

Budget Estimates 2008–09

Report to the Senate

Introduction

1.1 On 13 May 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 expenditure in respect of the year ending on 30 June 2009 [Appropriation Bill (No. 1) 2008–2009];
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2008 [Appropriation Bill (No. 2) 2008–2009];
- Particulars of proposed supplementary expenditure in respect of the year ending on 30 June 2008 [Appropriation Bill (No. 5) 2007–2008]; and
- Particulars of certain proposed supplementary expenditure in respect of the year ending on 30 June 2008 [Appropriation Bill (No. 6) 2007–2008].¹

Changes to portfolio structures and outcomes

1.2 The committee notes that changes have been made to the portfolio structures and outcomes of all three portfolios since the 2007–08 Additional Estimates round.

1.3 The new 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, 1 August 2008 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/bud_0809/index.htm.

1 *Journals of the Senate*, No. 11, 13 May 2008, pp 365–366.

1.5 The committee commends the Resources, Energy and Tourism portfolio for submitting all answers to questions on notice from the 2007–08 Additional Estimates round on time. Conversely, the committee expresses concern that, as at the date of this report, seven answers from the Treasury portfolio remain outstanding from the same estimates round.

General comments

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

1.7 The committee conducted hearings over four days, from 2–5 June 2008. In total the committee met for 43 hours and 21 minutes, excluding breaks.

Record of proceedings

1.8 This report does not attempt to analyse the evidence presented over the four days of hearings. However, it does include a brief list of the 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/Senate/committee/economics_ctte/estimates/bud_0809/index.htm. Copies are also tabled with this report for the information of the Senate.

Matters raised – Innovation, Industry, Science and Research portfolio

1.10 On 2 June 2008, the committee examined the estimates for the:

- Department of Innovation, Industry, Science and Research.

1.11 On 3 June 2008, the committee examined the estimates for the:

- Department of Innovation, Industry, Science and Research – continuation;
- Australian Nuclear Science and Technology Organisation (ANSTO);
- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS); and
- Office of the Chief Scientist.

1.12 Matters examined included the following:

Department of Innovation, Industry, Science and Research²

- charter letter (pp 3–6 - 2 June);
- jobs in the manufacturing sector (pp 6–8 - 2 June);
- Fuelwatch and petrol prices (pp 8–17 and 21–25 - 2 June);
- vehicle fuel efficiency standards (pp 17–21 - 2 June);
- format of Portfolio Budget Statements (pp 25–27 - 2 June);
- impact of efficiency dividends on departmental operations (pp 27–31 - 2 June);
- media monitoring services (p. 31 - 2 June);
- recent ministerial visit to Germany (pp 32–33 - 2 June);
- freedom of information requests (pp 33–34 - 2 June);
- community cabinets (pp 34–35 - 2 June);
- 2020 Summit (p. 35 - 2 June);
- climate change, emissions trading and the renewable energy industry (pp 35–42 - 2 June);
- Green Car Innovation Fund (pp 42–43 - 2 June, and pp 11–14 - 3 June);
- postgraduate research (pp 43–46 - 2 June);
- Commercial Ready programme (pp 46–61 - 2 June);
- Enterprise Connect programme (pp 61–62 - 2 June);
- National Nanotechnology Strategy (pp 62–66 - 2 June);
- LPG conversion scheme (pp 66–69 - 2 June);
- Review of Australia's Automotive Industry (pp 4–5 - 3 June);
- appointment of Dr Terry Cutler to chair the Review of the National Innovation System (pp 5–7 - 3 June);
- luxury car tax (pp 7–11 - 3 June); and
- expenditure on research and development (pp 14–15 - 3 June).

Australian Nuclear Science and Technology Organisation (ANSTO)³

- impact of budget cuts on ANSTO operations (pp 15–18 and 25–28);

2 The Department of Innovation, Industry, Science and Research (DIISR) was heard on both 2 and 3 June 2008. Therefore, transcript page numbers for DIISR, refer to *Proof Hansard*, 2 June 2008 and *Proof Hansard*, 3 June 2008 as indicated (see the index at Appendix 2 of this report).

3 Transcript page numbers for the Australian Nuclear Science and Technology Organisation (ANSTO), refer to *Proof Hansard*, 3 June 2008 (see the index at Appendix 2 of this report).

- temporary shutdown of the OPAL nuclear reactor (pp 18–22);
- charters for public research agencies (p. 22);
- processes for reporting of radiation accidents (pp 22–23);
- decommissioning of the HIFAR and Moata nuclear reactors (pp 23–24); and
- Australia's intended participation in the Generation IV Nuclear Reactor International Forum (pp 24–25 and 28).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)⁴

- impact of budget cuts on CSIRO operations (pp 29–39 and 40); and
- recyclable biodegradable plastic bags (pp 39–40).

Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS)⁵

- AIATSIS Portfolio Budget Statement (pp 40–41 and 42); and
- archiving/digitisation project (p. 41).

Office of the Chief Scientist⁶

- selection process for, and role of, the new full-time Chief Scientist (pp 42–44);
- report on the scientific aspects of the Gunns Limited Pulp Mill proposal in Tasmania (p. 44); and
- various topics of interest to the Chief Scientist (pp 44–46).

Matters raised – Resources, Energy and Tourism portfolio

1.13 On 2 June 2008, the committee examined the estimates for the:

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

1.14 Matters examined included the following:

4 Transcript page numbers for the Commonwealth Scientific and Industrial Research Organisation (CSIRO), refer to *Proof Hansard*, 3 June 2008 (see the index at Appendix 2 of this report).

5 Transcript page numbers for the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS), refer to *Proof Hansard*, 3 June 2008 (see the index at Appendix 2 of this report).

6 Transcript page numbers for the Office of the Chief Scientist, refer to *Proof Hansard*, 3 June 2008 (see the index at Appendix 2 of this report).

Department of Resources, Energy and Tourism⁷

- excise on North West Shelf condensate (pp 70–73 and 77–78);
- increasing cost of oil/petrol and possible substitutes (pp 73–77);
- onshore minerals and exploration industry (pp 78–80);
- uranium and radioactive waste (pp 79 and 80–84);
- Renewable Energy Fund and Solar Homes and Communities Fund (pp 84–85 and 97–98);
- clean coal and carbon capture and storage (pp 85–97 and 103–105);
- Fuelwatch (pp 98–100);
- impact of the extension of Australia's maritime zones on potential offshore energy recourses (pp 100–101 and 102);
- solar energy (p. 101);
- Geoscience Australia, including the Sensitive High Resolution Ion Microprobe project, tsunami warning system and procurement plan (pp 102–103 and 105–108);
- Energy Innovation Fund (pp 108–109);
- increased passenger movement charge (pp 109–110 and 115–117);
- number of tourists visiting Australia (p. 110);
- inbound Korean and Japanese tourism (pp 110–112);
- Australian Tourism Development Programme (p.112, 114–115 and 117–123)
- long-term impact of climate change and oil depletion on tourism (pp 112-113);
- National Long-Term Tourism Strategy (pp 113–114 and 123-125); and
- 'rogue operators' in the tourism industry and proposed national accreditation system for tourism operators (p. 117);

Tourism Australia⁸

- structure of Tourism Australia (pp 125–126);
- inbound Japanese, Chinese and Korean tourism (pp 126–127);
- impact of budget cuts on Tourism Australia's operations (pp 127–129);
- impact of the appreciation of the Australian dollar on the tourism industry (pp 129–130);

7 Transcript page numbers for the Department of Resources, Energy and Tourism, refer to *Proof Hansard*, 2 June 2008 (see the index at Appendix 2 of this report).

8 Transcript page numbers for Tourism Australia, refer to *Proof Hansard*, 2 June 2008 (see the index at Appendix 2 of this report).

- increased passenger movement charge (pp 130–131);
- No Leave, No Life campaign (p. 131);
- domestic tourism (p. 131);
- cooperation with the states and territories on tourism marketing (pp 131–132);
- impact of increased cost of flying, reduction in number of flights and increased climate change awareness on tourism industry (pp 132–133);
- 'So where the bloody hell are you?' campaign (pp 133–135);
- inbound tourist numbers (pp 135–136);
- impact of the new direct flight from Australia to Buenos Aires on the number of inbound tourists from South America (pp 136–137);
- Tourism Australia board (pp 137–138); and
- Tourism Australia's key performance indicators (pp 138–139).

Matters raised – Treasury portfolio

1.15 On 3 June 2008, the committee examined the estimates for the:

- Treasury – outcome 3: effective taxation and retirement income arrangements;
- Australian Taxation Office (ATO);
- Inspector-General of Taxation (IGT);
- Australian Office of Financial Management (AOFM); and
- Australian Bureau of Statistics (ABS).

1.16 On 4 June 2008, the committee examined the estimates for the:

- Treasury – outcome 2: effective government spending arrangements;
- Treasury – outcome 4: well functioning markets;
- Treasury – outcome 1: sound macroeconomic environment; and
- Australian Prudential Regulation Authority (APRA).

1.17 On 5 June 2008, the committee examined the estimates for the:

- Australian Competition and Consumer Commission (ACCC);
- National Competition Council (NCC);
- Australian Accounting Standards Board (AASB);
- Takeovers Panel;
- Commonwealth Grants Commission (CGC);
- Productivity Commission; and
- Australian Securities and Investments Commission (ASIC).

