

The Senate

Economics Legislation Committee

Additional estimates 2005–06

March 2006

© Commonwealth of Australia 2006

ISBN 0 642 71610 2

Printed by the Senate Printing Unit, Parliament House, Canberra.

Senate Economics Legislation Committee

Core Members

Senator George Brandis, Chair	Queensland, LP
Senator Ursula Stephens, Deputy Chair	New South Wales, ALP
Senator Grant Chapman	South Australia, LP
Senator Andrew Murray	Western Australia, AD
Senator John Watson	Tasmania, LP
Senator Ruth Webber	Western Australia, ALP

Substitute Members

Senator Allison to replace Senator Murray for matters relating to the Resources portfolio

Participating Members

Senator the Hon Eric Abetz	Tasmania, LP
Senator Judith Adams	Western Australia, LP
Senator Andrew Bartlett	Queensland, AD
Senator the Hon Ronald Boswell	Queensland, NATS
Senator Bob Brown	Tasmania, AG
Senator George Campbell	New South Wales, ALP
Senator Kim Carr	Victoria, ALP
Senator The Hon Richard Colbeck	Tasmania, LP
Senator Stephen Conroy	Victoria, ALP
Senator the Hon Helen Coonan	New South Wales, LP
Senator Alan Eggleston	Western Australia, LP
Senator Christopher Evans	Western Australia, ALP
Senator the Hon John Faulkner	New South Wales, ALP
Senator Alan Ferguson	South Australia, LP
Senator Jeannie Ferris	South Australia, LP
Senator Steve Fielding	Victoria, FFP
Senator Mitch Fifield	Victoria, LP
Senator Michael Forshaw	New South Wales, ALP
Senator John Hogg	Queensland, ALP
Senator Barnaby Joyce	Queensland, NATS
Senator Linda Kirk	South Australia, ALP
Senator Ross Lightfoot	Western Australia, LP
Senator Joseph Ludwig	Queensland, ALP
Senator Kate Lundy	Australian Capital Territory, ALP
Senator The Hon Ian Macdonald	Queensland, LP
Senator Gavin Marshall	Victoria, ALP
Senator Brett Mason	Queensland, LP
Senator Julian McGauran	Victoria, LP
Senator Christine Milne	Tasmania, AG
Senator Andrew Murray	Western Australia, AD
Senator Kerry O'Brien	Tasmania, ALP

Participating Members (Continued)

Senator Stephen Parry	Tasmania, LP
Senator Marise Payne	New South Wales, LP
Senator Robert Ray	Victoria, ALP
Senator the Hon Nick Sherry	Tasmania, ALP
Senator Rachael Siewert	Western Australia, AG
Senator Natasha Stott Despoja	South Australia, AD
Senator Penny Wong	South Australia, ALP

SECRETARIAT

Mr Peter Hallahan, Secretary
Ms Stephanie Holden, Senior Research Officer
Ms Kerry West, Estimates/Research Officer
Ms Judith Wuest, Executive Assistant

Suite SG.64

Parliament House

Canberra ACT 2600

Ph: 02 6277 3540

Fax: 02 6277 5719

E-mail: economics.sen@aph.gov.au

Internet: http://www.aph.gov.au/senate/committee/economics_ctte/index.htm

TABLE OF CONTENTS

Membership of Legislation Committee	iii
ADDITIONAL ESTIMATES	1
REPORT TO THE SENATE	
Introduction	1
General Comments	1
Questions on notice	1
Record of proceedings	2
Matters raised - Treasury portfolio	2
Matters raised - Industry, Tourism and Resources portfolio	4
Appendix 1	7
Documents tabled	
Statement by the Minister for Finance and Administration Senator the Hon Nick Minchin	7
Australian Securities and Investment Commission Opening Statement	7
Appendix 2	9
Abbreviations	
Appendix 3	11
Index of Proof Hansard for the Treasury and Industry, Tourism and Resources Portfolios	
15 February 2006	11
16 February 2006	11

ADDITIONAL ESTIMATES

REPORT TO THE SENATE

Introduction

1.1 On 8 February 2006 the Senate referred to the Committee for examination and report the following documents in relation to the Treasury and Industry, Tourism and Resources portfolios:

