

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 41

Topic: Trend Growth Rate in Tobacco

Hansard Page: E110

Senator Abetz asked:

Senator ABETZ—What population growth was factored into your assessment? You can take that on notice.

Mr Brown—It was not an explicit factor.

Senator ABETZ—That was not an explicit factor.

Mr Brown—But it is implicit in the growth rates that we used.

Senator ABETZ—Tell us, on notice, what the explicit growth rate is or the implicit growth rate in the population because that may tell us something as well.

Answer:

The growth rate for excise used in the costing of the increase in tobacco excise was the same as that used in the budget medium term projections, which was zero growth. The medium term projection growth rate was based on analysis of the trend growth in overall tobacco excise. However, the zero growth can be decomposed in terms of the expected population growth, assumed CPI inflation rate and trends in per capita tobacco consumption. Expected population growth in the projection period is approximately 1.5 per cent. Indexation of the tobacco excise is based on the RBAs target for inflation of 2-3 per cent. The trend decline in tobacco consumption per capita is estimated at approximately 3-4 per cent per annum. Combining these three elements results in a 0% expected growth in tobacco excise revenue.