

Budget Estimates 2012–13

Report to the Senate

Introduction

1.1 On 9 May 2012, the Senate referred to the committee for examination and report the following documents in relation to the Industry, Innovation, Science, Research and Tertiary Education; Resources, Energy and Tourism; and Treasury portfolios:

- Particulars of proposed expenditure in respect of the year ending on 30 June 2013 [Appropriation Bill (No. 1) 2012–2013]; and
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2012 [Appropriation Bill (No. 2) 2012–2013].¹

Portfolio structures and outcomes

1.2 The committee notes that changes have been made to the outcomes of three agencies in the above three portfolios since the 2011–12 Additional Estimates round. These changes are summarised below:

Agency under the DIISRTE portfolio	Old outcome (2011-12)	New outcome (2012-13)
Tertiary Education Quality and Standards Agency (TEQSA)	Maintain and enhance quality, diversity and innovation in the Australian higher education sector through nationally consistent regulation and quality assurance. TEQSA commenced operation on 31 July 2011 under the DEEWR portfolio, and its regulatory functions came into effect in January 2012.	Contribute to a high quality higher education sector through streamlined and nationally consistent higher education regulatory arrangements; registration of higher education providers; accreditation of higher education courses; and investigation, quality assurance and dissemination of higher education standards and performance.

Agency under the RET portfolio	Old outcome (2011-12)	New outcome (2012-13)
Australian Renewable Energy Agency (ARENA)	ARENA is a new agency, to commence operation on 1 July 2012. It was established under the Australian Renewable Energy Agency Act 2011. Legislation establishing ARENA as an independent statutory authority	Support improvements in the competitiveness of renewable energy and related technologies and the supply of renewable energy by administering financial assistance, developing analysis and advice about and sharing information and

1 *Journals of the Senate*, No. 89, 9 May 2012, p. 2396.

	was made into law on 4 December 2011.	knowledge with regard to, renewable energy and related technologies.
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Agency under the Treasury portfolio	Old outcome (2011-12)	New outcome (2012-13)
Australian Securities and Investments Commission	Outcome 1: Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks. Outcome 2: Streamlined and cost-effective interaction and access to information for business and the public, through registry, licensing and business facilitation services.	Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.

1.3 The complete structure and outcomes for each portfolio are summarised in the appendices as indicated below:

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

General comments

1.4 The committee received evidence from Senator the Hon. Chris Evans, Minister for Tertiary Education, Skills, Science and Research; Senator the Hon. Kate Lundy, Minister Assisting for Industry and Innovation, the Minister for Sport and the Minister for Multicultural Affairs; Senator the Hon. Penny Wong, Minister for Finance and Deregulation; Senator the Hon. Don Farrell, Parliamentary Secretary for Sustainability and Urban Water; and officers from the Industry, Innovation, Science, Research and Tertiary Education; Resources, Energy and Tourism; and Treasury portfolios.

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

1.6 The committee conducted hearings over four days, from 28 to 31 May 2012. In total, the committee met for 41 hours and 55 minutes, excluding breaks.

Questions on notice

1.7 The committee draws the attention of all departments and agencies to the deadline of Friday, 27 July 2012 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/Parliamentary_Business/Committees/Senate_Committees?url=economics_ctte/estimates/bud_1213/index.htm.

1.8 For the 2011–12 Additional Estimates round, answers to questions on notice were due to be provided to the committee by Thursday, 29 March 2012. The committee commends the Resources, Energy and Tourism portfolio for submitting all answers on time. The committee notes that the Industry, Innovation, Science, Research and Tertiary Education portfolio submitted all their answers before the commencement of the 2012–13 Budget Estimates hearings, however only one third of the total of 255 questions were answered by the deadline set by the committee. Only 235 (67) out of 1287 (394) questions placed on notice with the Treasury portfolio were answered by the due date.² Despite the committee secretariat's correspondence to the Treasury about the number of answers outstanding and the time by which these should be received in order to be processed in time for the hearings, answers were still being sent to the committee secretariat during the actual hearings, not allowing sufficient time for the secretariat to process the answers and deliver them to senators. Treasury has 59 (20) answers from the Additional Estimates 2011-12 still outstanding. Furthermore, 4 questions still remain to be answered by Treasury from the Budget Estimates hearings of 2011–12, and 7 from the Supplementary Estimates hearings of 2011–12.

Procedural issues

Tuesday, 29 May

1.9 Senator Ryan asked officers from the Department of Industry, Innovation, Science, Research and Tertiary Education to provide the date on which a contract had been signed by a state government. The officers indicated that they knew the date but would rather take the question on notice, as this would allow them to speak to the state government before releasing the date. They argued that this would assist them in maintaining cordial relations with the state government department which would in turn benefit upcoming negotiations with that department. Senator Ryan argued that

2 The allocation of question numbers to Treasury's questions on notice from 2011-12 Additional Estimates differs from that used in previous years. To enable comparison with previous years, this report provides two sets of figures. The format of allocating question numbers used in previous years (reflecting the structure of questions as initially asked) is provided in parentheses; the numbering ultimately used in the tabled responses is provided outside parentheses.

this is not how questions on notice should be used and told them he would Freedom of Information process to obtain the information the following day if they didn't provide it. The situation was resolved by the Secretary of the Department volunteering to provide the information later in the session after officers had spoken to the state government department in question.³

