

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 102

Topic: Minerals Council of Australia - Modelling

Hansard Page: E59-E60 (11/02/2010)

Senator CAMERON asked:

Senator CAMERON—Are you aware of modelling numbers done on behalf of the Minerals Council of Australia on employment in the minerals industry and the coal industry?

Mr Ewing—I recall seeing that modelling but I do not have all its details memorised.

Senator CAMERON—Even though you are not aware of the details, are you aware of any problems with that modelling?

Mr Ewing—Without the report in front of me I would have to take that on notice.

Senator CAMERON—Could you take that on notice and could you provide me with the details of any problems that were detected in relation to the Minerals Council modelling?

Mr Ewing—Just for the assistance of my officers when they prepare it, could you give me a date or a title for the Minerals Council's report?

Senator CAMERON—I can get you that information. I thought it was well known.

Mr Ewing—I believe I know the one, but on the off-chance that there are two it would be helpful to make sure.

Senator CAMERON—It was controversial modelling.

Mr Ewing—I believe you are referring to modelling that was prepared on their behalf by Concept Economics.

Senator CAMERON—I think it was Concept Economics. They are the mob that went bankrupt. Do you know them?

Mr Ewing—I understand that Concept Economics is no longer in business, yes.

Senator CAMERON—They went bankrupt.

Answer:

The report the Senator refers to is the Concept Economics report prepared for the Minerals Council of Australia, titled *The Employment Effects in the Australian Minerals Industry from the Proposed Carbon Pollution Reduction Scheme in Australia*, released on 21 May 2009.

There are several issues to be noted with the Concept/Access modelling. These include:

- The report notes that the mining and smelting industries have been adjusted off-model to take account of 'the lumpy nature of long lived assets' in these

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industries. No further details are provided on what these adjustments are, or how important they are for the results.

- An aggregate whole economy impact assessment is not reported, making it hard to compare this work to other published modelling, including the Government modelling published in *Australia's Low Pollution Future: The Economic of Climate Change Mitigation* (referred to here as the ALPF report).
- The results of the analysis are reported entirely in terms of output and employment changes relative to an unspecified reference scenario.
 - Reporting results in this way can provide a misleading impression of the implications of policy impacts on the economy, particularly in relation to transitional issues, despite the statement that the Concept Economic report “aims ... to provide a realistic picture of the impacts of the proposed ETS on economic activity and jobs” (page 4).
- The impacts projected for coal mining by the Concept Economics report appear much larger than those suggested by the Treasury analysis. The Concept Economics report projects output 12-41 per cent lower than their reference scenario in 2020. It is not clear whether this result is driven by the unspecified off-model adjustments for mining, or differences in sector level reference scenario assumptions, or other factors.
- The Concept Economics report also provides estimates of state and regional impacts, describing these as ‘first round employment effects’. The methods and data used to estimate regional impacts is not considered reliable.
 - The method used for estimates of regional impacts does not account for dynamic responses to changing prices and circumstances at the regional level. In particular, this does not allow for the adoption of abatement technologies at a regional level, nor does it allow for movement of employment and capital between industries at a regional level over time, which results in a systematic overstatement of adverse impacts.
 - We also note that the Australian Bureau of Statistics does not provide nor support state level or sub-state regional level input-output tables due to concerns about small sample sizes and poor statistical accuracy.