

# Budget Estimates 2013–14

## Report to the Senate

### Introduction

1.1 On 14 May 2013 the Senate referred to the Senate Economics Legislation Committee (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 2014 [Appropriation Bill (No. 1) 2013–2014]; and
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2014 [Appropriation Bill (No. 2) 2013–2014].<sup>1</sup>

1.2 The committee is required to report to the Senate on its consideration of the 2013-14 Budget Estimates on 25 June 2013.<sup>2</sup>

### Portfolio structures and outcomes

1.3 The committee notes that due to the machinery of government changes of March 2013 and the subsequent amendment of the Administrative Arrangements Order, the Department of Climate Change and Energy Efficiency (DCCEE) was abolished and the Climate Change functions transferred to the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE), thus creating the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE).

1.4 Despite this change, the portfolio coverage of the committee remains unchanged (that is, Industry, Innovation, Science, Research and Tertiary Education) due to a motion passed in the Senate on 15 June 2013 determining that responsibility for climate change would stay with the Senate Environment and Communications Committee.<sup>3</sup>

1.5 Similarly, the Energy Efficiency functions from the DCCEE were transferred to the Department of Resources, Energy and Tourism (DRET). As such, the Resources, Energy and Tourism portfolio now encompasses matters relating to energy efficiency.

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1 *Journals of the Senate*, No. 144, 14 May 2013, p. 3915.

2 *Journals of the Senate*, No. 121, 1 November 2012, p. 3239

3 *Journals of the Senate*, No. 145, 15 May 2013, p. 3929.

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

- Industry, Innovation, Science, Research and Tertiary Education (Appendix 3);
- Resources, Energy and Tourism (Appendix 4); and
- Treasury (Appendix 5).

### **General comments**

1.7 The committee received evidence from Senator the Hon. Don Farrell, Minister for Science and Research and the Minister Assisting for Tourism; Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry and Minister Assisting with Queensland Flood Recovery; Senator the Hon. Kate Lundy, Minister Assisting for Industry and Innovation, Minister for Multicultural Affairs and Minister for Sport; Senator the Hon. Matt Thistlethwaite, Parliamentary Secretary for Pacific Island Affairs and Parliamentary Secretary for Multicultural Affairs; Senator the Hon. Penny Wong, Minister for Finance and Deregulation; and officers from the Industry, Innovation, Science, Research and Tertiary Education; Resources, Energy and Tourism; and Treasury portfolios.

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

1.9 The committee conducted hearings over four days, from 3 to 6 June 2013. In total the committee met for almost 40 hours (excluding breaks).

### **Questions on notice**

1.10 The committee draws the attention of all departments and agencies to the deadline of 19 July 2013 for the receipt of answers to questions taken on notice from this round of Budget Estimates. As the committee is required to report before this date, this report has been prepared without reference to any of these responses. Indices of questions taken on notice during and after the hearings will be available from the committee website.

1.11 Answers to questions on notice taken in relation to the 2012-13 Additional Estimates hearings were due to be provided to the committee by 5 April 2013. The committee notes that none of the three portfolios were successful in submitting all of their answers on time. The committee notes that the Resources, Energy and Tourism portfolio and the Industry, Innovation, Science, Research and Tertiary Education portfolio both submitted all answers before the commencement of the 2013-14 Budget Estimates hearings (by 21 May 2013 and 31 May 2013 respectively). Treasury has 39 answers from the 2012-13 Additional Estimates round still outstanding, as well as 13 questions from the 2012-13 Budget Estimates and nine from the 2012-13 Supplementary Estimates.

## **Note on references**

1.12 References to Hansard page numbers in this report relate to the proof transcript and may vary between the proof and official Hansard transcripts.

## **Procedural issues**

1.13 There was a brief discussion on 5 June about whether the naming of an Australian Tax Office employee in relation to an incident involving Twitter was appropriate. It was decided, however, that as the employee had revealed his own name in the media and that the matter had previously been discussed in a hearing of the Senate Finance and Public Administration Committee, it was not problematic in discussing further the issues generated by the incident.<sup>4</sup>

## **Public interest immunity claims**

1.14 On 13 May 2009 the Senate passed an order relating to public interest immunity claims.<sup>5</sup> The order, moved by Senator Cormann, sets out the processes to be followed if a witness declines to answer a question. The full text of this order was provided to departments and agencies prior to the hearings and was also incorporated in the Chair's opening statements on each day of the hearings.