1.10 There was some discussion about whether the Department of Industry, Innovation, Science, Research and Tertiary Education could respond to questions from Senator Colbeck that touched on advice the department possibly provided to the Minister regarding the impact of the carbon tax on the viability of Australian business. The information was leaked and discussed in an article in the *Australian* from 28 May. In this case, the department disputed whether it was advice to a minister, arguing that the draft document referred to in the article had no status. For this reason, and supported by Senator the Hon. Kate Lundy, officers argued that it was difficult to comment on the article in anything but very general terms. The Chair ruled that the draft document referred to, regardless of its status, fell into the category of advice to a minister and therefore was not to be called on.⁴

1.11 The issue of advice to a minister also arose during ASIC's appearance. It was resolved by ASIC agreeing to take the question on notice.⁵

Thursday, 31 May

1.12 There was a discussion about whether officials could answer a question about advice to a minister. The discussion stopped short of a formal public immunity claim although this was raised by the Greens Senator who was seeking the answer. The Chair ruled that the officers didn't have to provide the answer.⁶

Ordinary annual services of the government

1.13 On 17 June 2010, the Appropriations and Staffing Committee tabled its 50th Report in the Senate. The report focussed on an ongoing issue relating to the classification of ordinary annual services of the government. In the report, the Appropriations and Staffing Committee highlighted that:

Expenditure for the ordinary annual services of the government has always been contained in a separate bill to preserve the Senate's right under section 53 of the Constitution to amend bills appropriating funds other than

3 Refer to *Proof Hansard*, 29 May 2012, p. 13–14.

4 Refer to *Proof Hansard*, 29 May 2012, p. 41–44.

5 Refer to *Proof Hansard*, 29 May 2012, p. 87.

6 Refer to *Proof Hansard*, 31 May 2012, p. 25.

for the ordinary annual services of the government and to comply with section 54.⁷

1.14 In this most recent report, the Appropriations and Staffing Committee restated concerns it had raised in its 45th Report:

Recent appropriation bills have been based on a mistaken assumption that the committee agreed to abandon the long-standing principle that all new policies would be classified as not part of the ordinary annual services of the government, and that the committee agreed that any expenditure falling within an existing outcome would be classified as ordinary annual services expenditure. On this view, completely new programs and projects may be started up using money appropriated for the ordinary annual services of the government, and the Senate is unable to distinguish between normal ongoing activities of government and new programs and projects or to identify the expenditure on each of those areas.⁸

1.15 The Appropriations and Staffing Committee considered correspondence from the Minister for Finance and Deregulation in relation to the matter and noted 'that the Minister's response has not provided a way forward to resolve this difference of view.'⁹ The committee therefore resolved that:

...the solution to the problem is to return to the Senate's original determination, so that new policies for which no money has been appropriated in previous years are separately identified in their first year in the appropriation bill which is not for the ordinary annual services of the government.¹⁰

1.16 In light of this, the Economics Legislation Committee draws the attention of the Senate to several measures included in Appropriation Bill (No. 1) 2012–2013, that is, the ordinary annual services bill—that appear to be new policies for which no money has been appropriated in previous years. These include the:

- establishment of the Australian Small Business Commissioner (\$8.3 million over four years, including \$1.1 million in 2012–13) in the DIISRTE portfolio;¹¹

7 Senate Appropriations and Staffing Committee, 50th Report, *Ordinary annual services of the government*, June 2010, p. 1.

8 Senate Appropriations and Staffing Committee, 50th Report, *Ordinary annual services of the government*, June 2010, p. 1.

9 Senate Appropriations and Staffing Committee, 50th Report, *Ordinary annual services of the government*, June 2010, p. 2.

10 Senate Appropriations and Staffing Committee, 50th Report, *Ordinary annual services of the government*, June 2010, p. 2.

11 2012–13 Budget Paper No. 2, pp 64 and 222.

- establishment of the Manufacturing Technology Innovation Centre (\$29.8 million over four years, including \$3.9 million in 2012-13) in the DIISRTE portfolio;¹²
- shared PM&C and Treasury program: Australia to host the Group of 20 in 2014 (\$372.1 million over four years, including \$27.5 million in 2012-13);¹³
- establishment of the Asia Marketing Fund (\$61.0 million over four years, including \$8.5 million in 2012-13);¹⁴ and
- commencement of the program: Official development assistance – African Development Bank Group membership (\$9.3 million over four years, including \$375,000 in 2012-13).¹⁵

Record of proceedings

1.17 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.

1.18 Copies of the Hansard transcripts and documents tabled at the hearings (see Appendix 3 for a list of the documents) are available on the internet at http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Committees?url=economics_ctte/estimates/bud_1213/index.htm. These documents are also tabled with this report for the information of the Senate.

Matters raised – Industry, Innovation, Science, Research and Tertiary Education portfolio

1.19 On 28 May 2012, the committee examined the estimates for the:

- Australian Nuclear Science and Technology Organisation (ANSTO);
- IP Australia;
- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Australian Research Council (ARC);
- Office of the Chief Scientist;
- Tertiary Education Quality and Standards Agency (TEQSA);
- Australian Skills Quality Authority (ASQA);

12 2012–13 Budget Paper No. 2, pp 65 and 229.

13 2012-13 Budget Paper No. 2, pp 67, 72 and 246.

14 2012-13 Budget Paper No. 2, pp 69 and 263.

15 2012-13 Budget Paper No. 2, pp 74 and 162.

- Department of Industry, Innovation, Science, Research and Tertiary Education [Tertiary Education]; and
- Department of Industry, Innovation, Science, Research and Tertiary Education [Science and Research].

