

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 155

Topic: Cost-benefit Analysis

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Senator CAMERON asked:

Senator CAMERON: Well done. Senator Cormann raised some issues in relation to cost-benefit analyses. How many cost-benefit analysis jobs did Peter Costello give you when the coalition was in government?

Mr Banks: In a sense, my answer is probably the same in that almost everything we get to do is a request from the government for us to look at the costs and benefits of different policy options. But to answer your question directly, there have not been many terms of reference that have specifically said that we are required to do a quantitative cost-benefit analysis in a particular area. I could think of an exception. I am just trying to think of the timing of this. It was in relation to the consumer policy framework inquiry. Ralph, do you want to comment on that?

Senator CAMERON: Maybe take it on notice.

Answer:

As indicated in the response by Mr Banks, the Commission has rarely been asked to undertake a formal cost-benefit analysis (by any government since the establishment of the Commission).

There are several exceptions:

- The Study into Consumer Product Safety (2005) undertook cost-benefit analysis on the detailed reform options that had already been developed by the Ministerial Council on Consumer Affairs.
- The government requested that the Commission quantify the cost and benefits of policy changes to Australia's Consumer Policy Framework (2007)

Identifying the types of costs and benefits that are possible from reform, and assessing their importance is core business for the Commission. In some cases it is possible to quantify costs and benefits, for example a recently released study quantifies the economic impacts and benefits of the COAG Reform Agenda. However, much of the Commission's work involves costs and benefits that are difficult to quantify such as the value to people with a disability of having greater control over their lives. The Commission uses qualitative as well as quantitative methods of analysis, including gathering evidence through submissions and public hearings

Regardless of whether a quantitative estimate of the net benefit is possible, the Commission generally uses a cost-benefit framework in most of its inquiries. The Commission's statute specifies that, in its inquiries, the Commission consider facets essential to a cost-benefit analysis — most fundamentally a judgment about the effects of any policy on the overall wellbeing of the Australian community.