Attachment E
Costing documentation for Coalition election commitments

Reference No. COA001

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Discontinue business compensation measures
Summary of proposal:	The proposal will discontinue business compensation measures in the Clean Energy Future (CEF) package. A full list of the programs included in this costing is at Attachment A.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	• The Treasury • Department of Environment • Department of Industry

Costing overview

Discontinuing the business compensation measures in the Clean Energy Future (CEF) package is estimated to increase the underlying cash balance by $1.0 billion and increase the fiscal balance by $5.3 billion over the 2013-14 Budget forward estimates period.

A detailed breakdown of the components of the costing are included at Attachment B.

The underlying cash balance impact of this proposal differs from the fiscal balance impact primarily because free permits under the Jobs and Competitiveness Program (JCP) have no direct impact on the underlying cash balance.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

The costing is considered to be of low reliability as the savings are sensitive to the Government's ability to recover funding that has been contractually committed. Savings from discontinuing free permits under the JCP are dependent on the projections of future market carbon prices from the Pre-election Economic and Fiscal Outlook report.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	380	340	290
Fiscal balance ($m)	-	1,060	1,750	2,480

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy to discontinue business compensation measures is in place by 1 July 2014.
- The costing assumes that program funding which has not been contractually committed could be saved.
- That for funding that has been contractually committed but not yet spent, 50 per cent of this spending could be saved from each program.
- The PBO has assumed that departmental funding for the programs being discontinued could be saved.
- The amount of savings expected to be obtained by discontinuing the provision of JCP free permits depends on the future carbon price that would have occurred if the carbon pricing mechanism were in place.
  - The carbon prices used to undertake this costing are the same as in the Pre-Election Economic and Fiscal Outlook (PEFO) report ($6.20 in 2014-15, $12.50 in 2015-16 and $18.90 in 2016-17). PEFO notes that "the carbon price path to 2020 is subject to considerable uncertainty." PEFO also states that these estimates reflect:
    - in the forecast year of 2014-15, a three-month average of futures market prices, and
    - in the projection years of 2015-16 and 2016-17, a linear transition from the market price in 2014-15 to the longer-term modelled price of $38 in 2019-20 from the *Strong Growth, Low Pollution* report.

Methodology

The financial impact of this proposal has been calculated by estimating the amount of funding that could be saved if the specified CEF programs were discontinued. In doing so the PBO has estimated the amount of contractually committed and departmental funding that could be returned to the budget.

Details of the costing of the reversal of the 2011-12 Mid-year Economic and Fiscal Outlook measure *Clean Energy Future – Supporting jobs – increase in the instant asset write off threshold to $6,500* that forms part of the policy to discontinue business compensation measures are provided in a separate costing minute titled "Removal of the Mining Tax Package – Discontinue instant asset write-off increase", along with costing for reversing the 2010-11 Budget measure *Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling* that forms part of the policy to remove measures associated with the mining tax package.

All figures in this costing have been rounded to the nearest $5 million.

POLICY COSTING – POST ELECTION REPORT

Data sources

- Carbon price information was obtained from the 2013 Pre-Election Economic and Fiscal Outlook report.
- Program costs for the programs being discontinued were obtained from relevant agencies.

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A – LIST OF MEASURES

The following list of measures, as announced in the 2011-12 Mid-year Economic and Fiscal Outlook, have been included in this costing:

- *Clean Energy Future – Supporting Jobs – Clean Energy Skills Package*
- *Clean Energy Future – Supporting Jobs – clean technology focus for supply chain programs*
- *Clean Energy Future – Supporting Jobs – Clean Technology Program*
- *Clean Energy Future – Supporting Jobs – coal mining*
- *Clean Energy Future – Supporting Jobs – Energy Efficiency Information Grants*
- *Clean Energy Future – Supporting Jobs – Jobs and Competitiveness Program*
- *Clean Energy Future – Supporting Jobs – Steel Transformation Plan*
- *Clean Energy Future – Supporting Jobs – increase in the instant asset write-off threshold to $6,500**

*Costed separately, together with the reversal of the 2010-11 Budget measure *Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling.* See the costing titled "Discontinue instant asset write-off increase" for details.

ATTACHMENT B – DETAILED FINANCIAL IMPLICATIONS

Table B1: Discontinuing the jobs and competitiveness package - Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	-	-
Fiscal balance ($m)	-	680	1,410	2,190

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms.