1.20 Matters examined included the following:

Australian Nuclear Science and Technology Organisation (ANSTO)¹⁶

- low, intermediate and high level radioactive waste management and the renegotiation of existing contracts with France and the US for the reprocessing of the high-level waste and spent fuel for the period post-2016; process of seeking a licence for the return of the spent fuel waste from France; the volume, form and safe storage of residual waste material produced by ANSTO's activities in the past 50 years, and a licence for the temporary storage location at Lucas Heights (pp 5-6, 9-11);
- PETNET subsidiary and the Productivity Commission's report discussing issues that have arisen about PETNET's competitive neutrality in the market place and PETNET's ex ante breach of competitive neutrality policy; the Australian Competitive Neutrality Complaints Office investigation following a report filed by Cyclopet, a subsidiary of Cyclopharm in competition with PETNET in New South Wales (pp 7-9); and
- Comcare's recommendations following ANSTO's suspension of workers on the basis of a questionable in-house report and the resulting action plan produced by ANSTO (pp 11-12).

IP Australia¹⁷

- design registrations as opposed to patents; 'evergreen' patents invalidated in the High Court, namely Venlafaxine and Clopidogrel, and their costs to the Pharmaceutical Benefits Scheme; Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (pp 12-13); and
- Australia's participation in the Anti-Counterfeiting Trade Agreement (ACTA) with regard to patents, its impact on law and potential benefits (pp 14-15).

16 Transcript page numbers for the Australian Nuclear Science and Technology Organisation (ANSTO), refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

17 Transcript page numbers for IP Australia, refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

Commonwealth Scientific and Industrial Research Organisation (CSIRO)¹⁸

- CSIRO's inventions and patents attracting investments in Australia (pp 15-16);
- protecting CSIRO's patents; settlements of wireless local area licensing WLAN disputes (pp 15-16);
- authority over management and distribution of CSIRO's income from nongovernment sources (pp 16-17)
- Prime Minister's recent announcement of a parliamentary inquiry into workplace bullying; reports of bullying within CSIRO and senior management's response to allegations made; complaints by a former employee about the practices of a manager and the amount of related interdepartmental correspondence (pp 17-21);
- restructuring of the information management technology division in 2010 resulting in the loss of 30 positions (pp 20-21);
- SAP implementation project as part of the Business Enabling Technology Replacement project (p. 21); and
- CSIRO's membership of organisations, the policy framework as it relates to memberships and sponsorships, and its review (pp 23-26).

Australian Research Council (ARC)¹⁹

- a grant for bionic vision (p. 27);
- results of the 2012 Excellence in Research for Australia exercise, expected to be released around December (pp 27-28, 30);
- Centre of Excellence for the History of Emotions annual report (pp 29-30); and
- risks of generating imbalance between research and teaching activities at universities because of the excessive focus on research and the income generated by research projects as opposed to teaching activities (p. 30).

18 Transcript page numbers for the Commonwealth Scientific and Industrial Research Organisation (CSIRO), refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

19 Transcript page numbers for the Australian Research Council (ARC), refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

Office of the Chief Scientist²⁰

- costs of and reasons behind the office location moves (p. 31);
- Professor Ian Chubb's speech to the Australian Science Communicators national conference in February 2012 and a debate on whether he made comments on some politicians' positions on climate change, or merely on the quality of commentary on climate change science (pp 32-33);
- abusive emails received by the Office staff and the action taken by the Chief Scientist to move their physical location (pp 33-34);
- a reform proposed by the Bradley review that money follow student choice; a decline in physics, agricultural science and forestry university enrolments; incentives for students to enter fields of study which record a loss of student interest and are therefore at risk; perception of science among high-school students; programs designed to meet the demand for graduates in the agricultural and food industry sectors; careers advice in schools (pp 34-38); and
- enhanced future focus of the Australian aid budget on agriculture and health, and attracting international students to work in the industries where there are shortages (pp 37-38).

Tertiary Education Quality and Standards Agency (TEQSA)²¹

- progress of the staffing process in this young agency (pp 39-40);
- agency's legislative and regulatory risk framework and scope, its first strategic plan, key role and conceptual framework (pp 40, 42-43);
- barriers or legal constraints on its access to data held by other federal government agencies, through existing reporting arrangements and requirements, and negotiations under way with DIISRTE; and relevance and extent of data required by the agency to perform its statutory functions (pp 40-42);
- agency's definition of material changes at universities and issues arising from these changes in terms of the threshold standards; current review of threshold and non-threshold standards by an independent body, the Higher Education Standards Panel (pp 42-43);
- agency's regulatory principles and criteria which it administers (p. 44);
- investigation into the University of Queensland enrolment and admission irregularities, and lessons learnt (pp 44-46);

20 Transcript page numbers for the Office of the Chief Scientist, refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

21 Transcript page numbers for the Tertiary Education Quality and Standards Agency (TEQSA), refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

- TEQSA's public disclosure policy providing a framework of how they will deal with public comment about their inquiries or regulatory actions and investigations; TEQSA Act and investigative powers (pp 46-47); and
- the importance of data definitions and sourcing when it comes to staff-student ratios, and agency's authority to request and examine data for private higher education providers (pp 48-49);