## **Record of proceedings**

1.15 This report does not attempt to analyse the evidence presented over the four days of hearings, rather it seeks to present a brief list of the issues in each portfolio that were discussed by the committee.

1.16 Copies of the Hansard transcripts and documents tabled at the hearings (see Appendix 2) are available on the committee website. These documents are also tabled with this report for the information of the Senate.

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

1.17 On 3 June 2013 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;

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<sup>4</sup> *Proof Hansard*, 5 June 2013, p. 61.

<sup>5</sup> *Journals of the Senate*, No. 68, 13 May 2009, p. 1941.

- Tertiary Education Quality and Standards Agency (TEQSA);
- Australian Skills Quality Authority (ASQA);
- Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education [Outcome 3: Tertiary Education]; and
- Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education [Outcome 2: Science and Research].

1.18 Matters examined included the following:

***Australian Nuclear Science and Technology Organisation (ANSTO)***

- PETNET and competitive neutrality issues, specifically ANSTO's current views on the matter and the current federal court case with Cyclopharm (pp 5-6);
- assumptions on the value of the global market in relation to the investment in the synroc and molybdenum plant (pp 7-8);
- trends in the cost of nuclear fuel (p. 8); and
- issues relating to the health and safety workplace culture at ANSTO, including current legal proceedings with current or former ANSTO employees, staffing levels and matters related to Comcare cases (pp 8-10).

***IP Australia***

- recovery of moneys owed to the Commonwealth through the cancellation of 'evergreen' patents for Venlafaxine and Clopidogrel (pp 10-11); and
- processes for completing claims (pp 12-13).

***Commonwealth Scientific and Industrial Research Organisation (CSIRO)***

- reappointment of Dr Megan Clark, Chief Executive of the CSIRO (pp 13-17);
- independent review into workplace culture within the organisation (pp 17-18);
- potential impact of reduced funding on staffing levels (pp 18-19, 25, 28-29);
- internal investigation into the matter of chemicals sold to Novartis (pp 20-22);
- allegations of workplace bullying and harassment and levels of staff discontent (pp 22-24, 26);
- partnership between the CSIRO and the University of Tasmania in relation to the Centre for Food Innovation (pp 24-25); and
- impact of reduced industry investment in the organisation and future plans for engagement with industry (pp 19, 25, 27-28).

***Australian Research Council (ARC)***

- exclusion of theology colleges from ARC grants (p. 30);

- concerns raised by the National Tertiary Education Union about the Excellence in Research Australia process (pp 30-32);
- ARC mechanisms to prevent instances of abuse of ARC research funding (pp 32-33); and
- the impact of gaming strategies on the trajectory of early-career researchers (pp 33-34).

#### ***Office of the Chief Scientist***

- release date, focus and funding level of the new science and technology strategy (p.35);
- policy recommendations to improve collaboration between universities and the private sector (pp 36-37);
- meetings of the Chief Scientist with the Prime Minister and reports to ministers (p. 37);
- views on the reduced investment in science by business (p. 37);
- progress update on the establishment of expert working groups relating to strategic research priorities (p. 38); and
- matters relating to the research workforce (p. 39).

#### ***Tertiary Education Quality and Standards Agency (TEQSA)***

- staffing matters, including turnover rates, vacancies and an alleged increase in bureaucratisation (pp 40-41);
- TEQSA's opinion on whether there is a need for legislative reform in regards to the *Education Services for Overseas Students Act 2000* and the TEQSA Act 2011 (p. 42);
- potential impact of the cost of red tape on the higher education sector (pp 42-43);
- proposed timeline and methodologies for the planned review of all teaching courses by TEQSA (pp 45-46);
- feedback from overseas regulatory agencies in regards to TEQSA's operations (pp 46-47);
- issues relating to staff representation on higher education provider governing bodies (pp 47-48);
- potential impact of the efficiency dividend on providers (pp 48-49);
- rationale for the Productivity Commission undertaking payroll work for TEQSA (p. 50); and
- recent public consultation regarding TEQSA's approach to the public reporting of regulatory decisions (p. 50).