Table B2: Abolish the increase in the instant asset write-off from $5,000 to $6,500 - Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	80	60	65
Fiscal balance ($m)	-	80	60	65

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms.

Table B3: Other measures - Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	300	280	225
Fiscal balance ($m)	-	300	280	225

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms.

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Discontinue energy market compensation measures**
Summary of proposal:	The proposal will discontinue the energy market compensation measures by abolishing the provision of free permits under the Energy Security Fund (ESF) and Loans for future vintage units (LFVU) Program.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

Discontinuing the energy market compensation measures is expected to decrease the underlying cash balance by $13 million and increase the fiscal balance by $476 million over the 2013-14 Budget forward estimates period. The financial impact of this proposal includes reduced expenditure on the ESF and LFVU programs and reduced revenue from foregone interest on loans made under the LFVU program.

The underlying cash balance impact of this proposal differs from the fiscal balance impact primarily because free permits provided under the ESF have no direct financial impact on the underlying cash balance.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of medium reliability as it is dependent on the projections of future market carbon prices from the Pre-election Economic and Fiscal Outlook report.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	2	-3	-12
Fiscal balance ($m)	-	507	-13	-18

(a) A positive number for the fiscal balance indicates a net decrease in expenses and a negative number indicates a net decrease in revenue in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure and a negative number indicates a net decrease in receipts in cash terms.

Key assumptions

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

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POLICY COSTING – POST ELECTION REPORT

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy to discontinue energy market compensation measures is in place by 1 July 2014.
- The amount of savings expected to be obtained by discontinuing the provision of free permits depends on the future carbon price that would have occurred in 2014-15 if the carbon pricing mechanism were in place.
  - The 2014-15 carbon price used to undertake this costing is $6.20, the same as in the Pre-Election Economic and Fiscal Outlook (PEFO). PEFO notes that "the carbon price path to 2020 is subject to considerable uncertainty."
- No advance auctions of permits will occur in 2013-14 and no further loans will be made under the LFVU program.

Methodology

The financial impact of this proposal has been calculated by estimating the amount of funding that could be saved if the ESF and LFVU programs were discontinued.

Data sources

- Carbon price information was obtained from the 2013 Pre-Election Economic and Fiscal Outlook report.
- The program costs for the ESF and LVFU program were obtained from Treasury.

Reference No. COA003

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Discontinue land initiatives and unnecessary bureaucracies**
Summary of proposal:	This proposal will discontinue the land initiatives and certain bureaucracies that were established under the Clean Energy Future package. A full list of the measures included in this costing is at Attachment A.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	• The Treasury • Department of Environment • Department of Industry • Department of Agriculture • Productivity Commission

Costing overview

Discontinuing the land initiatives and certain bureaucracies that were established under the Clean Energy Future package is estimated to increase the underlying cash and fiscal balances by $300 million over the 2013-14 Budget forward estimates period. This impact entirely reflects a decrease in expenditure.

This proposal will have an ongoing financial impact which extends beyond the forward estimates period.

This costing is considered to be of low reliability as the estimates are sensitive to the Government's ability to recover funding that has been contractually committed.

Table 1: Financial implications – discontinue land initiatives and unnecessary bureaucracies (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	20	125	90	65
Fiscal balance ($m)	20	125	90	65

(a) A positive number for the fiscal balance indicates a decrease in expenditure. A positive number for the underlying cash balance indicates a decrease in expenditure.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy is in place by 1 July 2014, except for the Biodiversity Fund and the Climate Change Authority, where the policy is assumed to take effect in 2013-14.
- The costing assumes that program funding which has not been contractually committed could be saved.
- For funding that has been contractually committed but not yet spent, from 2014-15 onwards, 50 per cent of this spending could be saved from each program.
- For departmental expenses related to the Biodiversity Fund and the Climate Change Authority, the PBO has assumed that 25 per cent of funding could be saved in 2013-14.
- The PBO has assumed that departmental funding from 2014-15 onwards for discontinued programs would be saved.

Methodology

The financial impact of this proposal has been calculated by estimating the amount of funding that could be saved if the specified CEF programs were discontinued. In doing so the PBO has estimated the amount of contractually committed and departmental funding that could be saved.

All figures in this costing have been rounded to the nearest $5 million.

Data sources

- Program costs for the discontinued programs were obtained from relevant agencies.

ATTACHMENT A – LIST OF MEASURES

The following list of measures, announced as part of the *Clean Energy Future* package in the 2011-12 Mid-year Economic and Fiscal Outlook report, have been included in this costing.