Australian Skills Quality Authority (ASQA)²²

- agency's regulatory oversight in the standard of particular industry courses; requirements that need to be met in order to be registered as a training organisation; and average processing timeframes for the approval of applications for RTO registration (pp 50-53);
- referral of states' vocational education and training (VET) powers to ASQA, with Victoria, Queensland and Western Australia still considering their position on this issue; ASQA's cooperation with state regulatory authorities in the cases where there is a split system and developing transitional agreements with those states (pp 52-53);
- dealing with non-compliance, and striking a balance between good regulation and not standing in the way of businesses extending their training; statistics for compliance and grounds for refusal (pp 54, 56-57);
- full fee cost recovery approach approved by COAG; determining a new fee structure in consultation with the sector which would not result in a disincentive for participation of registered training organisations (pp 54-55);
- three main elements to funding: capacity to develop strategic audits; priority to recruit more auditing and regulatory staff; and developing interactive IT systems (p. 55);
- comparison between rural and metropolitan registered training organisations (RTOs) and the aim of increasing provision of quality training in rural and regional areas (pp 55-56); and
- initial registration and registration renewal costs for RTOs (pp 57-58).

Department of Industry, Innovation, Science, Research and Tertiary Education [Tertiary Education]²³

- estimates of the demand for undergraduate places and the scope for expansion under the demand driven system; and estimates of Commonwealth supported places (pp 58-62, 64);

22 Transcript page numbers for the Australian Skills Quality Authority (ASQA), refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

23 Transcript page numbers for the Department of Innovation, Industry, Science, Research and Tertiary Education [Tertiary Education], refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

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- encouraging higher education and greater participation, and universities' ability to meet large costs of infrastructure and staffing associated with growth in student enrolments; capital investment in the university sector and the base funding review (pp 62-64);
 - higher education as the largest services export industry in Australia; impact of the uncapping of university places; Australian Tertiary Admission Rank (ATAR) scores required to enrol and their relevance as a criterion for entering a university; ATARs credibility as a predictor of academic success; level of undergraduate standards; support for students and focus on outcomes, namely lifting the education and skill levels (pp 64-66);
 - budget allocation for the Higher Education Participation and Partnerships (HEPP) program, and the policy design around the three to one funding ratio between its two components: participation and partnership (pp 66-71);
 - funding support for the Primary Industry Centre for Science Education (PICSE) program (pp 69-70);
 - proportion of low-SES students and the rate of their participation compared with the rate of their graduation (p. 71);
 - review of Indigenous participation and outcomes in universities (p. 72);
 - student amenities fee and universities' consultations about how the money should be distributed (pp 72-74);
 - universities' workforce strategies in the teaching area and the government's policy response to the large number of retiring academics; a concern that the competition for prestige and funding is pushing the balance too far in favour of research at the expense of teaching (pp 74-77);
 - Office for Learning and Teaching taking over the functions of the former Australian Learning and Teaching Council (p. 76);
 - priorities from universities for the expenditure of their fee revenue (pp 77-78);
 - funding commitments for the Education Infrastructure Fund; EIF regional priorities round (pp 79, 91);
 - expenditure on the independent youth allowance; reasons for rejection of students' applications for independent youth allowance; definition of the term 'parental-like support'; parental income test and the \$150,000 cap (pp 80-83);
 - advertising costs and reasons for the regional student income support campaign (pp 83-84);
 - assets test for dependent youth allowance (p. 85);
 - apprenticeships review and the government decision to defer the standard apprentice commencement incentive from 3 to 6 months for the Australian Apprenticeships Incentive Program (pp 86-87);
 - Victorian government cutting \$160 million from TAFEs and implications for the national agenda to increase skills needed in industry sectors; the state's

COAG commitments and apprenticeship training; course and campus closures (pp 87-90);

- state governments' commitments under the National Partnership agreement, and funding of vocational education in the TAFE system (pp 88-92); and
- base funding review - Lomax-Smith review; Bradley review (p. 90).

Department of Industry, Innovation, Science, Research and Tertiary Education [Science and Research]²⁴

- a publicly funded research review paper's recommendations: that there be changes to the national research priorities to better reflect the priority of humanities, arts and social sciences in Australia's research enterprise; that DIISRTE undertake a feasibility study on developing a research impact assessment mechanism (pp 92-94).
- Square Kilometre Array (SKA) project to be constructed between 2020 and 2024 in two locations: in Australia and South Africa (pp 95-97);
- ministerial changes of December 2011 which added Tertiary Education to the portfolio and their effect on the overall staff numbers (pp 97-99);
- Cooperative Research Centres: bushfire CRC and the arrangements for the continuation of its work (p. 99); beef and agricultural CRC programs; funding for agricultural R&D and for transformational research; future of CRCs beyond their life limit of 15 years (pp 100-102);
- funding research infrastructure under the Clean Energy Initiative (p. 102).

Skills Australia²⁵

- staff wages, including with the expansion of Skills Australia into the National Workforce and Productivity Agency (NWPA) (pp 103-104);
- measuring the agency's success in the uptake of the advice provided to the government, for example on the consistency of quality in the VET sector which is now part of COAG negotiations (p. 104);
- addressing skills shortages in rural and regional markets (p. 105);
- planned industry forum in Darwin on rural and remote skill shortages (p. 105);
- creation of the national workforce development plan (p. 105); and
- providing advice to the Minister for Immigration on the skills in demand list (p. 106).

24 Transcript page numbers for the Department of Innovation, Industry, Science, Research and Tertiary Education [Science and Research], refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

25 Transcript page numbers for Skills Australia, refer to *Proof Hansard*, 28 May 2012 (see the index at Appendix 2 of this report).

