

The Senate

Economics
Legislation Committee

Additional estimates 2009–10

February 2010

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Senate Economics Legislation Committee

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Senator Annette Hurley, Chair	South Australia, ALP
Senator Alan Eggleston, Deputy Chair	Western Australia, LP
Senator David Bushby	Tasmania, LP
Senator Doug Cameron	News South Wales, ALP
Senator Louise Pratt	Western Australia, ALP
Senator Nick Xenophon	South Australia, IND

Other senators in attendance

Senator the Hon Eric Abetz	Tasmania, LP
Senator the Hon Ronald Boswell	Queensland, NATS
Senator the Hon George Brandis SC	Queensland, LP
Senator the Hon Richard Colbeck	Tasmania, LP
Senator the Hon Helen Coonan	New South Wales, LP
Senator Steve Fielding	Victoria, FFP
Senator Mitch Fifield	Victoria, LP
Senator the Hon Bill Heffernan	New South Wales, LP
Senator Barnaby Joyce	Queensland, LNP
Senator Scott Ludlam	Western Australia, AG
Senator the Hon Ian Macdonald	Queensland, LP
Senator Julian McGauran	Victoria, LP
Senator Christine Milne	Tasmania, AG
Senator the Hon Nicholas Minchin	South Australia, LP
Senator Stephen Parry	Tasmania, LP
Senator the Hon Michael Ronaldson	Victoria, LP
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Additional Estimates 2009–10

Report to the Senate

Introduction

1.1 On 26 November 2009 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 2010 [Appropriation Bill (No. 3) 2009-10];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2010 [Appropriation Bill (No. 4) 2009-10]; and
- Final Budget Outcome 2008-09.

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 2009-10 Budget Estimates round.

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

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

Questions on notice

1.4 The committee draws the attention of all departments and agencies to the deadline of Thursday, 1 April 2010 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 indices 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/index.htm.

General comments

1.5 The committee received evidence from Senator the Hon Nick Sherry, Assistant Treasurer; Senator the Hon Kim Carr, Minister for Innovation, Industry, Science and Research; Senator the Hon Penny Wong, Minister for Climate Change and Water and officers from the Innovation, Industry, Science and Research; Resources, Energy and Tourism; and Treasury portfolios.

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

1.7 The committee conducted hearings on 10 and 11 February 2010. In total the committee met for 21 hours and 58 minutes, excluding breaks.

Record of proceedings

1.8 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 main issues that were traversed by the committee for all portfolios.

1.9 Copies of the Hansard transcripts are available on the internet at http://www.aph.gov.au/hansard/senate/commttee/committee_transcript.asp?MODE=YEAR&ID=82&YEAR=2010. Copies are also tabled with this report for the information of the Senate.

Matters raised – Treasury portfolio

1.10 On 10 February 2010, the committee examined the estimates for the:

- Australian Competition and Consumer Commission (ACCC);
- Productivity Commission;
- Treasury – outcome 3: effective taxation and retirement income arrangements; and
- Australian Taxation Office (ATO);

1.11 On 11 February 2010, the committee examined the estimates for the:

- Treasury – outcome 1: sound macroeconomic environment;
- Treasury – outcome 2: effective government spending arrangements;
- Treasury – outcome 4: well functioning markets;
- Australian Prudential Regulation Authority (APRA);
- Australian Office of Financial Management (AOFM);
- Australian Bureau of Statistics (ABS); and
- Australian Securities and Investments Commission (ASIC).

1.12 Matters examined included the following:

Australian Competition and Consumer Commission (ACCC)¹

- catalogue pricing and freight costs (p. 5);
- sales of DVDs below cost in supermarkets (pp 5-7);
- ACCC's selection of cases (pp 7-10);
- bank margins and competition (pp 10-11);
- competition in wealth management (pp 12-13);
- supermarket leases and competition (pp 14-16);
- ACCC examination of fertiliser market (pp 16-17);

1 Transcript page numbers refer to the *Proof Hansard* and may differ slightly from the *Official Hansard*.

- franchising (pp 17-18); and
- uniform pricing by supermarkets (pp 18-19).