- *Clean Energy Future — Creating Opportunities on the Land — Biodiversity Fund*
- *Clean Energy Future — Creating Opportunities on the Land — Carbon Farming Initiative*
- *Clean Energy Future — Creating Opportunities on the Land — extending the benefits of the Carbon Farming Initiative*
- *Clean Energy Future — Creating Opportunities on the Land — natural resource management for climate change*
- *Clean Energy Future — Governance — Climate Change Authority*
- *Clean Energy Future — Governance — Productivity Commission Reviews*
- *Clean Energy Future — Supporting Energy Markets — Energy Security Council*
- Related departmental funding

Reference No. COA004

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Abolish other carbon tax measures no longer needed**
Summary of proposal:	This proposal will abolish a number of remaining expenditure measures related to the Clean Energy Future (CEF) Package, including the Clean Energy Finance Corporation (CEFC). A full list of the CEF programs included in this costing is included at Attachment A. This costing also includes estimates of the effects of lower Consumer Price Index (CPI) growth due to the abolition of the carbon pricing mechanism on Government payments to households and on indirect taxes.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	Program specific information was obtained from: • Department of Finance • Department of Environment • Department of Industry • Department of Social Services • Department of Health • Department of Agriculture • Department of Veterans' Affairs • Australian Securities and Investments Commission • Australian Competition and Consumer Commission, and • The Treasury.

Costing overview

This proposal is estimated to increase the underlying cash balance by $775 million and increase the fiscal balance by $1.59 billion over the 2013-14 Budget forward estimates period.

The financial impact of this proposal includes reduced expenditure on the abolished programs, estimates of the effects of lower CPI growth on Government payments to households and reduced revenue from indirect taxes and the impact of abolishing the CEFC. A detailed breakdown of the components of the costing are included at Attachment B.

The underlying cash balance impact of this proposal differs from the fiscal balance impact primarily because of the different treatment of investments (particularly concessional loans) made by the CEFC and the returns on these investments, on an underlying cash and fiscal balance basis.

The proposal will increase the headline cash balance by $6.4 billion over the 2013-14 Budget forward estimates period. The headline cash balance impact includes $5.5 billion of reduced cash outflows from CEFC loans and equity investments to project proponents that do not directly impact on the underlying cash balance.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of low reliability as it is sensitive to the Government's ability to recover funding that has been contractually committed and the estimated impact of the carbon price on the CPI.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	5	330	285	155
Fiscal balance ($m)	175	610	515	285
Headline cash balance ($m)	630	1,520	2,050	2,195

(a) A positive number for the fiscal balance indicates a net decrease in expenditure in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms. A positive number for the headline cash balance indicates a decrease in cash outflows associated with Government investments in financial assets for policy purposes.

Key assumptions

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy is in place by 1 July 2014, except for the CEFC, where the policy is assumed to take effect in 2013-14.
- The costing assumes that program funding which has not been contractually committed could be saved.
- For funding that has been contractually committed but not yet spent, 50 per cent of this spending could be saved from each program.
- For departmental expenses related to the CEFC, 25 per cent could be saved in 2013-14 and 100 per cent in each subsequent year.
- The PBO has assumed that all other departmental funding for the remaining programs could be saved.
- The PBO has assumed that the CPI impact of abolishing the carbon pricing mechanism will occur in the quarter immediately following the abolition of the carbon price.

POLICY COSTING – POST ELECTION REPORT

Methodology

The financial impact of this proposal has been calculated by estimating the amount of funding that could be saved if the specified CEF programs were abolished. In doing so the PBO has estimated the amount of contractually committed and departmental funding that could be returned to the budget.

The estimates of changes to Australian Government payments to households and indirect taxes as a result of lower CPI growth were calculated by estimating the change in CPI as a result of the abolition of the carbon pricing mechanism and constructing a counterfactual CPI series. This counterfactual CPI series was then used to model Australian Government payments to households and indirect taxes over the 2013-14 Budget forward estimates period. These results were then compared to the estimates of Australian Government payments to households and indirect taxes, as at the 2013 Pre-Election Economic and Fiscal Outlook, to determine the financial implications of the change in CPI.

The financial implications of abolishing the CEFC reflects the reversal of current CEFC budget estimates, less the financial impacts associated with current loan commitments.