1.21 On 29 May 2012, the committee examined the estimates for the:

- Department of Industry, Innovation, Science, Research and Tertiary Education [Industry and Innovation]; and
- Department of Industry, Innovation, Science, Research and Tertiary Education [Small Business].

1.22 Matters examined included the following:

Department of Industry, Innovation, Science, Research and Tertiary Education [Industry and Innovation]²⁶

- organisational changes and associated costs; and activities that will continue to be provided by DEEWR under MOU arrangements (pp 4-5);
- the establishment of the Manufacturing Technology Innovation Centre introduced as a Budget initiative, its work plan, plans for its location, and discussions with the Prime Minister's Taskforce on Manufacturing; ongoing consultations regarding MTIC's commencement date (pp 5-9);
- automotive industry grants; Automotive New Markets Initiative; investment in the future of automotive industry and manufacturing (pp 9-17, 19);
- Mr Beattie's appointment under the Resources Sector Supplier Envoy program (pp 17-18);
- the Green Car Innovation Fund and its evaluation scheduled for the first quarter of 2013 (pp 20-22);
- carbon tax programs; Clean Technology Investment Program, Clean Technology Food and Foundries Investment Program, Clean Technology Innovation Program administered by AusIndustry (pp 22-26, 33-34);
- meetings of innovation councils (pp 26, 36);
- Enterprise Connect funding, grants and staffing (pp 27-28);
- national space and astronomy policy programs (p. 28);
- changes to R&D tax programs; change from the R&D tax concession to the R&D tax incentive and associated legal and marketing costs (pp 29-31);
- venture capital programs, of which the flagship is the Innovation Investment Fund, and partnership between the government and private sector fund managers (pp 31-32);
- National Enabling Technologies Strategy looking at new technologies such as nanotechnology (p. 34);

26 Transcript page numbers for the Department of Innovation, Industry, Science, Research and Tertiary Education [Industry and Innovation], refer to *Proof Hansard*, 29 May 2012 (see the index at Appendix 2 of this report).

- DIISRTE's response to the NSW Legislative Council's inquiry into nanotechnology and the Commonwealth review of food labelling that followed from that inquiry; and following up on a recommendation of the inquiry report to create a register of materials containing nanoparticles; problem of definitions of nanoparticles and nanomaterial (pp 34-36);

Department of Industry, Innovation, Science, Research and Tertiary Education [Small Business]²⁷

- departmental websites and ICT arrangements, and savings achieved following the recommendations of the Gershon review (pp 37-41);
- Enterprise Connect's obligations towards the Department of Defence (pp 42-43);
- the Green Building Fund, 318 grants approved under the program and their life expectancy (p. 45);
- the government response to the Book Industry Strategy Group's final report, to be released mid-year (p. 45);
- management training programs in Enterprise Connect (pp 46-47);
- the establishment of the Small Business Commissioner which starts operations on 2 January 2013; its role, funding and jurisdiction; provisions of the future Commissioner's contract (pp 48-52);
- carbon tax related issues – DIISRTE's input into the design and guidelines of Energy Efficiency Information Grants (pp 52-57);
- Business Enterprise Centres and the small business support line; development and enhancements planned for the small business app released in 2011 on MyBizShield (pp 54-55);

Matters raised – Resources, Energy and Tourism portfolio

1.23 On 28 May 2012, the committee examined the estimates for the:

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

1.24 Matters examined included the following:

27 Transcript page numbers for the Department of Innovation, Industry, Science, Research and Tertiary Education [Small Business], refer to *Proof Hansard*, 29 May 2012 (see the index at Appendix 2 of this report).

Department of Resources, Energy and Tourism [Resources and Energy]²⁸

- collection of data by the Bureau of Resources and Energy Economics about the committed investment in the resource sector (pp 109-110);
- impact of overseas investments on prices of resources; countries that represent competition to Australia for investment (p. 111);
- funding for the Global Carbon Capture and Storage Institute, governance and levels of remuneration for the executive; the operation of GCCSI under Corporations Law; GCCSI's transitioning from a government funded to a more member focused model; the institute's travel costs (pp 111-116);
- progress with the Australian Energy Market Operator (AEMO) implementing the climate agreement, and the contract for services negotiations with DCCEE for the release of a scoping document (pp 116-117);
- Hot Rock Limited (HRL) and the final extension to its deadline of 30 June 2012 for meeting its grant conditions (p. 117);
- the Low Emissions Technology Demonstration Fund and reprofiling of funds (p. 117);
- engagement between the resource sector and the government's indigenous agenda; the Working in Partnership Program (pp 118-119);
- the proposed national radioactive waste dump at Muckaty, and a potential temporary location in NSW (pp 119-121);
- correspondence from Minister Ferguson to Minister Burke regarding consultation provisions in the proposed approval conditions for the Olympic Dam expansion; and issues around the environmental protection for the Australian giant cuttlefish (pp 121-122);
- Enterprise Migration Agreements and the Roy Hill project as a beneficiary of an EMA (pp 123-124);
- funding for Solar Flagships proposal and projects; ARENA, a new body to assume responsibility for the Solar Flagships Program effective 1 July 2012 and plans for its taking over the work of the Australian Solar Institute (pp 124-126);
- Clean Energy Finance Corporation due to start in 2013 (p. 126); and
- DRET's projections for the ongoing minerals boom, and related resource commodity price, volumes and investment (p. 127).

