

Budget Estimates 2009-10

Report to the Senate

Introduction

1.1 On 12 May 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 expenditure in respect of the year ending on 30 June 2010 [Appropriation Bill (No. 1) 2009-2010]; and
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2010 [Appropriation Bill (No. 2) 2009-2010].¹

Portfolio structures and outcomes

1.2 The committee notes that from the 2009-10 Budget all General Government Sector entities will be reporting on a program basis. Tables outlining the transition from the 2008-09 Budget, which was presented in administered items, outputs and output groups, to the program reporting framework used for the 2009-10 Budget, are included in the appendices as indicated below:

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

1.3 The committee notes that revisions were also made to outcome statements under the Operation Sunlight Outcome Statements Review. These changes affected all three portfolios and are also reflected in the tables in Appendices 4-6.

Questions on notice

1.4 The committee draws the attention of all departments and agencies to the deadline of Friday, 31 July 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 is preparing 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_0910/index.htm.

1.5 For the 2008-09 Additional Estimates round answers to questions on notice were due to be provided to the committee by 17 April 2009. The committee expresses concern that, out of 92 questions placed on notice with the Treasury portfolio,

1 *Journals of the Senate*, No. 67, 12 May 2009, p. 1920.

65 remained unanswered at close of business on the due date. Furthermore, the final five answers were not received until 2 June 2009.

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 Jan McLucas, representing the Minister for Resources and Energy; 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.

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

1.8 The committee conducted hearings over five days, from 1-4 June 2009 and on 22 June 2009 to consider estimates for the Australian Competition and Consumer Commission. In total the committee met for 45 hours and 6 minutes, excluding breaks.

Record of proceedings

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

1.10 Copies of the Hansard transcripts are available on the internet at http://www.aph.gov.au/Senate/committee/economics_ctte/estimates/bud_0910/index.htm. Copies are also tabled with this report for the information of the Senate.

Matters raised – Innovation, Industry, Science and Research portfolio

1.11 On 1 June 2009, 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);
- IP Australia;
- Department of Innovation, Industry, Science and Research; and
- Office of the Chief Scientist.

1.12 Matters examined included the following:

Australian Nuclear Science and Technology Organisation (ANSTO)²

- return of nuclear waste material to Australia (pp 4–6);
- ANSTO Portfolio Budget Statement and budget items (pp 6–7 and 13–15);
- school visits program (pp 7–8);
- operation of the OPAL nuclear reactor (pp 8, 10–13 and 15–16); and
- production of medical isotopes (pp 8–10).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)³

- research relating to the development of a day-night cricket ball (p. 16);
- CSIRO Portfolio Budget Statement (pp 16–18);
- legal action relating to intellectual property (pp 18–22);
- staffing (pp 22–23);
- impact of the discontinuation of the Commercial Ready program on the CSIRO (pp 23–24)
- biochar research and funding (pp 24–29);
- Square Kilometre Array (pp 29–31 and 40);
- North West Shelf Joint Environmental Management Study (pp 31–32);
- new automation technologies for longwall mines (pp 32–33);
- water research and the Northern Australia Land and Water Taskforce (pp 33–36);
- Northern Prawn Fishery (pp 36–37);
- climate change research (pp 37–38);
- grapevine research (pp 38–39);
- bushfire research (pp 39–40); and
- Moreton Bay fisheries (pp 40–41).

Australian Research Council (ARC)⁴

- staffing (pp 41–43);

2 Transcript page numbers for the Australian Nuclear Science and Technology Organisation (ANSTO), refer to *Proof Hansard*, 1 June 2009 (see the index at Appendix 2 of this report).

3 Transcript page numbers for the Commonwealth Scientific and Industrial Research Organisation (CSIRO), refer to *Proof Hansard*, 1 June 2009 (see the index at Appendix 2 of this report).

4 Transcript page numbers for the Australian Research Council (ARC), refer to *Proof Hansard*, 1 June 2009 (see the index at Appendix 2 of this report).

- Excellence in Research for Australia Initiative and the assessment of academic journals (pp 43–55); and
- Super Science Fellowships (p. 55).

IP Australia⁵

- patenting of human biological materials (pp 56–63 and 65–66);
- IP Australia Portfolio Budget Statement (pp 63–64); and
- Impact of the Australia-United States Free Trade Agreement on generic pharmaceuticals (pp 64–65).

