

and portfolio agencies as outlined in the program. At 9 pm the committee will commence with consideration of the Treasury portfolio.

Department of Industry, Science, Energy and Resources

[09:04]

CHAIR: I now welcome Senator the Hon. Michaelia Cash, Minister for Employment, Skills, Small and Family Business. I also welcome the secretary of the Department of Industry, Science, Energy and Resources, Mr David Fredericks, and officers of the department.

Senator Cash: Thank you, Chair.

CHAIR: Minister and Secretary, do either of you wish to make an opening statement?

Senator Cash: I don't, Chair.

Mr Fredericks: I have a very brief statement that is repetitious of the statement I made to the Environment and Communications committee on Monday, with apologies to Senator McAllister, but I think it is proper that I make it to this committee as well, if I can. It's very short.

CHAIR: We like short statements, Mr Fredericks, so please go ahead.

Mr Fredericks: As the committee would be aware, there have been a number of machinery-of-government changes in recent months that have seen the formation of the Department of Industry, Science, Energy and Resources. The machinery-of-government changes transfer the energy and climate change functions with the exception of climate science and adaptation from their former department, the Department of the Environment and Energy, and the small-business function from its former department, the Department of Employment, Skills, Small and Family Business, into the renamed department, the Department of Industry, Science, Energy and Resources. As a result this department is now responsible for four outcome statements, which will see us attend three estimate hearings this week.

For the clarity of this committee, we have officers in attendance today to respond to outcome 1 as well as corporate and cross-portfolio matters. I would like to take the opportunity to thank the committee for its support in arranging for matters related to the corporate operations of the department to be directed through this committee rather than asking those officers to attend all three of the committee hearings that the department is attending this week. Thank you.

CHAIR: Thank you very much, and thank you for keeping it brief. We'll go straight to the cross-portfolio and corporate area.

Senator KIM CARR: I was wondering: was the 21st CRC round due to be announced before Christmas?

Ms Kelly: Mr McIntyre will come to the table and provide that information.

Mr McIntyre: As I'm sure you're aware, Senator Carr, there has been a process, the round has closed and we've gone through our evaluation process. Now it's simply a matter of timing for the release of the outcomes.

Senator KIM CARR: To be clear: the round has concluded and decisions have been made?

Mr McIntyre: The department has provided advice, yes.

Senator KIM CARR: Is it also the case that successful bidders have been notified?

Mr McIntyre: Yes, that's correct.

Senator KIM CARR: And we now have a situation where the companies involved in the CRC program have got obligations to the stock exchange. They will know that there have been material changes to their circumstances but they are prevented from making announcements to the stock exchange, because the government's waiting for a suitable time to make political announcements about a funding round of—what, \$160 million? How much is it?

Mr McIntyre: Sorry, I would have to find that figure but that number would be in the league of the correct number. I'll get that number for you presently.

Senator KIM CARR: I appreciate you getting me the number but it really is immaterial; we agree that it's in that range. You've got a large number of companies who are now in breach of their reporting requirements to the stock exchange because the government is waiting on a convenient political timetable to make a public announcement about decisions that have been made for quite some time.

CHAIR: That's a statement, Senator Carr, rather than a question.

Senator KIM CARR: But that is a statement of fact, is it not?

Ms Kelly: Senator Carr, I don't think we are in a position to make a comment about circumstances of particular companies.

Senator KIM CARR: Minister, is that correct or not?

Senator Cash: Is what correct, Senator Carr—the rhetoric you're providing in relation to the CRCs?

Senator KIM CARR: The CRC bidders have been notified, the decisions have been made and the companies involved in the CRC program have an obligation to the stock exchange of continual disclosure but are not allowed to actually make a public statement to the stock exchange.

Senator Cash: Can we slow down, Senator Carr, because you're actually wrong.

Senator KIM CARR: Why am I wrong?

Senator Cash: I am instructed, and the secretary will be able to provide further information, that CRCs have been advised that they can make all disclosures as necessary.

Senator KIM CARR: So they can make public statements?

Senator Cash: So, Senator Carr, for the benefit of the media who are listening, everything that you have just said is, I am instructed, incorrect.

Senator KIM CARR: Let's be clear: what date were the CRCs advised that they could make public statements about their successful bids?

Senator Cash: I would need to take that on notice, unless Mr McIntyre is able to provide you with further information.

Senator KIM CARR: Mr McIntyre, are you able to assist me?

Mr McIntyre: I will have to get the timing for you but I can let you know that \$187 million is the amount of the round.

