

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 53

Topic: Economic Forecasts

Hansard Page: E15-16

Senator Abetz asked:

Senator ABETZ—... At the top of page 2, you make the very open comment that margins for error have been a feature of economic forecasts. Nobody disputes that. Having said that, you say:

The economic forecasts in the budget represent Treasury's best professional judgment.

I am wondering whether the best professional judgment of Treasury is provided to the government in the form of parameters or a figure certain.

Senator Conroy—That goes to advice to government, Senator Abetz.

Senator ABETZ—Sometimes we are told by the Prime Minister—

Senator Conroy—You are asking—

Senator ABETZ—and the Treasurer, 'The advice from Treasury is,' and they tell us. The problem is sometimes your government, Prime Minister and Treasurer, seek to use advice received from Treasury to justify what they are doing. Then when we seek to drill down into that advice, you say, 'Hang on, this is a no go area. You cannot question it or drill down into it.' I say to the government, to you, Senator Conroy, to the Prime Minister and the Treasurer, that you guys in government cannot have it both ways. If you want to put on the public record that you are fully relying on Treasury advice on a matter, you must make it available; otherwise you are just giving us the gobbledegook, 'The Treasury advice confirms what we're doing,' but when we say, 'Well, show it to us so we can confirm it for ourselves,' you say, 'That's a no-go area.' Can you see the difficulty that the government has created for itself?

Senator Conroy—I appreciate your perspective, and I am sure the committee appreciated it, Senator Abetz. If there is any further information that the Treasurer would like to add to that, we will take it on notice and see what he would like to supply the committee.

Senator ABETZ—In providing its advice, does Treasury provide advice in general terms, in terms of parameters, as opposed to a—

Senator Conroy—That is exactly the same question that you just asked.

Senator ABETZ—It is not.

Senator Conroy—I will happily take it on notice for you, Senator Abetz, and if the Treasurer would like to add anything further, he will provide it to the committee.

Senator ABETZ—Just yesterday, busy as I was, I happened to read the 'Public Sector Informant', a supplement to the *Canberra Times*. I do not know why I am

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

publicising the *Canberra Times*, but I am. In a heading, ‘Treasury plays it straight in parliament’s numbers game’—you would have liked that heading, I am sure, Dr Henry—in the first page at the very bottom it says:

A more intellectually honest approach would be to propose a range of probabilities.

I happen to believe that chances are Treasury is intellectually honest. Therefore, I am suggesting to you, Senator Conroy, that Treasury does, in being intellectually honest, propose a range of probabilities to the government, from which then the government cherry picks.

Dr Henry—Perhaps I should answer this, Senator. The way we can do it is—

Senator ABETZ—So you can answer for the government as to—

Dr Henry—I can explain what we do.

CHAIR—Senator Abetz, if you allow Dr Henry to finish and then if you have any more questions you can ask the minister.

Senator ABETZ—I was, I suppose, making a political point.

CHAIR—You incorporated questions about Treasury and process.

Senator ABETZ—No, in political matters—

Senator Conroy—Are you making statements or are you asking a question, Senator?

Senator ABETZ—No, political questions—

Senator Conroy—A stream of consciousness.

Senator ABETZ—No, political questions—

CHAIR—Gentlemen, thank you.

Senator ABETZ—When you ask questions as to what the government does, right, about cherry picking—I appreciate Dr Henry jumping in, but, with respect, that is—

Senator Conroy—These are assertions on your part, Senator Abetz, and as you have already confessed, it is a political question rather than an actual question for the committee, so—

Senator ABETZ—No, it is a policy—

CHAIR—However, it did incorporate—

Senator Conroy—I will take that on notice, and if the Treasurer has anything further he would like to add, we will provide it to the committee.

Answer:

Treasury provides one set of point estimates for the economic forecasts, together with a qualitative discussion of the risks surrounding these forecasts. In addition to these, the Budget also provides a sensitivity analysis to illustrate the effects of different economic scenarios on the budget estimates (Budget Statement 3, Appendix A refers).