Productivity Commission

- opening statement on developments in relation to the Productivity Commission's work programme (pp 20-21);
- cost-benefit analyses (pp 21-23);
- visiting academic researchers (p 24);
- executive remuneration (pp 25-29);
- female labour participation and productivity (pp 29-32);
- workplace bullying (pp 32-33);
- migration and productivity (p 33); and
- hospital data collection (p 35).

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

- review on the Australian Tax System (pp 125–134, 139)
- temporary resident superannuation legislation (pp 134–135)
- the ATO's new computer system (pp 135-137, 141-144)
- Government tax relief packages aimed at supporting small business (pp 137-138)
- differential service model of GST issues (pp 138-139)
- improved compliance in lodging tax returns (pp 139-140)
- strategy around the GFC (pp 140-141)
- R&D concession changes (pp 144-145)

Treasury – outcome 1: sound macroeconomic environment

- government spending, debt and interest rates (pp 18-19, 21, 23-24, 42, 47);
- projections of government deficit and peak debt (pp 19-21, 23, 29, 43-45);
- foreign debt in Australia compared to that of other countries (pp 21-23, 32);
- impact of fiscal stimulus (pp 24-27, 31-33, 38-39, 43);
- unemployment rate and spare capacity in labour market (pp 27-30, 47);
- wage pressures (pp 30-31);
- comparison of Australian and New Zealand economies (p. 34);
- female labour participation and productivity (pp 35-36);
- impact of bank funding guarantees (pp 37-38); and
- government spending and economic growth projections (pp 40-42).

Treasury – outcome 2: effective government spending arrangements

- climate change modelling (pp 48-61);
- state government debt (pp 61-62);
- holders of, and yields on, Australian government debt (pp 62-64, 68);
- calculation of government net debt (pp 64-66); and
- projected budget balances and government debt (pp 66-69).

Treasury – outcome 4: well functioning markets

- bank funding guarantees (pp 70, 72-78, 85-87);
- FIRB activities (pp 72, 87-88);
- competition and margins in banking (pp 79-80, 90);
- cost-benefit analysis of government programmes (pp 81-82);
- car dealer special purpose vehicle (p. 82);
- support for mortgages securitisation market (pp 83-84);
- consumer law (p. 84);
- national broadband network (pp 88-90);
- Reserve Bank and banks' cost of funds (pp 90-91); and
- superannuation clearing house (pp 70-71, 91-93).

Australian Prudential Regulation Authority (APRA)

- opening statement outlining global financial market developments and their implications for APRA and financial institutions (pp 93-94);
- frozen mortgage funds (pp 94-97);
- bank capital and liquidity requirements (pp 97-99, 101-102);
- public sector superannuation funds (pp 99-100);
- bank lending (pp 100-101); and
- executive salaries in the finance sector (pp 102-103).

Australian Office of Financial Management (AOFM)

- government bonds outstanding and yields (pp 104-108);
- foreign ownership of bonds (pp 106-107); and
- support for mortgages securitisation market (pp 107-109).

Australian Bureau of Statistics (ABS)

- 2011 census (pp 110-112); and
- climate change statistics (p. 111).

Australian Securities and Investments Commission (ASIC)

- opening statement on three lost litigation cases (pp 112-115);
- frozen mortgage funds (p. 115);
- appeals on three lost cases (pp 116-119);
- processing of complaints (pp 121-122);
- definition of assets (pp 119-120, 126-127);
- staffing (pp 122, 129);
- ASIC takeover of market surveillance from ASX (pp 122-123);
- Storm Financial (p. 126); and
- liquidators (pp 127-130).

Matters raised – Innovation, Industry, Science and Research portfolio

1.13 On 10 February 2010, the committee examined the estimates for the:

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

1.14 Matters examined included the following:

Australian Nuclear Science and Technology Organisation (ANSTO)

- expenses associated with Zigmund Switkowski's time working on the board of ANSTO (pp 39-40);
- negotiations with INVAP (p. 40);
- investigations into OH&S incidents (pp 40-42);
- feasibility of nuclear industry (pp 42-43); and
- climate change (pp 44-45).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)

- opening statement from the CSIRO Chief Executive (pp 44-45);
- climate change (pp 46-48);
- CSIRO adhering to internal charter (pp 48-49);
- SKA project (pp 49-50);
- research relating to northern Australia (pp 50, 53-54);
- climate change (pp 51-52, 55-56, 60-62)

- political influence on the CSIRO's research (pp 53-54); and
- research relating to irrigation and efficient use of water (pp 56-59).