Data sources

- Costs for the programs being discontinued were obtained from relevant agencies.
- The STINMOD microsimulation model of the Australian tax and transfer systems.
  - This model is based on unit record data taken from the 2007-08 and 2009-10 ABS Surveys of Income and Housing.
- The Legislative Outyears Customisable Model of Child Care.
- Private Health Insurance Rebate forward estimates.
- The PBO's Alcohol Excise model is based on published data from ABS surveys.

ATTACHMENT A – LIST OF MEASURES

The following list of measures, announced as part of the *Clean Energy Future* package in the 2011-12 Mid-year Economic and Fiscal Outlook report, have been included in this costing.

- *Clean Energy Finance Corporation*
- *Clean Energy Future — Compliance*
- *Clean Energy Future — Improving Energy Efficiency — Energy Efficiency Opportunities Program*
- *Clean Energy Future — Improving Energy Efficiency — household advice*
- *Clean Energy Future — Improving Energy Efficiency — Low Carbon Communities*
- *Clean Energy Future — Innovation in Renewable Energy — Australian Renewable Energy Agency*
- *Clean Energy Future — Putting a Price on Pollution — Voluntary Action Pledge Fund and GreenPower purchases*
- *Clean Energy Future — Renewable Energy — Remote Indigenous Energy Program*
- Related departmental funding

ATTACHMENT B – DETAILED FINANCIAL IMPLICATIONS

Table B1: Financial implications – Clean Energy Finance Corporation[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	5	-5	-25	-60
Fiscal balance ($m)	175	275	190	60
Headline cash balance ($m)	630	1,185	1,740	1,980

(a) A positive number for the fiscal balance indicates a decrease in expenditure in accrual terms. A negative number for the underlying cash balance indicates a net decrease in receipts in cash terms. A positive number for the underlying cash balance indicates a decrease in payments in cash terms. A positive number for the headline cash balance indicates a decrease in cash outflows associated with Government investments in financial assets for policy purposes.

Table B2: Financial implications – Other CEF Program funding[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	330	235	135
Fiscal balance ($m)	-	330	235	135

(a) A positive number for the fiscal balance indicates a decrease in expenditure in accrual terms. A positive number for the underlying cash balance indicates a decrease in payments in cash terms.

Table B3: Financial implications – parameter variations associated with lower CPI growth on Government payments to households and on indirect taxes[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	5	75	80
Fiscal balance ($m)	-	5	90	90

(a) A positive number for the fiscal balance indicates a decrease in expenditure in accrual terms. A positive number for the underlying cash balance indicates a decrease in payments in cash terms.

Reference No. COA005

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Foregone revenue from removal of carbon tax
Summary of proposal:	This proposal will abolish the carbon pricing mechanism. A full list of the measures included in this costing is at Attachment A.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

Abolishing the carbon pricing mechanism is estimated to decrease the underlying cash balance by $9.4 billion and decrease the fiscal balance by $13.7 billion over the 2013-14 Budget forward estimates period.

The financial impact of abolishing the carbon pricing mechanism includes a reduction in revenue from sales of carbon permits, levies on synthetic greenhouse gases (SGGs) and excise on aviation and non-transport gaseous fuels, and an increase in expenditure on fuel tax credits (FTCs). A detailed break-down of this costing on an underlying cash and fiscal balance basis is included at Attachment B.

The underlying cash balance impact of this proposal differs to the fiscal balance for a number of reasons, including:

- revenue from permit sales is recognised on a fiscal balance basis in the vintage year of the permit that is sold, while the cash receipts are recognised as the permits are sold
- freely allocated carbon permits are recognised as an expense on a fiscal balance basis, but not on an underlying cash balance basis[1]. Freely allocated carbon permits impact the underlying cash balance indirectly reducing the number of permits that are sold
- a difference between when FTC expenses are incurred and when FTCs are actually paid, and
- a difference between when revenue from SGGs is recognised and when it is received.

This proposal will have an ongoing financial impact which extends beyond the forward estimates period.

[1] Discontinuing free permits under the Jobs and Competitiveness Package and the Energy Security Fund have been costed separately. See the costings titled "Discontinue business compensation measures" and "Discontinue energy market compensation measures" for details.

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POLICY COSTING – POST ELECTION REPORT

The estimates in this costing differ from those published by the party. The PBO has revised its previous estimates to the party to reflect updated information from the Treasury on the impact of abolishing the carbon pricing mechanism on fuel tax credits and excise and excise equivalent duties on aviation fuel and non-transport gaseous fuels.