- Particulars of proposed additional expenditure in respect of the year ending on 30 June 2006 [Appropriation Bill (No.3) 2005-2006];
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2006 [Appropriation Bill (No.4) 2005-2006];
- Statement of savings expected in annual appropriations made by Act No. 72 of 2005 (Appropriation Act (No. 1) 2005-2006 and Act 73 of 2005 (Appropriation Act (No. 2) 2005-2006);
- Final Budget Outcome 2004-05; and
- Advance to the Finance Minister as a Final Charge for the year ended on 30 June 2005.

General Comments

1.2 The Committee received evidence from Senator the Hon Nick Minchin representing the Treasurer and the Minister for Revenue, Assistant Treasurer, and the Minister for Industry, Tourism and Resources, Senator the Hon Helen Coonan, representing the Treasurer and the Minister for Revenue and Assistant Treasurer, and officers from the Treasury and Industry, Tourism and Resources portfolios. The Committee thanks the ministers and officers who attended the hearings for their assistance.

1.3 The Committee conducted two days of hearings, on 15 and 16 February, and examined the Treasury portfolio and the Industry, Tourism and Resources portfolio. In total the Committee met for 18 hours and 41 minutes, excluding breaks.

Questions on notice

1.4 The Committee draws the attention of all departments and agencies to the deadline of Friday, 31 March 2006 for the receipt of answers to questions taken on notice from this round. As the Committee is required to report before responses to questions are due, this report has been prepared without reference to any of these responses. The secretariat has prepared indexes for questions on notice during and after the hearings and these are available on the following website http://www.aph.gov.au/Senate/committee/economics_ctte/estimates/add_0506/index.htm.

Record of proceedings

1.5 This report does not attempt to analyse the evidence presented over the two days of hearings. However, it does include a brief list of the issues that were traversed by the Committee for both portfolios.

1.6 Copies of the Hansard transcripts are available through the internet at <http://www.aph.gov.au/hansard/senate/commttee/s-econ.htm>. Copies are also tabled with this report for the information of the Senate.

Matters raised - Treasury portfolio

1.7 Within the Treasury portfolio, the Committee questioned the department, the Australian Taxation Office, and the Australian Competition and Consumer Commission and the Financial Reporting Council on 15 February 2006. The Australian Securities and Investments Commission and the Australian Prudential Regulation Authority were examined the following day.

1.8 The Financial Reporting Council was represented at the hearings by Treasury officials, one who is also a member of the FRC and the other 2 part of the secretariat support that the Treasury provides to the FRC. A senator expressed concern that neither the Chair or the Deputy Chair were able to attend the hearings to answer questions.

1.9 Matters examined include the following:

Treasury¹

- growth level in the Australian economy (pp. 7-19);
- comparison in commodity exports between Australia and other advanced economies in the OECD (pp. 17-18);
- Australia-US trade (p. 20);
- government advertising for Work Choices and the Treasury's modelling of the effects of the workplace relations reforms (pp. 21-30);
- the Treasury's involvement in government appointments, particularly their involvement in the appointment of Mr Gerard to the Reserve Bank (pp. 30-42);
- childcare expenditure and its impact on work force participation (p. 43);
- commission based selling of financial products (pp. 111-112); and
- surveys about levels of financial literacy in the community (pp. 112-113).

1 Transcript page numbers for the Treasury, ATO, ACCC and FRC refer to *Proof Hansard*, 15 February 2006 (see the index at Appendix 3 of this report)

Australian Taxation Office

- missing laptop computers (pp. 43-44);
- bribes and facilitation payments under the *Income Tax Assessment Act 1997* (pp. 45-52);
- the Change Program's objectives, budget, independent assessment of achievements, and efficiency savings (pp. 52-59);
- taxation of drug 'barons' (pp. 62-65);
- number of self-managed superannuation funds affected by the Westpoint collapse, and the regulation of self-managed superannuation funds (pp. 73-76);
- taxation dispute between the ATO and Gerard Industries (pp. 78-81); and
- use of dialler technology to connect ATO clients with an ATO customer service officer (pp. 81-84).