***Australian Skills Quality Authority (ASQA)***

- staffing matters relating to office space, salaries and audits (pp 52-53);
- complaints received by ASQA from consumers in relation to the quality of training providers and from providers dissatisfied with the audit process, including numbers received and the subsequent verification processes used to address the issues (pp 54-56);
- current percentage of revenue coming from cost recovery (pp 56-57);
- issues in Victoria and South Australia relating to the TAFE system, registered training organisation compliance, the increase of private Vocational education training (VET) providers (pp 57-61); and
- ASQA's response to the concerns of the Australian Workforce and Productivity Agency about the decrease in TAFE funding and the ongoing quality of the VET system, including the possibility of a review (pp 61-62).

***Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education [Outcome 3: Tertiary Education]***

- matters relating to Youth Allowance and Independent Youth Allowance, including eligibility thresholds, the parental income cap and income-contingent loans (pp 62-65);
- issues facing rural and regional students, specifically participation rates, debt levels and relocation costs (pp 63-64);
- impact of the efficiency dividend on regional universities (p. 66);
- implementation of the planned increase in the number of Commonwealth supported places in postgraduate and sub-bachelor courses (pp 66-67);
- matters relating to the AsiaBound Grants Program, including the exclusion of university consortia and private mobility firms, application numbers and the promotion of the program to students (pp 68-69);
- progress on recommendations made in the 2013 *Australia-Educating Globally* report into international education (pp 69-70);
- education counsellor posts overseas (pp 70-71);
- impact of the efficiency dividend on higher education (pp 72-74);
- specific matters relating to the Swinburne University of Technology (pp 74-75);
- issues relating to start-up loans for individuals receiving student income support, including analysis of take up rate, impact on the rate of university enrolment of low socio-economic status students and expected timeframes for repayment (pp 76-78);
- questions regarding the responsibility of universities to clearly articulate the band levels and costs of subjects for students (pp 79-82);

- analysis of the implications of funding arrangements for the TAFE systems in Victoria, New South Wales and Queensland (pp 82-87);
- current and future per student university funding, broken down into government and student contributions (pp 87-88);
- impact of cuts announced in the budget and Mid-year Economic and Fiscal Outlook (MYEFO) on the international position of Australia in OECD rankings of public higher education spending (pp 88-89);
- matters relating to student debt levels (pp 89-90);
- Education Investment Fund, including current balance and responses to policy criticisms (pp 90-91); and
- issues around university reporting requirements, including the independent review by Professors Kwong Lee Dow AO and Valerie Braithwaite and the basis of the phrase 'earned autonomy' (pp 93-95).

***Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education [Outcome 2: Science and Research]***

- matters relating to international science collaboration, including responses to criticism from the Australian Academy of Science and future plans to improve coordination and cooperation in the area (pp 96-97);
- science and innovation counsellors (pp 97-98);
- Cooperative Research Centre funding (pp 98-99);
- plans for the implementation of a science integrity charter (p. 99);
- clarification of the responsibilities of Minister Emerson and Minister Farrell in regards to science (p. 100);
- update on the progress, funding and benefits of the Square Kilometre Array project (pp 100-105);
- current total expenditure on Research and Development (p. 105);
- relationships between precincts and enhancing science and research outcomes (pp 105-106);

1.19 On 4 June 2013 the committee examined the estimates for the:

- Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education [Outcome 1: Industry and Innovation]; and
- Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education [Small Business].