Department of Innovation, Industry, Science and Research⁶

- Business Enterprise Centres (pp 66–70);
- Pacific Brands (pp 70–74);
- speech by the Minister for Innovation, Industry, Science and Research at Questacon on budget day (pp 74–76);
- bank complaints clearing house for small business (pp 76–83);
- research and development tax credit (p. 83);
- establishment of the Small Business Support Line (pp 83–85);
- preparation of a document entitled *Powering Ideas: An Innovation Agenda for the 21st Century* (pp 85–86 and 102–103);
- media monitoring (pp 86–87);
- responses to Senate orders of 24 June 2008 relating to departmental and agency appointments, vacancies and grants (pp 87 and 122);
- jobs in the manufacturing sector (pp 87–88);
- changes to Portfolio Budget Statements and departmental outcomes (pp 88–90);
- funding to the textiles, clothing and footwear sector (pp 90–92);
- ACL Bearings and the Automotive Industry Structural Adjustment Program (pp 92–94, 106–108 and 122–123);
- grant to Holden (pp 103–106);
- Melba Industries (pp 108–110 and 116);
- mandatory vehicle emissions standards (pp 110–111);

5 Transcript page numbers for IP Australia, refer to *Proof Hansard*, 1 June 2009 (see the index at Appendix 2 of this report).

6 Transcript page numbers for the Department of Innovation, Industry, Science and Research, refer to *Proof Hansard*, 1 June 2009 (see the index at Appendix 2 of this report).

- LPG Vehicle Scheme (pp 111–114);
- business productivity and investment in research and development (pp 114–115);
- elaborately transformed manufactures exports (pp 115–116);
- space science and industry and the establishment of a space policy unit in the department (pp 116–117);
- production of a new Holden car in Australia (pp 118–122);
- Green Building Fund (pp 123–124);
- Establishment of the Commonwealth Commercialisation Institute (pp 124–125);
- Ventracor Limited (pp 125–126);
- introduction of mission-based compacts with universities (pp 126–127);
- National Research Infrastructure Committee (pp 128–129);
- Super Science investment fund (p. 129);
- Centre for Climate Change and Energy Research (pp 129–131); and
- Australian Postgraduate Awards (p. 131).

*Office of the Chief Scientist*⁷

- Chief Scientist's employment conditions (pp 94–97); and
- climate change research (pp 97–101).

Matters raised – Resources, Energy and Tourism portfolio

1.13 On 2 June 2009, the committee examined the estimates for the:

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

1.14 Matters examined included the following:

*Department of Resources, Energy and Tourism [Resources and Energy]*⁸

- impact of the Carbon Pollution Reduction Scheme (CPRS) on the resources and energy industries (pp 3–16 and 37–38);

7 Transcript page numbers for the Office of the Chief Scientist, refer to *Proof Hansard*, 1 June 2009 (see the index at Appendix 2 of this report).

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

- nuclear waste disposal (pp 16–25);
- Clean Energy Initiative (pp 25–29);
- Carbon capture and storage (pp 29–35);
- flow through share schemes (pp 35–36); and
- uranium mining (pp 36–37 and 38–39).

Geoscience Australia⁹

- Geoscience Australia's involvement in agriculture (pp 39–40);
- Joint Australian Tsunami Warning Centre (pp 40–41);
- Geoscience Australia's budget (p. 41);
- uranium resources (pp 41–42); and
- certified agreement negotiations (pp 42–43).

Department of Resources, Energy and Tourism [Tourism] and Tourism Australia¹⁰

- departure of Tourism Australia's managing director and recruitment of a replacement (pp 43–45 and 56–57);
- proposal to move Tourism Research Australia to the department (pp 45–48);
- impact of the Victorian bushfires on the tourism industry (pp 48–49);
- impact of swine flu on the tourism industry (pp 49–52);
- impact of the CPRS on aviation and the tourism industry (pp 52–53);
- impact of the global financial crisis on the aviation and the tourism industry (p. 53);
- tourism campaign based on the film *Australia* (pp 53–54);
- increased airline services between Australia and United States (pp 54–55);
- workplace relations in the restaurant and catering sector (pp 55–56);
- No Leave, No Life campaign (pp 57–59 and 61–62); and
- Business Events Australia (pp 59–61).

Matters raised – Treasury portfolio

1.15 On 2 June 2009, the committee examined the estimates for the:

9 Transcript page numbers for Geoscience Australia, refer to *Proof Hansard*, 2 June 2009 (see the index at Appendix 2 of this report).

