

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

21 – 22 October 2009

Question: sbt 33

Topic: Frontier Modelling

Hansard Page: E20-21 (22/10/09)

Senator XENOPHON asked:

Senator XENOPHON—In relation to the Frontier model, when was an analysis provided to Treasury, on what date was that analysis completed and when was it provided to the Treasurer?

Ms Quinn—There was a series of elements. Information was provided as a very quick snapshot look on the first day of the report, and then subsequent analyses through time were provided as questions were raised or as more information came to hand. So my understanding is that there has been a series of information provided all the way through to this day, really, depending on when questions were asked.

Senator XENOPHON—So media reports indicating that the Treasurer's office had a report from Treasury in relation to their analysis of the Frontier report several weeks ago would be accurate?

Ms Quinn—We did provide advice and, as I said, reactions—a high-level discussion—fairly quickly after the report was released, so within 24 hours. There were additional analyses through time as we had more time to think about things and dug into details.

Senator XENOPHON—On 11 October, the Treasurer's office provided a one-page background sheet entitled 'Background Only; Not For Quotation' to the media on the Sunday night and then there were media reports saying there was a supposed \$3.2 billion black hole in the Opposition's CPRS policy in relation to the Frontier modelling. When was the basis for that material provided to the Treasurer's office?

Ms Quinn—That was not provided from my area to Treasury, so I will defer to Russ Campbell.

Mr Campbell—I will have to take on notice the actual precise date that was the basis of that particular number. I personally have not seen the material that was released by the Treasurer.

Senator XENOPHON—Are you aware of the Treasurer's public statements saying there was a black hole, et cetera?

Mr Campbell—I am aware of that.

Senator XENOPHON—You will take the precise date on notice, but would it be fair to say that that material was provided several weeks earlier to the Treasurer's office?

Mr Campbell—The actual figure itself?

Senator XENOPHON—Yes, or the actual analysis?

Mr Campbell—Regarding the analysis, there were a number of pieces of advice provided in relation to the fiscal impact analysis, alongside other pieces of advice. I will have to take on notice that precise date, as I said before.

Senator XENOPHON—But would a couple of weeks earlier sound about right to you? Two to three weeks earlier?

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Mr Campbell—I was not actually there at the time, so I will have to take that on notice.

Senator XENOPHON—I do not know whether Mr Ray wanted to add anything to that?

Mr Ray—I think it is fair to say it was a matter of weeks. But we have taken it on notice to provide the precise dates.

Senator XENOPHON—Thank you, Mr Ray. It was a matter of weeks. Ms Quinn, the Treasurer said that he refused to provide details of the modelling, the basis upon which the assertions were made. I presume that the assertions made by the Treasurer were based on advice from Treasury?

Ms Quinn—I will have to defer to Russ Campbell on this. The fiscal impacts of different policies are not undertaken by the area that does the economic impacts.

Mr Campbell—The nature of the advice on the fiscal impact analysis necessarily included a range of interpretations and assumptions. The degree to which I can provide further information, as I say, I will have to take on notice.

Senator XENOPHON—Can you provide those, given that the Treasurer has refused to release them?

Mr Ray—I think Mr Campbell has taken it in notice to see what we can provide you.

Senator XENOPHON—But you acknowledge, Mr Ray, that the Treasurer has refused to release the modelling; the basis upon which the assertions were made.

Mr Ray—As much as I try, I do not follow every word that the Treasurer says. What we have done is we have taken it on notice to see what we can provide you.

Senator XENOPHON—But presumably the Treasurer made the statements that he did about a black hole based on advice from Treasury?

Senator Sherry—The statements the Treasurer makes are his statements. They are his views. I have not seen them either. I have not seen the press release or any transcripts.

Mr Ray—If I can try to help, we provided advice to the Treasurer. He then made some public statements.

Senator XENOPHON—The advice upon which those statements were purportedly based has not been released publicly?

Mr Ray—That is correct.

Senator XENOPHON—Minister, is there a plan to release the advice upon which the Treasurer made it?

Senator Sherry—We will take it on notice. It is advice to the Treasurer and the government. We will take it on notice.

Senator XENOPHON—But it is advice that the Treasurer has been quite happy to make public statements about, attempting to trash the reputation of Frontier Economics.

Senator Sherry—We will take it on notice, as I have said.

Senator XENOPHON—What time are we looking at for a response, given that we have a debate on this in three weeks time?

Senator Sherry—What I will do is endeavour to ensure we get a response within the timelines required by the committee. I cannot give an indication of any timeline for a response. We will take it on notice.

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Senator XENOPHON—Minister, last night Mr Henry, the Treasury Secretary, made I think a fair point, saying that they did not get a fair hearing to respond to matters raised in the OzCar affair and the Auditor General's inquiry. We have a situation here where Frontier Economics cannot respond to statements made by the Treasurer.

Senator Sherry—Why can they not respond to statements made by the Treasurer? They have a prerogative. They can debate, defend or critique, presumably.

Senator XENOPHON—How? With respect, we have a situation here where the basis upon which the assertions were made, the modelling by Treasury, has not been released.

Senator Sherry—But as I said, we will take it on notice. I will draw the attention of the Treasurer to the request, but we will take it on notice.

Answer:

On 16 November 2009, the Assistant Treasurer (Senator Sherry), by leave, made a statement relating to the order of the Senate of 27 October 2009 for the production of documents concerning the Carbon Pollution Reduction Scheme and the Frontier Economics report and tabled the document: *Assessment of the Frontier Economics proposal to provide intensity based allocations to electricity generators*.

This document outlined the detailed assumptions upon which a scenario incorporating a \$3.2 billion net fiscal cost was calculated. Treasury can confirm the committee testimony indicating that Treasury briefing incorporating such a scenario had first been provided a matter of weeks earlier than the media reports referred to in Senator Xenophons's question.