1.20 Matters examined included the following:

***Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education [Outcome 1: Industry and Innovation]***

- March 2013 machinery of government changes leading to the incorporation of the Climate Change functions into the department (p. 4);
- matters relating to the Australian automotive industry and related schemes, including the potential impact of the decision by Ford to close its Australian manufacturing operations in 2016, effectiveness of government assistance to the industry, future risks to jobs, transferability of industry skills, the impact of the carbon price, the Automotive Transformation Scheme and the Green Car Innovation Fund (pp 4-28);
- Research and Development tax incentives, including the number of firms registered and the impact of the decision to restrict access for larger companies (pp 29-33, 36-38);
- Clean Energy Technology Fund (p. 33);
- matters relating to the Australian food industry, including statistics relating to food manufacturing, industry assistance and the meat industry (pp 33-35);
- business review processes of Enterprise Connect (pp 35-36);
- specifics of the Australian Jobs Plan, including cost, consultation processes, implementation strategies, the appointment of Australian Industry Opportunity Officers, the creation of the new Australian Industry Participation Authority and the issue of designated funds for an information campaign due to be spent before June 30 2013 (pp 38-44, 50-52);
- clean technology programs, including funding, payout schedules and application processes (pp 45-47);
- Steel Transformation Plan funding (pp 47-48);
- government assistance to industry in general terms and in specific instances, including to the textile, clothing and footwear sector, wood, metal and agricultural industries (pp 48-49, 53-54);
- issues stopping Australian steel and engineering workshops bidding on projects (pp 52-53); and
- Manufacturing Technology Innovation Centre funding (p. 55).

***Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education [Small Business]***

- update on the work of the Australian Small Business Commissioner (pp 55-56);
- forward funding for the program (pp 57-58); and
- the relationship between the department and the office of the Small Business Commissioner and the nature of briefings provided to ministers (pp 58-59).



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## Matters raised – Resources, Energy and Tourism portfolio

1.21 On 3 June 2013 the committee examined the estimates for the:

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

1.22 Matters examined included the following:

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

- March 2013 machinery of government changes leading to the incorporation of the Energy Efficiency functions into the department (p. 109);
- issues relating to the Kimberley liquefied natural gas precinct, processing at James Price Point and Woodside (pp 109-110);
- acreage release (pp 110-111);
- delays in onshore project approvals, including trends, benchmarks and applicant feedback (pp 111-112);
- matters in relation to coalmining, including feedback received by the department regarding levels of financial stress that Australian coal mines are currently operating under and progress of the Gorgon project in Western Australia (pp 113-114);
- the impact of 457 visas on resource sector projects (pp 114-115);
- issues relating to 'legacy debts' stemming from energy efficiency programs, including the amount of funds outstanding and the steps being taken to recover them (pp 115-116)
- Charities Maritime and Aviation Support Program (pp 116-117)
- the impact on the Global Carbon Capture and Storage Institute and related flagship programs from the reductions in funding over the forward estimates (p. 117);
- progress of a CSIRO report on residential energy efficiency commissioned by the department (pp 117-118);
- progress of plans to secure a volunteer site and undertake initial scoping and design work to establish a regional consultative committee for the national radioactive waste dump (pp 118-119); and
- issues relating to the Toro Energy-Wiluna uranium project in Western Australia (p. 119).

### *Geoscience Australia*

- main findings of the *Australian Gas Resource Assessment 2012*, particularly in relation to the increasing role of gas in the Australian and global energy mix and the commercial viability of accessing the gas in the short and medium term (p. 120); and

- 2013 acreage release (p. 121).
- 1.23 On 4 June 2013, the committee examined the estimates for:
- the Department of Resources, Energy and Tourism [Tourism] and Tourism Australia.
- 1.24 Matters examined included the following:

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

- role and responsibilities of the secretary of the department (p. 63);
- impact of recent machinery of government changes on departmental SES staffing, including appointment processes and the suitability of senior officers for their positions (pp 63-71);
- release details and main issues covered in *The economic impact of the current mining boom on the Australian tourism industry* report (pp 71-74); and
- matters relating to the inbound tour operator program, with specific regard to group leisure tourists from China (p. 74).

**Matters raised – Treasury Portfolio**

- 1.25 On 4 June 2013 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).