10 The Department of Resources, Energy and Tourism [Tourism] and Tourism Australia were heard together. Transcript page numbers for the Department of Resources, Energy and Tourism [Tourism] and Tourism Australia, refer to *Proof Hansard*, 2 June 2009 (see the index at Appendix 2 of this report).

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- Treasury [Revenue Group] and Australian Taxation Office (ATO);
 - Australian Office of Financial Management (AOFM); and
 - Australian Bureau of Statistics (ABS).

1.16 On 3 June 2009, the committee examined the estimates for the:

- Treasury [Macroeconomic Group]; and
- Treasury [Fiscal Group].

1.17 On 4 June 2009, the committee examined the estimates for the:

- Treasury [Markets Group];
- Australian Prudential Regulation Authority (APRA);
- Productivity Commission; and
- Australian Securities and Investments Commission (ASIC).

1.18 On 22 June 2009, the committee examined the estimates for the:

- Australian Competition and Consumer Commission (ACCC).

1.19 Matters examined included the following:

Treasury [Revenue Group] and the Australian Taxation Office (ATO)¹¹

- reduction of the superannuation co-contribution (pp 65–68 and 77–78);
- lost superannuation (p. 68);
- default superannuation funds (pp 68–71);
- superannuation inquiry announced on 29 May 2009 (pp 71–73);
- temporary residents' superannuation (pp 73–75);
- superannuation guarantee payments (p. 75);
- employer superannuation contributions (pp 75–77);
- allocated pensions (pp 78–80);
- ATO website (pp 80–81);
- distribution of stimulus payments (pp 81–85 and 104);
- impact of Division 7A of Part III of the *Income Tax Assessment Act 1936* (ITAA) on farming (pp 86–89 and 104–105);
- means testing of the private health insurance rebate (pp 89–90 and 113–114);
- employee share schemes (pp 90–94 and 114–117);

11 Treasury [Revenue Group] and the Australian Taxation Office were heard together. Transcript page numbers for the Treasury [Revenue Group] and the ATO, refer to *Proof Hansard*, 2 June 2009 (see the index at Appendix 2 of this report).

- taxation arrangements for offshore online companies trading within Australia (pp 94–96);
- future government revenues (pp 96–97);
- administration of the GST (pp 97–98);
- taxation of hobby farms (pp 98–100);
- government revenue statements (pp 100–102);
- proposed amendments to Section 23AG of the ITAA (pp 102–103);
- government revenue and the CPRS (pp 103–104 and 111–113);
- Treasury analysis of proposed changes to tobacco excise (pp 105–110);
- luxury car tax (pp 110–111)
- decline in tax receipts (pp 117–119); and
- managed investment schemes (pp 119–120).

Australian Office of Financial Management (AOFM)¹²

- management of Australia's debt portfolio (pp 120–133)

Australian Bureau of Statistics (ABS)¹³

- labour force statistics (pp 133–134); and
- balance of payments surveys (pp 134–135).

Treasury [Macroeconomic Group]¹⁴

- opening statement by the Executive Director, Macroeconomic Group (pp 4–6);
- global financial crisis, economic stimulus packages, government debt and macroeconomic forecasts (pp 6–39, 48–62 and 69–72);
- Treasurer's budget speech (pp 39–40);
- pulping of Budget Paper No. 1 (pp 40–41);
- provision of hardcopy portfolio budget statements (pp 41–43);
- Australian involvement in the European Bank for Reconstruction and Development (pp 43–48); and
- National Broadband Network (pp 62–69 and 72–77).

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

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

14 Transcript page numbers for the Treasury [Macroeconomic Group], refer to *Proof Hansard*, 2 June 2009 (see the index at Appendix 2 of this report).

Treasury [Fiscal Group]¹⁵

- First Home Owners Grant and the First Home Owners Boost (pp 77–78);
- means testing of the private health insurance rebate (pp 78–91);
- modelling undertaken for the CPRS (pp 91–121);
- \$6.2 billion assistance package for the automotive sector (pp 121–122);
- interest payable on government debt (pp 122–125);
- infrastructure funds (pp 125–126);
- national accounts figures (pp 126–128);
- 'other economic affairs' in Budget Paper No. 1 (pp 128–129); and
- modelling of unemployment (pp 129–133).