28 Transcript page numbers for the Department of Resources, Energy and Tourism [Resources and Energy], refer to *Proof Hansard*, 28 May 2011 (see the index at Appendix 2 of this report).

Geoscience Australia²⁹

- process of the advice provided for the release of oil and gas acreage; formal acreage release at the Australian Petroleum Production and Exploration Association (APPEA) conference (pp 128-129, 131); and
- the generation of industry interest for exploration activity (pp 130-131).

1.25 On 29 May 2012, the committee examined the estimates for the:

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

1.26 Matters examined included the following:

Department of Resources, Energy and Tourism [Tourism] and Tourism Australia³⁰

- a proposed new phase for the 'There's nothing like Australia' campaign which started in 2010, and the advertising involved (p. 60);
- staff reduction of about 100 staff as a result of the Budget, and the estimate of its impact on projects and tourism (p. 61);
- Australian Tourism Investment Guide, launched on 2 May 2012 with the purpose of promoting tourism projects to potential investors; tourism investment monitor; airline partnerships (pp 62-64);
- impact of the Passenger Movement Charge on the attractiveness of Australia as a tourist destination and modelling done on the effects of a rise; impact of the strong Australian dollar (pp 65-68);
- priorities of Tourism Research Australia; impacts of the mining boom on staffing in the tourism sector; the Australian cruise market as a tourism success story of recent years and the government response to concerns of the cruise industry (pp 68-71);
- economic value of iconic species and risks of their loss; quantifying the impact of climate change on natural assets; research done on carbon abatement costs in the sector, and policies to support the industry to transition to a low-carbon economy (pp 71-74); and
- the National Online Strategy for Tourism released in 2011; funding for online technologies to support the industry; strategies to address the decline in regional tourism (pp 75-76).

29 Transcript page numbers for Geoscience Australia, refer to *Proof Hansard*, 28 May 2011 (see the index at Appendix 2 of this report).

30 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*, 29 May 2011 (see the index at Appendix 2 of this report).

Matters raised – Treasury Portfolio

- 1.27 On 29 May 2012, the committee examined the estimates for the:
- Australian Securities and Investments Commission (ASIC);
 - Australian Bureau of Statistics (ABS);
 - Australian Competition and Consumer Commission (ACCC); and
 - Australian Prudential Regulation Authority (APRA).
- 1.28 On 30 May 2012, the committee examined the estimates for the:
- Treasury [Fiscal Group];
 - Foreign Investment Review Board;
 - Commonwealth Grants Commission;
 - Inspector-General of Taxation;
 - Treasury [Revenue Group]; and
 - Australian Taxation Office.
- 1.29 On 31 May 2012, the committee examined the estimates for the:
- Treasury [Macroeconomics Group];
 - Treasury [Markets Group];
 - Productivity Commission; and
 - Australian Office of Financial Management (AOFM).

***Australian Securities and Investments Commission (ASIC)*³¹**

- the collapse of Trio Capital, including findings of the Parliamentary Joint Committee on Corporations and Financial Services inquiry into the collapse, and in particular recommendation 5 (pp 83-87);
- opt-in arrangements in the government's Future of Financial Advice reforms (pp 87-89);
- level of operational funding provided in the budget for ASIC in 2012-13 (p. 89);
- ASX listing rules and concern about non-pro-rata issuings in the market (pp 89-91);
- levy fees on financial market operators and participants (p. 9);
- KordaMentha's liquidation of Ansett Australia and the granting of an accounting relief order (pp 92-93);

31 Transcript page numbers for ASIC refer to the *Proof Hansard*, 29 May 2012 (see the index at Appendix 2 of this report).

- the liquidation of Mr Stuart Ariff's companies (pp 93-94);
- the HP Mercantile situation (pp 94-95);
- request to ASIC from Altius Mining Limited about possible contraventions of the Corporations Act (pp 95-96);
- ASIC's data collection in respect of the fees, charges and commissions of superannuation companies (p. 97);
- shadow shopping projects in terms of the financial services industry (pp 97-99); and
- financial pressure in the Hastie Group (p. 99).

Australian Bureau of Statistics (ABS)³²

- work program reductions and the discontinuation of labour price indexes resulting from the Budget (pp 99-100);
- measures of Australia's progress to replace or sit in parallel with GDP as a measure of economic success (p. 101);
- environmental economic accounts which will analyse greenhouse emissions (p. 101); and
- how the Consumer Price Index (CPI) is calculated (pp 101-102).

Australian Competition and Consumer Commission (ACCC)³³

- use of the term 'carbon price' (p. 102);
- price rises due to the carbon tax and information claims from large and small corporations (pp 102-104);
- complaints by suppliers to supermarkets on misuse of market power (pp 104-105);
- carbon pricing (p. 106);
- legislative framework and evidentiary thresholds that protect people in the supermarket supply chain coming forward about Coles and Woolworths (pp 106-107);
- the impact of shopper dockets on grocery prices and on fuel discounts (p. 107);
- price sharing between the big retailers in the petrol market (pp 107-109);
- labelling of imported extra virgin olive oil (pp 109-111);

32 Transcript page numbers for ABS refer to the *Proof Hansard*, 29 May 2012 (see the index at Appendix 2 of this report).

33 Transcript page numbers for ACCC refer to the *Proof Hansard*, 29 May 2012 (see the index at Appendix 2 of this report).