Senator KIM CARR: Thank you; I was going from memory. I'd really like to know that the CRCs have now been told that they can make public announcements, and the date on which they were told that.

Mr McIntyre: I'll take that on notice and try to get you an answer later in the hearing.

Senator KIM CARR: Thank you. Is the bushfire CRC in the wind-up process?

Mr McIntyre: The bushfire CRC, as you would be aware, is to conclude next year. There are current discussions with the CRC about transition arrangements. I might defer to my colleague David Wilson, who has been in discussions with the CRC.

Mr D Wilson: As Mr McIntyre said, the Bushfire and Natural Hazards CRC completes its funding term under the program on 30 June 2021. The department has been engaging with the CRC in relation to, as with all CRCs, their transition plan for the conclusion of their CRC funding. The government is actively considering what would be future collaborative research arrangements in relation to bushfire and natural hazard planning and research.

Senator KIM CARR: Can you explain to me why the CRC has to wind up, given it's been a fairly active time for the bushfire CRC in recent times?

Mr D Wilson: If your question is in regard to the CRC program policy—

Senator KIM CARR: No, this one.

Mr D Wilson: You will recall that, in 2015, the government engaged David Miles to undertake a review of the CRC program. That review made 18 recommendations, and they were all accepted by this government. They included that there would be no extensions to CRCs, that CRCs would be limited to 10-year terms and that there would also no further be the public good mechanism.

Senator KIM CARR: That's right.

Mr D Wilson: Subsequent to that, and the government accepting all the recommendations of the Miles review, the guidelines were changed in accordance with that. Since then, CRCs that have completed their terms have successfully transitioned post the end of the CRC program funding.

Senator KIM CARR: The bushfire CRC would be universally regarded as a highly effective organisation involving a very large number of our emergency services—all emergency services agencies from across Australia; every major university involved in research into bushfires; Commonwealth and state departments; and international collaborators such as New Zealand, Portugal and the United States. It is highly effective. Would all the reviews suggest that that would be the case?

Mr D Wilson: I think the department and the government would agree that the CRC has been highly effective.

Senator KIM CARR: So the effect of the policy position is that they are not allowed to re-bid, no matter how good they are. They are obliged under the CRC legislation to wind up, aren't they?

Mr D Wilson: It's not the legislation; it is the program guidelines in the policy settings.

Senator KIM CARR: Let's be clear about this: they can't trade while insolvent. They can't get extra money. They must wind up. Is that not the case?

Mr D Wilson: As I said, the CRC has to prepare for a transition plan at the end of the CRC program funding. The further point around the Miles review and the government's position is that the CRC program, as an industry-led industry, identified problems. For this CRC, I absolutely agree that this is a large and very effective collaboration involving, as you state, a number of universities, state emergency services, federal government agencies, Geoscience Australia and the Bureau of Meteorology. As I said, the government is actively engaging with the CRC around transition options as well as future collaborative research arrangements to support bushfires and natural hazard research.

Senator KIM CARR: What's the alternative funding source if this work is to continue?

Ms Urquhart: That would obviously be a matter for government. But I do want to correct the impression that the CRC is in any way reducing its activities. The CRC is constantly working on ways to improve bushfire warning systems, its modelling software and safeguards to protect the physical and mental safety of first responders. As you'd be aware, Senator, it has a longstanding multidisciplinary research agenda on warning the public against natural disasters. Indeed, the Queensland government credits the warnings, research and fire mapping tools with saving lives in the town of Gracemere in November 2018. CRC researchers with the Queensland University of Technology have been equipping emergency service agencies with tools to better target imminent threat warnings and longer-term safety campaigns. We saw that come into play through this bushfire season. During the season, the New South Wales Rural Fire Service, the Queensland Fire and Emergency Services and the South Australia Country Fire Service all received bespoke expertise from CRC researchers embedded with their teams. To better support emergency service workers, the CRC is also collaborating with Beyond Blue and the University of Western Australia to undertake a world-first study into the mental health issues that emergency service workers face. Research has also led, for example, to the development of PHOENIX RapidFire, one of the main pieces of fire modelling and prediction software used in Australia.

Senator KIM CARR: You've just demonstrated the value of the organisation. No-one is disputing that. But I'll just read directly from their own publication:

It is assumed that the CRC would not be eligible for refunding in its current form from the CRC Programme as the guidelines do not allow this, and is planning on this basis.

It is taken as a given that there cannot be a transition if the CRC cannot demonstrate value to its core partners by delivering on its commitments over the remainder of the current funding period.