- 1.26 Matters examined included the following:

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

- issues relating to ASIC's actions under Section 313 of the *Telecommunications Act 1997* to block websites run by criminal syndicates engaged in investment scams, including specific details of past blockings, strategies to handle future occurrences and ASIC's commitment to public and transparent reporting on the matter (pp 79-80, 90-93);
- ASIC's handling of the alleged misconduct by Commonwealth Financial Planning with specific reference to the length of time ASIC took to act on information received from a whistleblower (pp 80-82, 97-98);
- details on the implementation of the *Treasury Amendment Legislation (Unclaimed Money and Other Measures) Act 2012*, including the amount of unclaimed money ASIC currently holds, ASIC's role in reuniting people with their money and the processes and timeframes involved in this (pp 83-85, 95-96);

- consideration of the proposed changes to the *Tax Agent Services Act 2009* (pp 84-86);
- details related to the May 2013 *ASIC regulation of registered liquidators: January to December 2012* report, including proactive practice reviews, transaction reviews and inadequate declarations (pp 86-87);
- the dropped investigation into Wellington Capital (pp 87-88);
- suspension clauses and the possibility of a gap in the legislative and administrative framework for the supervision of the Australian banking system (p. 88);
- Sunland Group waterfront development in Dubai (pp 88-90);
- dialogue between ASIC and the banking industry regarding deceptive or misleading advertising (pp 93-94);
- update of ASIC's actions in responding to the 17 recommendations set out in the 2010 report into liquidators and administrators by the Senate Economics References Committee (p. 94);
- trends in insolvency law in the United Kingdom (p. 95); and
- ASIC's perspective on high frequency trading issues (pp 98-99).

#### ***Australian Bureau of Statistics (ABS)***

- potential consequences of errors in intercensal population increase projections (pp 99-100);
- planning for 2016 census, including details on design and consultation (pp 100-101);
- cancellation of the 2013 Work, Life and Family Survey program, including rationale for cancellation, potential negative impacts and other avenues available for collecting similar information (pp 101-102, 104);
- statistics and methodologies used in the *Completing the picture: environmental accounting in practice* report (pp 103-104); and
- the impact of the efficiency dividend on the ABS (p. 104).

#### ***Australian Competition and Consumer Commission (ACCC)***

- progress of the ACCC investigations into supermarkets, with particular reference to the shopper docket, unconscionable conduct and supplier relationship issues (pp 105-107, 110, 117);
- use of compulsory information-gathering powers in investigations (pp 107-109);
- current investigations into union boycotts, specifically the Grocon matter (pp 109-11);
- material used in the ACCC draft determination relating to Qantas and Emirates (pp 111-112);

- ACCC's role in relation to Australian standards, competition and consumer product safety (pp 112-114);
- progress on issues relating to free-range egg and other product guidelines (pp 114-116);
- ACCC's role in the development of a code of conduct for supermarkets (pp 116-117);
- wording of Section 46 of the *Competition and Consumer Act 2010* (p. 118);
- potential acquisition of a collapsed Barossa Valley winery by Woolworths (pp 118-119); and
- clarification of comments by Mr Rod Sims, ASIC Chairman, around the role of court actions (pp 119-121).

#### ***Australian Prudential Regulation Authority (APRA)***

- progress update and issues relating to the implementation of Basel III in Australia (pp 122-125);
- funding arrangements for APRA (pp 124-125);
- update on the MySuper authorisation process, specifically the number and outcomes of applications received; and
- details on APRA reporting requirements for superannuation funds, including timeframes, increased requirements and transition arrangements (p. 129).

1.27 On 5 June 2013 the committee examined the estimates for the:

- Treasury [Fiscal Group];
- Commonwealth Grants Commission;
- Inspector-General of Taxation;
- Treasury [Revenue Group]; and
- Australian Taxation Office.