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- electricity price increases as a result of the carbon tax (pp 111-112);
 - terms of discounts being prominently displayed (p. 112);
 - misrepresentation of eggs as free range (pp 113-114);
 - review into default superannuation funds in modern awards (pp 114-115);
 - fuel prices in Tasmania (p 115);
 - the Metcash-Franklins acquisition case and the reliability of evidence received from ACCC witnesses (pp 115-116);
 - the Glencore takeover of Viterro and the issue of dominant market players (pp 116-117);
 - the Birdsville amendment (pp 117-118).

Australian Prudential Regulation Authority (APRA)³⁴

- opening statement on the Australian banking system (pp 118-119);
- opening statement on the supervision of super funds and APRA's prudential reviews of Trio (pp 119-121);
- APRA's handling of the Trio collapse including early concerns, communication with ASIC and subsequent changes that APRA has instituted (pp 121-124);
- the failed merger between Equisuper and Vision Super (pp 124-125);
- APRA's handling of trustees that did not act in the best interests of members (pp 125-126);
- cash payments to trustee directors (p. 126);
- requirements for Australian banks in respect of Basel III (pp 127-128);
- APRA's record of judgment and decisions in comparison to other prudential regulators around the world (pp 128-129);
- APRA's handling of the Trio collapse (pp 129-130);
- regulation of self-managed super funds (p 130);
- market concentration in the banking sector (pp 130-132);
- International Monetary Fund review of the resilience of Australia's financial system (p. 132);
- development of new super governance standards (pp 133-134);
- data collected for MySuper (p. 135).

34 Transcript page numbers for APRA refer to the *Proof Hansard*, 29 May 2012 (see the index at Appendix 2 of this report).

Treasury [Fiscal Group]³⁵

- printing and delivery of Budget papers to the Opposition Budget lockup (pp 5-6);
- government savings from tax receipt measures compared to other revenue measures; scrapping of standard deductions for work-related expenses (pp 6-7);
- concessional component of loans made by the Clean Energy Finance Corporation (p. 10);
- modelling of a future carbon price and its effect on the Budget; economic situation in Europe; global GDP as the most relevant statistic for determining the global carbon price; scenarios of the impact on revenue depending on different carbon price levels, and carbon price forecasts (pp 11-16, 20);
- possibility of overcompensating households in case of a lower carbon price (p. 18);
- economic costs of climate change (pp 23-25);
- examples of reducing emissions by competitive tendering and their success (pp 27-28);
- explanation of differences in predicted Budget deficit, and a comparison of last year's and this year's forecast (pp 29-30, 32);
- level of government debt; Loan (Temporary Revenue Deficits) Act 1953 (pp 31-32);
- changes in revenue in the 2012-13 Budget, and a spike in revenue from public sector entities; revenue from the sale of non-financial assets (pp 33-36);
- schoolkids cash bonus (pp 36, 40);
- bonds and bond rates, and a fall in bond yields (pp 38-39);
- green tape and reducing the regulatory burden on business (p. 39);
- new marine reserve networks, and provisions in the Budget for adjustment assistance to the fishing industry as a consequence of those reserves (p. 41);
- Tasmania's share of GST (pp 41-42);
- purpose of the Future Fund (pp 45-47);
- Commonwealth and state government debt (pp 47-49); and
- the document 'Pre-budget deficit: Tony Abbott and the coalition' (pp 50-53);

35 Transcript page numbers for Treasury [Fiscal Group] refer to the *Proof Hansard*, 29 May 2012 (see the index at Appendix 2 of this report).

Foreign Investment Review Board (FIRB)³⁶

- changes in FIRB and in relation to the purchase of agricultural land flowing from the government's policy statement earlier this year; issues around domestic and foreign investments in agricultural land; the example of Cubbie Station (pp 54-56, 58-60);
- approval of a merger deal within the coal industry; criteria applied to a generic coalmining project (pp 56-57); and
- the current legislative framework providing sufficient safeguards for state owned enterprises (p. 61).

Commonwealth Grants Commission (CGC)³⁷

- interaction between revenue from state gambling taxes and GST relativities; how gambling revenue is treated in the CGC horizontal fiscal equalisation calculations; GST revenue sharing relativities update (pp 62-63);
- complexity of the current regime of Australia's horizontal fiscal equalisation; importance of accurate population estimates (pp 64-66); and
- the issue of whether Western Australia is penalised for not raising revenue from pokies (pp 69).

Inspector-General of Taxation³⁸

- reasons for claims in the IGT's submission to the tax forum in October that additional second commissioners from the private sector would help to diversify the ATO executive committee (pp 69, 71, 73);
- concerns about how the ATO conducts litigation; protections for taxpayers (pp 69-71);
- models in terms of advancing the interests of taxpayers and ensuring that these interests are protected in other countries (p. 73);
- issues related to the collection of superannuation by the ATO (p. 74); and
- previous and future GST reviews (p. 74).

36 Transcript page numbers for the Foreign Investment Review Board refer to the *Proof Hansard*, 30 May 2012 (see the index at Appendix 2 of this report).

37 Transcript page numbers for the Commonwealth Grants Commission refer to the *Proof Hansard*, 30 May 2012 (see the index at Appendix 2 of this report).

38 Transcript page numbers for the Inspector-General of Taxation refer to the *Proof Hansard*, 30 May 2012 (see the index at Appendix 2 of this report).