Treasury [Markets Group]¹⁶

- impact of economic stimulus packages on the economy (pp 4–7);
- Australian fuel market (pp 7–9);
- inflation in food prices (pp 9–10);
- sovereign wealth funds and foreign investment in Australia (pp 10–14 and 55–58);
- executive termination payments (p. 15);
- introduction of new consumer protection and redress mechanisms (pp 15–16);
- regulation of trustee companies (pp 16–17);
- standardisation of market regulation across Australia (pp 17–20);
- Australian Business Investment Partnership (pp 20–24 and 49–50);
- guarantee of deposits in authorised deposit taking institutions (pp 24–27);
- Grocerychoice (pp 27–33 and 45–49);
- OzCar (pp 33–45 and 54–55);
- bank switching (pp 50–51); and
- short selling (pp 51–54).

15 Transcript page numbers for the Treasury [Fiscal Group], refer to *Proof Hansard*, 3 June 2009 (see the index at Appendix 2 of this report).

16 Transcript page numbers for the Treasury [Markets Group], refer to *Proof Hansard*, 4 June 2009 (see the index at Appendix 2 of this report).

Australian Prudential Regulation Authority (APRA)¹⁷

- opening statement by the Chairman (pp 58–59);
- impact of the global financial crisis on Australia's banking system (pp 59–62 and 67–71)
- executive remuneration (pp 62–64);
- regulation of Australia's superannuation industry (pp 64–67 and 72–75); and
- Storm Financial (pp 71–72).

Productivity Commission¹⁸

- opening statement by the Chairman (pp 75–76);
- study on the performance of public and private hospital systems (pp 76–77);
- gambling inquiry (pp 77–79);
- emissions trading schemes (pp 79–80);
- government infrastructure spending (pp 80–82 and 84–85);
- government support for research and development and the automotive, biotechnology and information technologies sectors (pp 82–84);
- reports on indigenous disadvantage (p. 84);
- research paper on urban water reform (pp 85–87); and
- Richard Snape lecture series (pp 87–89).

Australian Securities and Investments Commission (ASIC)¹⁹

- opening statement by the Chairman (pp 89–90);
- ASIC fees and charges (p. 91);
- Storm Financial (pp 91–94 and 99–103);
- inquiries relating to the Minister for the Environment, Heritage and the Arts, the Hon Peter Garrett MP (p. 94);
- complaints handling (p. 95)
- additional funding (pp 95–96)
- managed investment schemes, including Great Southern (pp 96–98);
- short selling (pp 98–99 and 107–111)

17 Transcript page numbers for the Australian Prudential Regulation Authority (APRA) refer to *Proof Hansard*, 4 June 2009 (see the index at Appendix 2 of this report).

18 Transcript page numbers for the Productivity Commission refer to *Proof Hansard*, 4 June 2009 (see the index at Appendix 2 of this report).

19 Transcript page numbers for the Australian Securities and Investments Commission (ASIC) refer to *Proof Hansard*, 4 June 2009 (see the index at Appendix 2 of this report).

- regulation of over the counter derivatives (p. 103)
- unclaimed money from bank accounts, company shares and life policies (pp 103–105);
- proposed changes to consumer credit legislation (pp 105–106);
- scrutiny of listed companies' financial statements (pp 106–107); and
- dispute resolution schemes (pp 111–112).

Australian Competition and Consumer Commission (ACCC)²⁰

- predatory pricing investigations (pp 2–10);
- competition in the retail food market, grocery prices and managed investment schemes (pp 10–12 and 23);
- allegations made by Cuthbertson Brothers Pty Ltd relating to sheep and lamb skins in Tasmania (pp 12–13);
- patenting of human biological materials (p. 13);
- government tender processes (pp 13–14);
- energy regulation in Western Australia (pp 14–16);
- ABC childcare centres (pp 16–17);
- resignation of petrol commissioner (p. 17);
- introduction of new consumer protection and redress mechanisms (p. 18);
- default superannuation funds (p. 18);
- water market (pp 18–20);
- Australian Business Investment Partnership (pp 20–22);
- component pricing legislation (pp 22–23);
- prosecution of Mr Richard Pratt (pp 23–28);
- unconscionable conduct complaints (p. 28);
- mergers and acquisitions (pp 28–29) ;
- creeping acquisitions (p. 29);
- geographical price discrimination (p. 29);
- Grocerychoice (p. 29);
- competition in the banking sector (pp 30–31); and
- National Broadband Network and competition in the telecommunications industry (pp 31–33).

20 Transcript page numbers for the Australian Competition and Consumer Commission (ACCC) refer to *Proof Hansard*, 22 June 2009 (see the index at Appendix 2 of this report).

Senator Annette Hurley
Chair