This costing is considered to be of medium reliability as it is dependent on the projections of future market carbon prices from the Pre-election Economic and Fiscal Outlook report.

Table 1: Financial implications – removal of the Carbon Tax (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-410	-1,170	-3,130	-4,660
Fiscal balance ($m)	-	-2,230	-4,640	-6,860

(a) A negative number for the fiscal balance indicates a decrease in revenue and an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a reduction in receipts and an increase in payments in cash terms.

Key assumptions

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy to remove the carbon pricing mechanism is in place by 1 July 2014.
- Emissions made after 1 July 2014 would no longer require a carbon permit. Carbon permits would still be required for emissions made in the 2013-14 financial year, and no changes would be made to the treatment of free permits or to permit buy-back for 2013-14.
  - Emitters would still be required to surrender permits to acquit 25 per cent of their 2013-14 carbon liability on the 'true-up' surrender date of 1 February 2015.
  - All freely allocated permits in the 2013-14 financial year would still be issued.
  - All 2013-14 free permits would still be eligible for carbon permit buy-back until 1 February 2015 (the current date the buy-back window closes).
  - The auctions of future vintage carbon permits (2014-15, 2015-16 and 2016-17 permits) currently scheduled to occur in 2013-14 would not take place.
- The carbon prices used to undertake this costing are the same as in the Pre-Election Economic and Fiscal Outlook (PEFO) ($6.20 in 2014-15, $12.50 in 2015-16 and $18.90 in 2016-17). PEFO notes that "the carbon price path to 2020 is subject to considerable uncertainty." PEFO also states that these estimates reflect:
  - in the forecast year of 2014-15, a three-month average of futures market prices, and
  - in the projection years of 2015-16 and 2016-17 a linear transition from the market price in 2014-15 to the longer-term modelled price of $38 in 2019-20 from the *Strong Growth, Low Pollution* report.

POLICY COSTING – POST ELECTION REPORT

Methodology

The impact of repealing the carbon pricing mechanism from 1 July 2014 has been estimated by calculating the difference in revenue and expenditure on FTCs from the current carbon pricing mechanism (with a carbon price of $6.20 in 2014-15, $12.50 in 2015-16 and $18.90 in 2016-17) compared to the proposed scenario where the carbon price is repealed (and is effectively zero) in respect of emissions made after 1 July 2014.

All figures in this costing have been rounded to the nearest $10 million.

Data sources

- Carbon price information was obtained from the 2013 Pre-Election Economic and Fiscal Outlook report.
- Information on permit sales and levies on SGGs was obtained from Treasury on 15 August 2013.
- Information on FTC expenditure and excise and excise equivalent duties on aviation fuel and non-transport gaseous fuels was obtained from Treasury on 15 August 2013 and 28 September 2013.

ATTACHMENT A – LIST OF MEASURES

The following list of measures, announced as part of the *Clean Energy Future* package in the 2011-12 Mid-year Economic and Fiscal Outlook report, have been included in this costing:

- *Clean Energy Future — Putting a Price on Pollution — revenue from sale of carbon units*
- *Clean Energy Future — Putting a Price on Pollution — synthetic greenhouse gases and ozone depleting substances*
- *Clean Energy Future — Putting a Price on Pollution — aviation and non-transport gaseous fuels*
- *Clean Energy Future — Putting a Price on Pollution — fuel tax credit reductions*

ATTACHMENT B – DETAILED FINANCIAL IMPLICATIONS

Table A1: Financial implications – Carbon Permit Revenue[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-410	-980	-2,750	-4,050
Fiscal balance ($m)	-	-2,020	-4,230	-6,220

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a reduction in receipts in cash terms.

Table A2: Financial implications – Levy on synthetic greenhouse gases[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-40	-40	-80
Fiscal balance ($m)	-	-50	-50	-90

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a reduction in receipts in cash terms.

Table A3: Financial implications – Excise and excise equivalent duties on aviation fuel and non-transport gaseous fuels[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-50	-120	-180
Fiscal balance ($m)	-	-50	-120	-180

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a reduction in receipts in cash terms.

Table A4: Financial implications – fuel tax credits[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-100	-220	-350
Fiscal balance ($m)	-	-110	-240	-370

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in payments in cash terms.