1.28 Matters examined included the following:

#### ***Treasury [Fiscal Group]***

- total face value of Commonwealth government securities subject to the limit in the *Commonwealth Inscribed Stock Act 1911* (p. 5);
- basis for the predicted increased in the underlying cash balance in 2021-2022 (p. 6);
- impact on the cost of debt if yields on government securities returned to more normal levels (p. 60);
- possibility of an update to the Pre-election Economic and Fiscal Outlook (PEFO), particularly in relation to outstanding non-legislated expenditure and revenue measures in previous budgets (p. 8);

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- progress of the National Injury Insurance Scheme (pp 10-13);
  - issues relating to the current legislated debt ceiling (pp 13-17);
  - comparison of current levels of Commonwealth government debt to the remainder of the developed world and the appropriate use of the term 'net debt' (pp 17-19, 20);
  - technical explanation of the difference between fiscal discipline and fiscal austerity (p. 19, 20-21);
  - rates accessed for the funding of the farm assistance package (pp 22-23);
  - changed predictions of the 2013-14 underlying cash balance (pp 23-24);
  - matters relating to carbon modelling, including projection methodology, international carbon price estimates over the forward estimates, advance sales of permits, analysis of the provision of cash compensation to private generators, the future of an international carbon price and its potential impact on compensation packages, criticisms of the clean energy package, the impact of European economic situation on carbon price modelling, the state of Australian emissions since the introduction of the carbon price, and the importance of taking into account long-term factors in projecting future levels of the carbon price (pp 24-37);
  - activities of the Clean Energy Finance Corporation, including their investment processes and role in developing and educating the market (pp 37-45); and
  - the Gonski reforms, including the provision of Average Government School Recurrent Costs estimates for 2014-19 by state treasuries (pp 46-51).

#### ***Commonwealth Grants Commission (CGC)***

- key findings and important features of the 2013 report into GST relativities, the process in regards to terms of reference and the exclusion of reward payments under the national partnership agreements (p. 51);
- impact of stamp duty base changes, particularly the significant differential between Queensland and New South Wales (p. 52);
- data sources utilised by the CGC (pp 52-53);
- impact of the National Disability Insurance Scheme (NDIS) on GST relativities (p. 53); and
- the process for determining the GST (p. 55).

#### ***Inspector-General of Taxation***

- current work program, including the four reviews in progress (pp 55-56); and
- the impact of the efficiency dividend on the budget, staffing levels and work program of the Inspector-General of Taxation (p. 56).

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

- monetary impact of the alcohol tax and the luxury car tax (pp 57-58);
- matters relating to the Minerals Resource Rent Tax, including the basis for predicting an increase in revenue over the forward estimates, the impact of royalty rebates and the revenue reduction from the low-profit threshold (pp 58, 84-86);
- predictions of an increase in the volumes of iron ore exports for the period 2012-13 to 2016-17 (pp 59-60);
- ATO policies on the use of social media by employees, including ATO's response and internal disciplinary process in relation to a specific incident on Twitter involving an ATO employee and a member of the public (pp 60-66);
- unscheduled employee absences within the ATO, including statistics and action plans (pp 66-67);
- differences between a leased property and a licence fee on a property (pp 67-68);
- questions around the calculation of estimates for the Research and Development tax incentive (p.68);
- managed investment trusts and the establishment of the Trust Task Force (pp 68-70);
- the *Secrecy Jurisdictions, the ASX 100 and Public Transparency* report by the Uniting Church (pp 70-71);
- evidence of aggressive tax structures that shift profits by artificially loading debt into Australia (pp 71-72);
- dividend washing (p. 72);
- 10 year breakdown of the revenue collected by the increase in the Medicare levy (pp 72-73);
- Wine Equalisation Tax (pp 73-76);
- matters relating to the Australian Valuation Office, including training programs and accreditation processes, rebranding strategy costs and budget funding (pp 76-78);
- specifics of carbon tax revenue assumptions, including the advance selling of permits over the forward years and fuel tax credits (pp 78-80, 103-105);
- revenue measures in the current and previous budgets expected to remain non-legislated by the end of June 2013 (p. 80);
- details of and implementation of superannuation measures relating to earnings on assets supporting income streams in excess of \$100,000 a year for individuals (pp 80-84, 87, 91-93);
- ATO actions in looking at to what extent companies which operate in Australia have subsidiaries in tax havens (pp 86-88);

