

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio

Supplementary Budget Estimates 1 - 2 November 2006

Question: **sbt 45**

Topic: **Accredited Client Program (related bet 167)**

Hansard Page: **E77**

Senator LUDWIG asked:

I spoke to Treasury last time on a matter and question on notice No. 167 was taken on notice at that time. I had asked for an explanation of how Treasury derived its \$89 million costing of the original accredited client program from Customs. The response that was provided was effectively a one-liner, but if you look at question on notice No. 167 then you see that the question was ‘could you provide the modelling?’ not ‘could you point to the figure itself’. So is it a question you need a second go at or is there a problem or do I ask about the issues individually so we can expand upon it? I do not particularly want to take too much of the committee’s time on this.

Mr Ray—The question goes to advice that we would have provided to cabinet on an option that cabinet did not adopt. So it is causing us difficulties to answer that question in detail.

Senator LUDWIG—Did Customs bring the original full duty deferral proposal to Treasury for costing?

Mr Ray—That is correct. It is standard practice that, where possible measures involve revenue, costings are agreed with Treasury—just as where possible measures involve expenses then costings have to be agreed with the Department of Finance and Administration.

Senator LUDWIG—Did Treasury cost that proposal?

Mr Ray—Treasury would have costed a number of options around that.

Senator LUDWIG—Was the cost estimated to be approximately \$89 million over four years?

Mr Ray—I would need to take that on notice.

Senator LUDWIG—Am I going to get the same response back?

Mr Ray—I just need to take the question on notice because I do not know the answer.

Senator LUDWIG—If it was not \$89 million, in taking that on notice can you look at what value was attached to the costing?

Mr Ray—Certainly.

Senator LUDWIG—And, if it was not \$89 million, then how did Customs end up with \$89 million? In other words, was it a matter that you recommended? Or if the \$89 million was not from you then can you indicate that. Obviously, you cannot speak on behalf of Customs.

Mr Ray—I cannot speak on behalf of Customs, but I can say that the costing that would have gone to cabinet would have been agreed with us.

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Senator LUDWIG—There were two cost recovery schemes: there was the original and then there was the alternate. There was the one which related to the \$89 million, which was part of the accredited client program but which did not get implemented. Did the alternate cost recovery scheme go to Treasury for consideration for costing?

Mr Ray—All options that involve costings would have come to the Treasury.

Senator LUDWIG—Then, similar to the first question, can you indicate what costing Treasury assigned to that?

Mr Ray—The costing—this is the option that the government took, Senator?

Senator LUDWIG—Yes.

Mr Ray—That was announced in the 2005-06 budget?

Senator LUDWIG—Yes.

Mr Ray—I think the costing for that was zero.

Senator LUDWIG—Are you able to say how that was calculated? Was that the modelling that you used to calculate zero in that?

Mr Ray—Yes. Mr Brown can help you with that.

Mr Brown—The proposal that was finally agreed was a proposal which involved no duty deferral; therefore, there is no cost to revenue.

Senator LUDWIG—My problem is how we then look at the modelling for the \$89 million, but, as you have said, it was a matter that went to cabinet.

Mr Brown—That is right. It is getting very close to our policy advising function.

Senator LUDWIG—You have take a couple of questions on notice; can you look again at the answer to question on notice 167 as well, in the light of the exchange we have just had, and see what you can do. I do understand that if it is a matter that has gone to cabinet—that is, a cabinet document—then it would not be available.

Answer:

As noted in the answer to question bet 167, the Government's decision on Customs accredited client programme was reported in the 2005-06 Budget (Budget Paper No. 2, Part 1, page 9). That decision introduced simplified arrangements that did not involve any net deferral of customs duty and consequently had no impact on revenue. The Government does not generally provide details of the costings of proposals that are not Government policy and which may or may not have been considered in the policy development process.