1.18 Matters examined included the following:

Treasury – outcome 3: effective taxation and retirement income arrangements and the Australian Taxation Office (ATO)⁹

- increased excise on ready-to-drink alcohol beverages (pp 50–55 and 63–80);
- changes to the Medicare Levy Surcharge thresholds (pp 55–63);
- Australian Valuation Office (pp 80–84);
- luxury car tax (pp 84–92);
- excise on North West Shelf condensate (pp 92–96);
- taxation of fuel (pp 97–98);
- changes to the taxation treatment of depreciation in the value of computer software (pp 98–99);
- income tax cuts (pp 99–100);
- family trusts (pp 100–101);
- variance between GST revenue forecasts conducted by the Western Australian and Commonwealth Treasuries (pp 101–102);
- Tax Design Review Panel (pp 102–103);
- self-managed superannuation funds (pp 103–104 and 105–106);
- salary sacrificing superannuation contributions (pp 104–105);
- mandatory unit pricing (pp 106–107);
- lost superannuation (p. 107);
- Superannuation Advisory Committee (pp 107–109);
- upgrade of ATO's superannuation systems (p. 109); and
- superannuation clearing houses (pp 109–110).

Inspector-General of Taxation (IGT)¹⁰

- management of the ATO's test case funding programme (pp 110–112);
- current inquiries being undertaken by the IGT (p. 112);
- decision to retain office of the IGT (pp 112–113);
- impact of efficiency dividends on IGT's operations (pp 113–114); and
- term of the current Inspector-General (p. 114).

9 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*, 3 June 2008 (see the index at Appendix 2 of this report).

10 Transcript page numbers for the Inspector-General of Taxation, refer to *Proof Hansard*, 3 June 2008 (see the index at Appendix 2 of this report).

Australian Office of Financial Management (AOFM)¹¹

- AOFM's ability to invest in a broader range of assets (pp 114–118)

Australian Bureau of Statistics (ABS)¹²

- impact of budget cuts on ABS operations and statistical products and services (pp 118–121 and 122–124);
- conduct of the 2006 census (pp 121–122 and 124–125);
- measuring real growth in government spending (pp 125–126); and
- publication of the Consumer Price Index (pp 126–127).

Treasury – outcome 2: effective government spending arrangements¹³

- budget presentation, including use of the Consumer Price Index rather than the non-farm GDP deflator to measure real growth in the budget (pp 4–12 and 16–21);
- changes to family tax benefit A (pp 12–13);
- eligibility for government assistance programmes (pp 13–14);
- fringe benefits tax changes (pp 14–16);
- COAG Reform Fund (p. 16);
- future spending pressures (pp 21–22);
- variance between GST revenue forecasts conducted by the Western Australian and Commonwealth Treasuries (pp 22–24 and 26–28);
- emissions trading schemes (pp 24–26 and 31–38);
- payments by the Commonwealth to the states (pp 28–31);
- Building Australia Fund (pp 38–42);
- labour market and workplace relations reforms (pp 43–52 and 59–63); and
- public comments by the Secretary to the Treasury (pp 52–59).

Treasury – outcome 4: well functioning markets¹⁴

- Fuelwatch (pp 63–104); and

11 Transcript page numbers for the Australian Office of Financial Management (AOFM), refer to *Proof Hansard*, 3 June 2008 (see the index at Appendix 2 of this report).

12 Transcript page numbers for the Australian Bureau of Statistics (ABS) refer to *Proof Hansard*, 3 June 2008 (see the index at Appendix 2 of this report).

13 Transcript page numbers for the Treasury – outcome 2, refer to *Proof Hansard*, 4 June 2008 (see the index at Appendix 2 of this report).

14 Transcript page numbers for the Treasury – outcome 4, refer to *Proof Hansard*, 4 June 2008 (see the index at Appendix 2 of this report).

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- sovereign wealth funds (pp 105–107).

Treasury – outcome 1: sound macroeconomic environment¹⁵

- family trusts (pp 107–108);
- inflation and inflationary pressures in the economy (pp 108–118);
- appointments to the Reserve Bank Board (pp 118–121); and
- budget presentation (pp 121–124).

Australian Prudential Regulation Authority (APRA)¹⁶

- opening statement outlining global financial market developments and their implications for APRA and financial institutions (pp 124–127);
- Westpac/St George merger and the 'four pillars policy' (p. 127);
- mandatory unit pricing (pp 127–129); and
- margin lending, short-selling and securities lending (pp 129–131).