- work of the Australian Charities and Not-for-profit Commission (pp 87-91);
- superannuation concessional contribution caps (pp 93-94);
- Treasury and ATO Tax and Superannuation Protocol joint accountability statements (pp 94-95);
- removal of the capital gains tax for non-resident individuals (pp 97-98);
- progress in the production of a comprehensive national estimate of the tax gap (p. 100);
- status of the post-implementation review in relation to the *Tax Agent Services Act 2009* (p. 100) ;
- reasons for the increase in the amount of tax in dispute as at 31 March 2013 (p. 101);
- recent report by the Australian Office of National Assessments on the principles and procedures followed by Treasury and the ATO in preparing the annual tax expenditures statement (p.102); and
- the possibility of the ATO flagging with ASIC the early warning signs of companies with government contracts trading insolvent (pp 105-107).

1.29 On 6 June 2013, the committee examined the estimates for the:

- Treasury [Macroeconomic Group];
- Treasury [Markets Group] ;
- Australian Office of Financial Management (AOFM); and
- Productivity Commission.

1.30 Matters examined included the following:

***Treasury [Macroeconomic Group]***

- state of the Australian economy, including living standards, employment rates, housing prices, growth and investment levels and the exchange rate (pp 4-5, 7-8, 13-14, 15-16);
- Treasury comment on press reports that Western Australia is in recession and other mining investment related issues (pp 5-6, 10-11);
- issues relating to the PEFO (pp 12-13);
- potential impact of quantitative easing on Australia and other G20 countries (pp 16-17);
- impact of the economic situation in Europe and Asia on Australia (pp 17-21, 37);
- matters relating to staffing at Treasury, including levels, allocations, redundancies, recruitment and graduate intake (pp 22-24, 26-27);
- potential impact of extracting minerals at a more moderate pace (pp 24-26);

- AAA ratings (p. 26);
- Treasury's work on the blue and red books (pp 27-28);
- current state of the labour market, lowest sustainable rate of unemployment and trends in real unit labour costs and labour participation (pp 28-30, 33-35);
- implications of the economic situation in China on Australia (pp 32, 37);
- matters relating to the effectiveness of monetary policy (pp 35-36); and
- the potential negative impacts of sharp cutbacks in public service employment on the Australian Capital Territory economy in the short to medium term (pp 38-39).

***Treasury [Markets Group]***

- matters relating to the issue of unclaimed money, including special rules or exemptions for certain kinds of bank accounts, timeframes for the release of money back to individuals and the benefits of the measure (pp 39-40);
- questions relating to the media release by the Minister for Financial Services in relation to the earthquake in Victoria on 19 June 2012 (pp 40-49);
- Mental Health and Insurance Working Group (pp 49-50);
- matters relating to the NDIS (pp 50-52);
- Treasury's role in responses to the Trio collapse (pp 52-53);
- Investment Manager Regime (pp 54-56);
- work of the Corporations and Market Advisory Committee (pp 56-57);
- status of the Financial Centre Taskforce (pp 57-58);
- progress of the Asian region funds passport policy measure (pp 58-59);
- possible national reinsurance pool in the context of natural disaster insurance (pp 59-60);
- Board of Taxation's recommendations in a 2011 report on Islamic finance (p. 60);
- matters relating to the work of the Foreign Investment Review Board, including staffing levels and processes for considering applications (pp 61-64);
- current costs of funds to banks, with reference to the differences that major banks face compared to second-tier bank (pp 65-66);
- current amount of business being written in the securitisation market (p. 66); and
- recent developments in the housing market (p. 67).



***Australian Office of Financial Management (AOFM)***

- Australian bond yields (pp 67-68);
- the status and future trends of the residential mortgage-backed security market (pp 68-69); and
- net interest payments (pp 69-70)

***Productivity Commission***

- staffing levels, budget allocation and workload (pp 71-73);
- issues relating to a draft report by the Productivity Commission on mineral and energy resource exploration (pp 73-75); and
- safeguard processes and investigations (pp 76-80).

**Senator Mark Bishop**  
**Chair**