Australian Competition and Consumer Commission

- Telstra's appeal to the Australian Competition Tribunal of the ACCC's decision on pricing for line sharing services (pp. 91-92);
- Telstra's broadband pricing and line rental fees (pp. 92-95); and
- Telstra's operational separation plan (pp. 95-102).

Financial Reporting Council

- review of audit independence regulation (pp. 103-105).

Australian Securities and Investments Commission²

- memorandum of understanding between ASIC and the Director of Public Prosecutions (pp. 5-8);
- whether ASIC intends to undertake any investigative activity of the Australian Wheat Board directors following the conclusion of the Cole Commission inquiry (pp. 9-11);
- unsolicited share offers and proceedings against Mr David Tweed (pp. 13-15);
- ASIC's investigations into Telstra's disclosures practices (pp. 15-17);
- the number of people affected by the collapse of Westpoint, complaints raised by the West Australian Department of Consumer Employment and Protection to ASIC, and Westpoint Finance Pty Ltd's meetings and seminars encouraging people to invest in Westpoint, (pp. 26-29, 38-43);

2 Transcript page numbers for ASIC, APRA, and the Industry, Tourism and Resources Portfolio refer to *Proof Hansard*, 16 February 2006 (see the index at Appendix 3 of this report)

- range of penalties available to ASIC to deal with breaches of the continuous disclosure provisions of the Corporations Act (p. 31);
- NSW Government teachers switch from their state government superannuation fund to First Capital Financial Planning (pp. 35-36);
- regulation of small managed superannuation funds (p. 39); and
- commission based selling on financial products (pp. 45-46).

Australian Prudential Regulation Authority

- use of the word 'bank' by Keibel Bank and APRA's issue of a cease and desist order (pp. 50-51);
- licensing of superannuation funds (p. 52); and
- potential decrease in staffing needs as a result of fewer licensed funds (p. 57).

Matters raised - Industry, Tourism and Resources portfolio

1.10 Within the Industry, Tourism and Resources portfolio, the Committee questioned the department and Tourism Australia together.

1.11 Matters examined include the following:

Department of Industry, Tourism and Resources

- reforms to the Pharmaceutical Benefits Scheme and the department's involvement in an interdepartmental committee on pharmaceutical benefits reforms (pp. 61-64);
- rephrasing of department's programs, specifically the Hismelt program, Hawker de Havilland and Commercial ready program (pp. 67-69);
- staffing matters—average staffing levels, employee leave, future payments of annual leave and long service leave, graduates (pp. 69-72);
- budget allocations under the Portfolio Additional Estimates Statements (pp. 72-77);
- Australian Building Codes Boards and the standards for premises, in particular in relation to disability access (pp. 80-83); and
- LNG Action Agenda (pp. 83-88).

Tourism Australia

- progress of Tourism Events Australia launched in late 2005, and the staffing arrangements of Tourism Events Australia (pp. 95-98);
- Aussie Specialist program (pp. 100-101); and
- avian influenza and the tourism sector (p. 103).

SENATOR GEORGE BRANDIS

Chairman

Appendix 1

Documents tabled

15 February 2006

- Statement by the Minister for Finance and Administration, Senator the Hon Nick Minchin about officials not answering questions on matters before the Commission of Inquiry being conducted by the Hon Terence Cole into certain Australia companies in relation to the Oil-for-Food Program

16 February 2006

- Australian Securities and Investment Commission Opening Statement

Appendix 2

Abbreviations

ATO	Australian Taxation Office
ACCC	Australian Competition and Consumer Commission
FRC	Financial Reporting Council
ASIC	Australian Securities and Investments Commission
APRA	Australian Prudential Regulation Authority

Appendix 3

Index of Proof Hansard for the Treasury and Industry, Tourism and Resources Portfolios

15 February 2006

Treasury	1
ATO	43
ACCC	84
FRC	103
Treasury	106

16 February 2006

ASIC	3
APRA	50
Department of Industry, Tourism and Resources	59
Tourism Australia	95