Australian Research Council (ARC)

- bionic eye research (p. 63).

Office of the Chief Scientist

- bovine spongiform encephalopathy (p. 63); and
- climate change (pp 63-66).

Department of Innovation, Industry, Science and Research

- Inspiring Australia strategy (pp 67-68);
- Excellence in Research for Australia Initiative (pp 68-69);
- nanotechnology funding (pp 69-70);
- Australian Stem Cell Centre (pp 70-71);
- R&D concession changes (pp 71-84);
- Innovation Investment Follow-on Fund (pp 84-85);
- Commercialisation Australia (pp 85-86);
- Enterprise Connect (pp 86-91, 96-98);
- Green Building Fund (pp 91-95);
- Green Car Innovation Fund (pp 99-100); and
- Tasmanian Innovation and Investment Fund (p. 100).

Matters raised – Resources, Energy and Tourism portfolio

1.15 On 10 February 2010, the committee examined the estimates for the:

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

1.16 Matters examined included the following:

Geoscience Australia

- agency funding (pp 103-104); and
- offshore petroleum exploration acreage (pp 104-105).

Department of Resources, Energy and Tourism – outcome 1 – resources and energy

- increase in staffing levels (pp 105-106);
- the exclusion of Perth Basin from offshore petroleum exploration acreage release (pp 106-107);
- departmental travel expenditure to UN conference in Copenhagen (pp 107-108);

- appointment of counsellor in New Delhi (pp 108-110);
- Resources Tax (pp 110-113);
- radioactive waste (pp 113-115, 117-118);
- national radiation dose register (pp 115-117);
- Geothermal Developments in Victoria (pp 118-120); and
- Carbon Capture and Storage (pp 120-121).

1.17 On 11 February 2010, the committee examined the estimates for the:

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

1.18 Matters examined included the following:

Department of Resources, Energy and Tourism

- state satellite tourism accounts (p. 4);
- tourism industry accreditation scheme (pp 5-6);
- labour costs in tourism (pp 6-7); and
- legal costs related to Apex Club grant (pp 8-10).

Tourism Australia

- expenditure by Tourism Australia (pp 10-11);
- inbound tourism from China, India and Japan (pp 11-12);
- tourism in northern Queensland (pp 12-13);
- long-distance tourist road routes (p. 13); and
- tourism to South Australia (p. 14).

Senator Annette Hurley
Chair

Appendix 1

Abbreviations

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ANSTO	Australian Nuclear Science and Technology Organisation
AOFM	Australian Office of Financial Management
APRA	Australian Prudential Regulation Authority
ARC	Australian Research Council
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DVD	Digital Versatile Disc
FIRB	Foreign Investment Review Board
GFC	Global Financial Crisis
GST	Goods and Services Tax
INVAP	an Argentine high-technology company
OH&S	Occupational Health & Safety
R&D	Research and Development
SKA	Square Kilometre Array
UN	United Nations

Appendix 2

Index to *Proof Hansard* transcripts¹

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Innovation, Industry, Science and Research portfolio

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Treasury – outcome 4: well functioning markets 69

Australian Prudential Regulation Authority (APRA) 93

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Australian Bureau of Statistics (ABS) 111

Australian Securities and Investments Commission (ASIC) 112

1 Transcript page numbers may differ slightly in the *Official Hansard*.

Appendix 3

Document tabled

10 February 2010

- Received from Dr Megan Clark, Chief Executive, CSIRO: Letter to the Editor, *The Australian*, from Dr Ian Poiner, Chief Executive Officer, Australian Institute of Marine Science, 26 November 2009.

11 February 2010

No documents tabled.