Australian Competition and Consumer Commission (ACCC)¹⁷

- petrol prices and Fuelwatch, including discussion of the committee's December 2006 report entitled *Petrol prices in Australia* (pp 4–40 and 41–71 and 72–82);
- operational separation plan applying to Telstra (pp 40–41);
- fraud and malpractice in the indigenous art industry – following up on the Senate Standing Committee on Environment, Communications, Information Technology and the Arts' report entitled *Indigenous Art – Securing the Future* (pp 71–72);
- Australian Code of Banking Practice (pp 82–83);
- retail tenancies (p. 83);
- Westpac/St George merger and the 'four pillars policy', including discussion of the committee's March 2004 report entitled *The effectiveness of the Trade Practices Act 1974 in protecting small business* (pp 83–84);
- appointment and term of ACCC Chairman (pp 72 and 84–85);
- grocery prices and the ACCC inquiry into the competitiveness of retail prices for standard groceries (p. 85); and

15 Transcript page numbers for the Treasury – outcome 1, refer to *Proof Hansard*, 4 June 2008 (see the index at Appendix 2 of this report).

16 Transcript page numbers for the Australian Prudential Regulation Authority (APRA) refer to *Proof Hansard*, 4 June 2008 (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*, 5 June 2008 (see the index at Appendix 2 of this report).

- Birdsville amendment to the *Trade Practices Act 1974* (pp 85–86).

National Competition Council (NCC)¹⁸

- access to railways in the Pilbara (pp 86–89); and
- winding up of the NCC's role in implementing the National Competition Policy (pp 89–90).

Australian Accounting Standards Board (AASB)¹⁹

- AASB 1049 Financial Reporting of General Government Sectors by Governments (an accounting standard relating to the harmonisation of Generally Accepted Accounting Principles and Government Finance Statistics) (pp 90–92 and 94–95);
- accounting treatment of tax expenditures (pp 92–93); and
- accounting framework for the not-for-profit sector (pp 93–94).

Takeovers Panel²⁰

- sovereign wealth funds (pp 95–96);
- Westpac/St George merger (p. 96);
- mergers between unincorporated bodies (pp 96–97); and
- proposed BHP Billiton takeover of Rio Tinto (p. 97).

Commonwealth Grants Commission (CGC)²¹

- role of the CGC (pp 97–98)

Productivity Commission²²

- opening statement on developments in relation to the Productivity Commission's work programme (pp 98–99);
- the Commission's involvement in the Review of Australia's Automotive Industry and the Review of the Australian Textile, Clothing and Footwear industry (p. 99 and 106–107);

18 Transcript page numbers for the National Competition Council (NCC), refer to *Proof Hansard*, 5 June 2008 (see the index at Appendix 2 of this report).

19 Transcript page numbers for the Australian Accounting Standards Board (AASB), refer to *Proof Hansard*, 5 June 2008 (see the index at Appendix 2 of this report).

20 Transcript page numbers for the Takeovers Panel, refer to *Proof Hansard*, 5 June 2008 (see the index at Appendix 2 of this report).

21 Transcript page numbers for the Commonwealth Grants Commission (CGC), refer to *Proof Hansard*, 5 June 2008 (see the index at Appendix 2 of this report).

22 Transcript page numbers for the Productivity Commission refer to *Proof Hansard*, 5 June 2008 (see the index at Appendix 2 of this report).

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- impact of machinery of government changes and efficiency dividends on Commission's operations (pp 99–100);
 - emissions trading and mandatory renewable energy targets (pp 100–103);
 - the Commission's June 2005 report entitled *Modelling economy-wide effects of future automotive assistance* (pp 103–106);
 - Commercial Ready programme (pp 107–109);
 - luxury car tax (pp 109–110); and
 - mathematics teacher shortages (pp 110–111).

Australian Securities and Investments Commission (ASIC)²³

- opening statement outlining ASIC's work on current significant projects and major priorities (pp 111–113);
- Financial Literacy Foundation and retail investors (pp 113–114 and 115–116);
- transfer of state regulatory responsibilities in financial services to the Commonwealth (pp 114–115, 117–118 and 123);
- 'phoenix companies' (pp 116–117);
- collusion among hedge funds (p. 118);
- collapse of Chartwell and Opes Prime (pp 118–120);
- Singaporean financial practitioners' access to Australian financial markets under ASIC Class Order CO 07/753 (pp 120–122);
- insider trading and stock lending (pp 122–123);
- competition in the banking and non-banking sectors with respect to mortgages (pp 123–124);
- review of credit-rating agencies (p. 124);
- money laundering (pp 124–125);
- proposed overhaul of annual general meetings (p. 125); and
- ASIC involvement with unincorporated associations (pp 125–126).

Senator Annette Hurley
Chair

23 Transcript page numbers for the Australian Securities and Investments Commission (ASIC) refer to *Proof Hansard*, 5 June 2008 (see the index at Appendix 2 of this report).

