

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

1 June – 3 June 2010

**Question: BET 34**

**Topic: Econtech Modelling – Regional Impact of the Resources Super Profits Tax**

**Hansard Page: E10-11 (02/06/2010)**

**Senator MACDONALD asked:**

**Senator IAN MACDONALD**—I thank Senator Abetz and Senator Eggleston for allowing me two minutes to ask just one question. Was any modelling done that looked at the impact of the mining tax on regional and remote businesses, the north-west mineral province, Northern Australia or anything? I am really looking at what impact the mining tax might have on communities like Cloncurry, Mount Isa, Mackay and towns in the Bowen Basin coalfields area—not so much the mining tax itself but the impact it might have on those areas. Was that sort of modelling done?

**Dr Gruen**—I believe a question very similar to that one was asked of Dr Henry last week. If my memory is correct, his answer was that, as far as he was aware, we had not done any modelling of the regional impact. To the extent that modelling was done, it was not released.

**Senator IAN MACDONALD**—I can read what Dr Henry said. He said that he was not aware if we—I assume ‘we’ means you people—

**Dr Gruen**—Treasury.

**Senator IAN MACDONALD**—‘We’ meaning you people at the table.

**Dr Gruen**—That is right.

**Senator IAN MACDONALD**—Surely someone here will know whether or not you have done that modelling.

**Dr Gruen**—I was just continuing.

**Senator IAN MACDONALD**—I am sorry.

**Dr Gruen**—Part of the KPMG Econtech modelling is an economy-wide model. An economy-wide model will, as part of the modelling, generate results for the disaggregated regions that are in that model. I am not fully on top of the detail of how much disaggregation is in the Econtech model, though we may well have people here who know more about that than I do. I am not aware of whether that regional dimension has been published. I do not think it has. I do not think the results from the regional analysis have been published. We could take it on notice, if you would like.

**Senator IAN MACDONALD**—Dr Gruen, you made the invitation, which I gratefully accept, that there may be other people in the room who have the information. I cannot believe that not one of the six top people from Treasury knows whether or not regional modelling was done. You have indicated in words that I do

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not quite understand that, because it is an economy-wide model, it will pick up the regional impacts.

**Dr Gruen**—Yes.

**Senator IAN MACDONALD**—So does that mean, yes, there is information? I am not at this stage asking whether I can see it. I am asking: is there work done that would indicate the impact on the regions?

**Senator Sherry**—We are just checking for you, Senator, to see if there is anything already available.

**Mr Ewing**—I should begin by clarifying that my area is not responsible for the MM900 model from Econtech that was used and so I am not the world's greatest expert on it; however, I can tell you that—

**Senator IAN MACDONALD**—You are probably better than most of us on this side of the table.

**Mr Ewing**—To the best of my knowledge, it does not have the regional dimension that you are asking about, in that it does not have substate regions within the model. Its primary focus is on national results and industry results. Those would give you some insight into the impacts on regions, but you have to do that outside of the model rather than having a nice model that tells you that Mount Isa does this or that.

**Senator IAN MACDONALD**—I am not talking about Mount Isa so much as the impact on all of non-bigcity Australia. It is really remote Australia where most of the mines are.

**Mr Ewing**—My understanding is that the modelling that was done for Treasury by KPMG Econtech does not include that dimension.

**Senator IAN MACDONALD**—So you disagree with what Dr Gruen said—that the economy-wide model will generate results for disaggregated regions?

**Mr Ewing**—I never like to disagree with Dr Gruen. There are many disaggregated results that would inform your understanding of the different regions. It is simply that the model does not do the work for you. You have to take the results of the model and apply them yourself.

**Senator IAN MACDONALD**—Okay. Has anyone in Treasury taken the results and applied them themselves?

**Mr Ewing**—My area has not.

**Senator IAN MACDONALD**—Perhaps I can come back to Dr Gruen.

**Dr Gruen**—Let me just clear up the apparent suggestion that Robert and I have some fundamental disagreement about the KPMG Econtech model. I have a broad overview of that model and Mr Ewing has a more detailed knowledge than I do. So I defer to him when it comes to what level of disaggregation—

**Senator IAN MACDONALD**—Mutual admiration!

**Dr Gruen**—Absolutely.

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**Senator IAN MACDONALD**—Forget that.

**Dr Gruen**—But you brought it up, Senator.

**Senator IAN MACDONALD**—I am not here to play a game. I just want to know whether those economy-wide models do generate results for a disaggregated region. I am getting half answers from both you and Mr

Ewing. All I want to know is what the impact is on that part of Australia.

**Dr Gruen**—I do understand. We are not in a position to give you definitive answers because this modelling was commissioned by the Treasury from KPMG Econtech. We in the macro-economic group did not commission the modelling. So you really should talk to the people who did commission the modelling if you want more detailed information about what is in it.

**Senator JOYCE**—How about a sectoral analysis on agriculture? Did you do that?

**Dr Gruen**—As I said, the macro-economic group did not do any sectoral analysis of the effects of the RSPT.

**Senator IAN MACDONALD**—I understand, from very strange circumstances, that someone in Treasury either has done that work or is aware of the answers that I am trying to get. I understand someone in Treasury knows the answer to my questions, whether it is you guys or someone else. On the assumption that it is there, is that the sort of thing that you would make public?

**Dr Gruen**—To be told that there is someone in Treasury who knows something and then be asked what am I going to do about it—

**Senator Sherry**—We have heard that line before.

**Senator IAN MACDONALD**—I am really not here to play a game. There is information that I want to get about the impact, not so much on the mining industry, but on all of those communities, towns and regions that are hugely impacted by the wealth or otherwise of the mining industry. I understand modelling has been done. You are saying you do not know and I accept that. Rather than waste the time of everyone here, because I am obviously not going to get much more this group at the table—or am I? Can you confirm that?

**Dr Gruen**—I do not have any more information.

**Senator IAN MACDONALD**—When you said I should ask the right people, who are the right people?

**Dr Gruen**—Revenue Group commissioned the modelling.

**Senator IAN MACDONALD**—Minister, could you take my questions on notice for the Revenue Group?

**Senator Sherry**—Yes, I will.

**Senator IAN MACDONALD**—I would be very grateful, bearing in mind that I understand the information is available. Whether or not you can release it to me is one

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thing, but denying that it is there or otherwise is of course quite a separate thing. I appreciate your advice, Minister, that you will take it on notice.

**Answer:** The Econtech modelling was not disaggregated by regions.