Appendix 4

Portfolio structure and outcomes for the Treasury portfolio¹

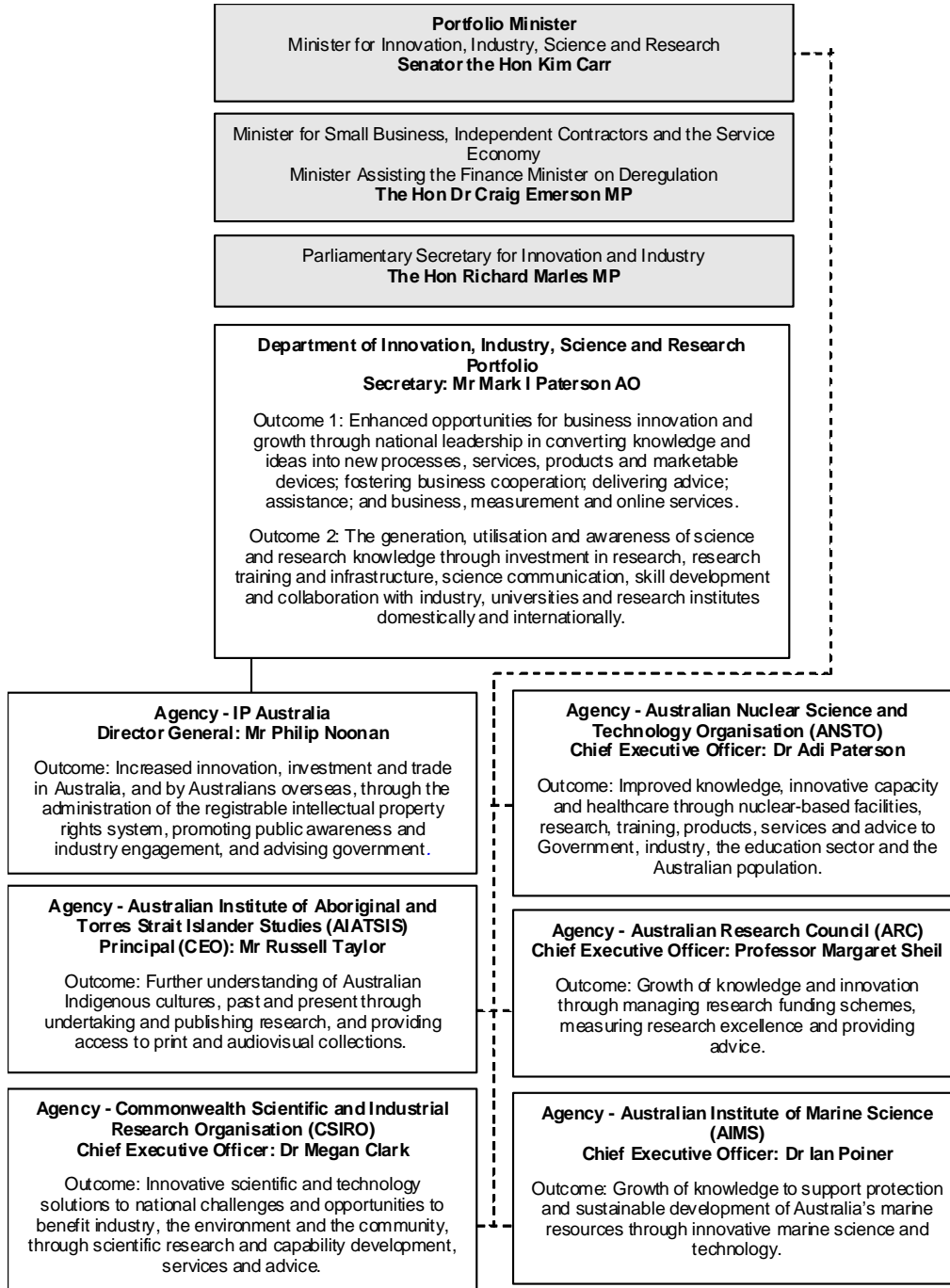


¹ *Portfolio Budget Statements 2009-10*, Treasury portfolio, pp 4-5.