There is no extra money coming out of the core partners, is there?

Ms Urquhart: I'm aware that the Bushfire and Natural Hazards CRC, the chair, the CEO and other members of the CRC have been in active transition planning, that they have very detailed transition planning and that they have engaged with responding organisations—

Senator KIM CARR: Where's the money coming from?

Ms Urquhart: and also with state government and Commonwealth government. Those discussions are very active, and future funding from the government would be a matter for consideration.

Senator KIM CARR: By the government. We recently lost the EIF program. According to the finance department, there's establishment of a \$4 billion Emergency Response Fund.

Ms Urquhart: You would have to direct those questions to the education department.

Senator KIM CARR: Yes, I know I would. But, surely, has the department made any effort to secure additional funding for this incredibly valuable CRC—this extraordinarily successful program—from any other source within government?

Ms Urquhart: As you can see, the department certainly values the work of the CRC, as does the government. I know that there have been extensive engagements between ministers and the CRC, as there have been with other agencies working very actively in relation to bushfire science. The government well appreciates the value of the cooperative research centre.

Senator KIM CARR: At what point does the CRC board cease to exist?

Mr D Wilson: As I said earlier, the CRC program funding finishes on 30 June 2021, next year. It's a non-profit company, a limited guarantee company. As they move into the next financial year—at that point in time—the company would have to make its preparations for what its future transition arrangements are.

Senator KIM CARR: It cannot trade while it is insolvent, can it?

Ms Urquhart: I don't think there's any suggestion of that.

Mr D Wilson: I don't know that that is the case,

Senator KIM CARR: That gives you your time line as to when it must cease to operate, doesn't it?

Ms Urquhart: As Mr Wilson has outlined, there is an end date to the funding from the government.

Senator KIM CARR: Thank you very much.

Senator PRATT: I will lead off on the R&D tax incentive now.

CHAIR: Go ahead.

Senator PRATT: Thank you very much, Chair. I now have some questions in relation to the current operation of the tax incentive. I am looking for data, please, on how many firms use the incentive, broken down into those that use the refundable offset, and the larger firms that use the non-refundable offset.

Ms Mulder: For the number of R&D entities or companies that register for the R&D tax incentive, the most recent complete year is the 2017-18 year. In that year, 14,244 companies registered for the R&D tax incentive. For those with under \$20 million turnover, for the same financial year, 11,464 companies registered for the R&D tax incentive.

Senator KIM CARR: Sorry, can you repeat that number?

Ms Mulder: It was 11,464; essentially 80 per cent of the program. And then for the businesses over \$20 million turnover, it is 2,780, which is 20 per cent of the program.

Senator PRATT: And it is the 11,000 that used to the refundable offset and the 2,000-odd that used the non-refundable offset?

Ms Mulder: For that financial year, that is correct.

Senator PRATT: I would like now to ask about the policy development in this space, the calculations of the thresholds where people will move both industry and Treasury. What consideration have you given to the policy development in this space?

Mr Calder: I don't quite understand the question.

Senator PRATT: I am stepping around the fact there is a bill before the Senate and I am not supposed to ask direct questions about that bill because there is currently an inquiry into it.

Senator KIM CARR: You are entitled to ask: what consultation has the department undertaken?

Senator PRATT: Yes, indeed, that is what I would like to ask. What consultation have you undertaken into the changes for the intensity thresholds? But, overall, what consideration have you given to these new measures? What was the process for consultation with industry?

Mr Calder: There was consultation on the draft legislation that was introduced in September 2018. There was consultation in the lead-up to that period. There were 75 submissions received during that time. There have been extensive consultations over the time since the review commenced its deliberations. In the draft legislation, we consulted directly with stakeholders affected. We received 88 submissions during that phase. We received another 75 submissions when the draft legislation was released.

Senator PRATT: Can I just clarify. You used 2018-19. Are you talking about the old bill or the new bill?

Mr Calder: The original bill was introduced into the parliament in September 2018. The revised bill—

Senator PRATT: These 88 submissions, were they in relation to the original bill or the new bill?

Mr Calder: That is correct.

Senator PRATT: What was the consultation process for the new bill, which has changed some of those thresholds?

Mr Calder: I understand consultation is open at the moment for the Senate inquiry, so submissions will be received by the Treasury in relation to the bill before the Senate.

Senator PRATT: What advice have industry and Treasury given about the new bill? Sorry, I won't ask you about advice to government, but what processes have you participated in in relation to how and why the bill has changed?