Treasury [Revenue Group] and the Australian Taxation Office (ATO) ³⁹

- Fair Work Australia report on the Health Services Union national office (p. 74);
- reduction in the fuel tax, or the excise rebate (pp 75-76);
- the Charities Maritime and Aviation Support Program (pp 76-78);
- forecasts for capital gains tax revenue in the Budget (pp 78-79, 83);
- feedback received from industry about the effect of the reduced final withholding tax on managed investment trusts; increase in revenue including assumptions about changes to investment behaviour (pp 80-81);
- mining tax revenue estimates; impact of NSW decision to increase royalties on coal when assessing Mineral Resource Rent Tax (MRRT) revenue estimates (pp 84-88);
- issues about trusts as a means to minimise or avoid tax and evade creditors (pp 90-93);
- laws to stop the shifting of profits offshore; Tax Laws Amendment (Cross-Border Transfer Pricing) Bill (No. 1) 2012 and the impact of proposed changes to transfer pricing law on the overall tax paid in Australia by overseas-based companies (pp 95-98);
- internal legal services in the ATO; work undertaken by the Tax Counsel Network (pp 101-103);
- Resource Super Profits Tax (RSPT) influences on revenue projections for the Minerals Resource Rent Tax (MRRT) (pp 103-105);
- small business tax and the \$2 million definitional threshold (pp 106-107);
- the Parliamentary Budget Office (p. 108);
- Henry tax review report recommendations related to stamp duty regimes and impacts on housing affordability (pp 109-110);
- the ATO's funding for improving the Australian Business Register and the quality of data (pp 114-115);
- time and resources of businesses applying for an ABN (pp 115-116);
- ATO tax disputes and their estimated aggregate value of \$8.8 billion (pp 117-119);
- excise duty on tobacco, and tobacco volumes used to determine the total excise and customs duty over the forward estimates; plain packaging legislation (pp 120-121);
- value for money of the Australian Valuation Office (pp 121-123);

39 Transcript page numbers for the Treasury [Revenue Group] and the Australian Taxation Office refer to the *Proof Hansard*, 30 May 2012 (see the index at Appendix 2 of this report).

- current state of compliance with the superannuation guarantee regime; unclaimed super money; Foreign Account Tax Compliance Act introduced in the US (pp 124-126);
- voluntary redundancies in the Treasury (pp 127-129); and
- capital gains tax removal of 50 per cent discount for non-residents (pp 132-133).

Treasury [Macroeconomic Group]⁴⁰

- the economic situation in Europe (pp 5–12, 15–18);
- Australia's ability to respond to a global financial crisis (p. 13);
- mining investment (pp 13–14);
- effect of the carbon price on the economy (pp 14–15, 25);
- debt in Australian states (pp 18–20);
- fiscal stimulus (pp 20–25);
- Treasury's well-being framework (pp 25–27);
- the Budget surplus (pp 27–28, 32–34);
- Australia's productivity growth (pp 28–32, 39–44);
- contingency reserve (pp 32, 34–35, 45);
- public final demand forecasts (pp 35–37, 44);
- forecasting in relation to China (pp 37–39); and
- redundancies within Treasury (pp 47–51).

Treasury [Markets Group]⁴¹

- the National Disability Insurance Scheme (pp 51–55);
- collapse of Trio (pp 55–58);
- SuperStream reforms (pp 58–60);
- intra-fund superannuation advice (pp 60–62);
- Future of Financial Advice bills (pp 62–63, 65–67);
- proposed regulations on the standard definition of 'flood' (pp 63–65);
- the Consumer Credit and Corporations Legislation Amendments (Enhancements) Bill 2011 (pp 67–69);

40 Transcript page numbers for the Treasury [Macroeconomic Group] refer to the *Proof Hansard*, 31 May 2012 (see the index at Appendix 2 of this report).

41 Transcript page numbers for the Treasury [Markets Group] refer to the *Proof Hansard*, 31 May 2012 (see the index at Appendix 2 of this report).

- Australia as a financial services centre — the Johnson report (pp 69–70);
- competition and the National Broadband Network (pp 70–75);
- Free Trade Agreements and foreign investment in domestic agricultural land (pp 75–78);
- compensation for APRA regulated funds that lost money from the collapse of Trio (pp 79–80);
- the banking sector, the housing market, ATMs in indigenous communities, credit unions and building societies (pp 80–87);
- the International Monetary Fund review of the financial sector assessment program (pp 88–89); and
- Free Trade Agreements with the US and China (pp 89–90).

Productivity Commission⁴²

- opening statement (p. 90);
- review into default superannuation funds (pp 91–92);
- review of the Fair Work Act (pp 93–95);
- the Australian Government Competitive Neutrality Complaints Office and PETNET (pp 95–98);
- IMD rankings of international competitiveness (pp 98–99);
- electricity network regulation (pp 99–100);
- the National Disability Insurance Scheme (pp 100–102);
- Australia's productivity growth (pp 103–106);
- the Commission's activities and performance (pp 106–107);
- carbon emission abatement policies (pp 108–109);
- draft report on the role of local government as a regulator (p. 109)
- report on native vegetation (p. 109);
- report on climate change adaptation (pp 110–111); and
- early childhood development and the workforce (p. 111).

42 Transcript page numbers for the Productivity Commission refer to the *Proof Hansard*, 31 May 2012 (see the index at Appendix 2 of this report).

Australian Office of Financial Management (AOFM)⁴³

- bond yields (pp 112, 118–119); and
- the Commonwealth debt cap (pp 112–118).

Senator Mark Bishop
Chair

⁴³ Transcript page numbers for the Australian Office of Financial Management refer to the *Proof Hansard*, 31 May 2012 (see the index at Appendix 2 of this report).