Appendix 5

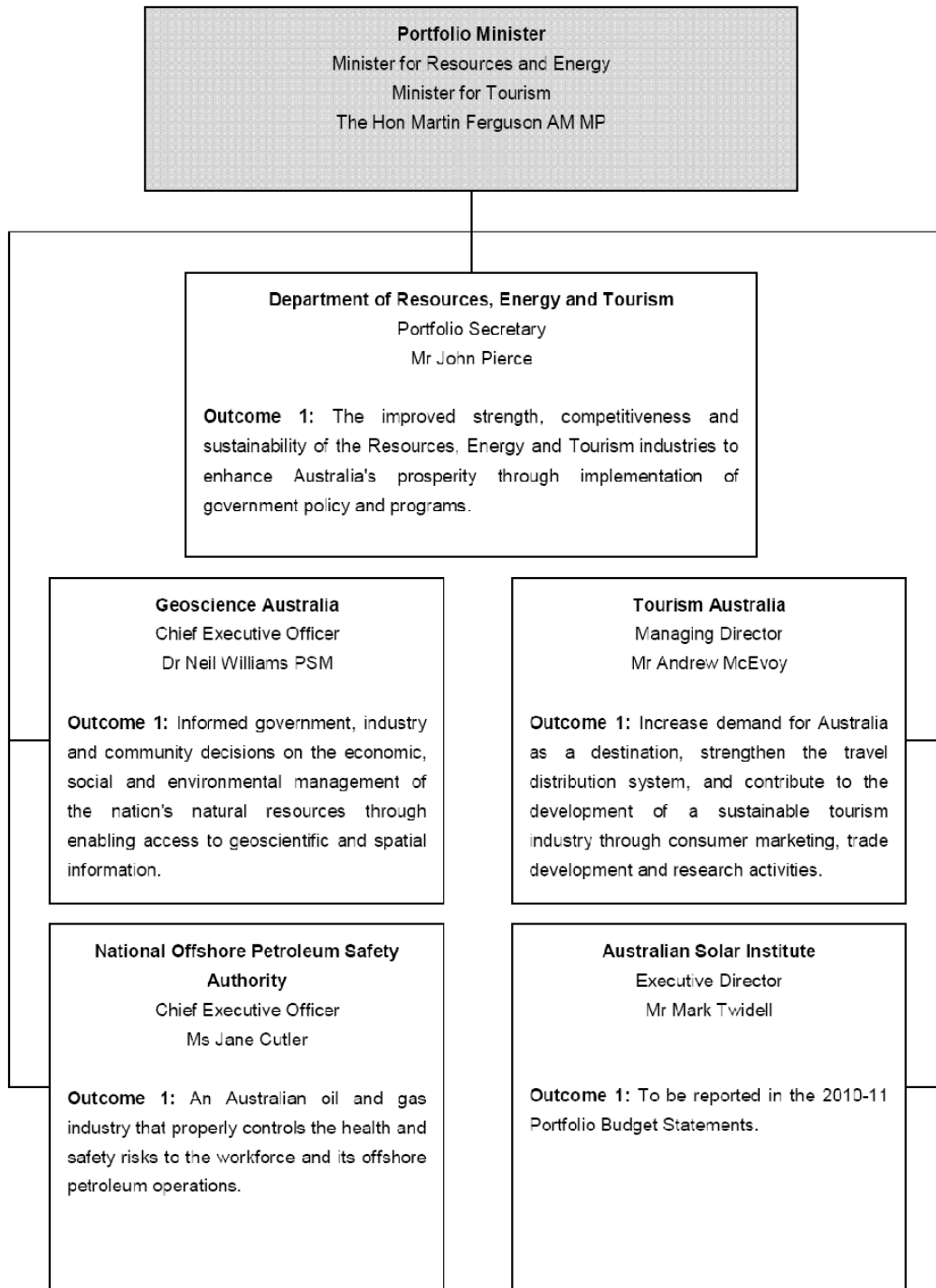
Portfolio structure and outcomes for the Innovation, Industry, Science and Research Portfolio¹



¹ *Portfolio Additional Estimates Statements 2009-10, Innovation, Industry, Science and Research portfolio, p. 4.*

Appendix 6

Portfolio structure and outcomes for the Resources, Energy and Tourism Portfolio¹



¹ *Portfolio Additional Estimates Statements 2009-10*, Resources, Energy and Tourism portfolio, p. 6.