Reference No. COA006

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Re-phase Superannuation Guarantee increase
Summary of proposal:	The proposal will pause the increase in the rate of the Superannuation Guarantee (SG) by two years from 1 July 2014. The current and proposed SG rates are summarised in the table below.
Party:	Coalition
Date of public release of policy:	19 August 2013
Agencies from which information was obtained:	The Treasury

Year	Current SG rate	Proposed SG rate
2014-15	9.5%	9.25%
2015-16	10.0%	9.25%
2016-17	10.5%	9.50%
2017-18	11.0%	10.00%
2018-19	11.5%	10.50%
2019-20	12.0%	11.00%
2020-21	12.0%	11.50%
2021-22	12.0%	12.00%

Costing overview

This proposal is expected to increase the underlying cash balance by around $1.58 billion and increase the fiscal balance by $1.64 billion over the 2013-14 Budget forward estimates period. In underlying cash balance terms, this impact reflects a decrease in payments of $50 million and an increase in receipts of around $1.53 billion over this period. In fiscal balance terms, this impact reflects a decrease in expenses of $115 million and an increase in revenue of around $1.53 billion over this period.

This proposal will have an impact that extends beyond the forward estimates period, peaking at around $1.15 billion in 2019-20 before falling to around $80 million in 2023-24[1]. There will be an ongoing gain to revenue as a result of the reduction in the amount of concessionally taxed superannuation savings and higher non-concessional savings.

[1] Projections beyond the forward estimates should be treated as broadly indicative only, as they are predicated on assumptions and point-in-time data.

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POLICY COSTING – POST ELECTION REPORT

Departmental expenses are not expected to be significant and have not been included in this costing.

The underlying cash balance impact of this proposal differs from the fiscal balance impact due to the timing of Low Income Superannuation Contribution (LISC) payments (see key assumptions below). The fiscal balance impact of the LISC occurs in the year in which the qualifying superannuation contributions are made. The underlying cash balance impact occurs when the Australian Taxation Office (ATO) is able to consolidate taxpayer information and pay the government contributions to member accounts.

The financial impact of this proposal includes revenue and expense components. A detailed breakdown of the components of the costing is included at Attachment A.

This costing is considered to be of medium reliability. It was costed using a microsimulation model based on a confidentialised sample of personal income tax and superannuation data from the ATO.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	160	555	860
Fiscal balance ($m)	-	175	590	875

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments in cash terms.

Key assumptions

- Total employee remuneration is assumed to be unchanged as a result of the decrease in SG payments.
- The costing assumes that the LISC continues to operate. Interaction effects between this proposal and the proposal to not proceed with the LISC are considered elsewhere.

Methodology

The costing was completed using a microsimulation model, based on a de-identified 16 per cent sample of 2010-11 personal income tax and superannuation returns for individuals.

Timing assumptions were applied to the results to reflect the timing of personal income and superannuation tax receipts as well as LISC payments.

Data

- 2013 Pre-Election Economic and Fiscal Outlook report
- A sample of 2010-11 personal income tax returns and superannuation member contributions statements for individuals

ATTACHMENT A: DISAGGREGATION OF COSTING

Table A1 below provides a disaggregation of the costing components of this proposal.

Table A1. Disaggregation of financial impact

Impact on	2013-14 ($m)	2014-15 ($m)	2015-16 ($m)	2016-17 ($m)	**Total ($m)**
Receipts[(a)(b)]	-	160	545	820	**1,525**
Administered payments[(b)(c)]	-	-	-10	-40	**-50**
Underlying cash balance[(d)]	-	**160**	**555**	**860**	**1,575**
Revenue[(a)(b)]	-	160	545	820	**1,525**
Administered expense[(b)(c)]	-	-15	-45	-55	**-115**
Fiscal balance[(d)]	-	**175**	**590**	**875**	**1,640**

(a) Estimates of revenue and receipts have been rounded to the nearest $5 million. The impact shown is the net revenue impact arising from changes to superannuation contributions tax and personal income tax.

(b) A minus sign before the estimate indicates a reduction in expenses, payments, receipts or revenue. No sign before an estimate indicates an increase in expenses, payments, receipts or revenue.

(c) Administered payment and expense impacts refer to changes in the LISC. Estimates are rounded to the nearest $5 million.

(d) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments in cash terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments in cash terms.

Reference No. COA007

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Not proceed with Low Income Superannuation Contribution**
Summary of proposal:	The proposal is to not proceed with the Low Income Superannuation Contribution.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	Australian Taxation Office

Costing overview

This proposal is expected to increase the underlying cash balance by around $2.7 billion and increase the fiscal balance by around $3.7 billion over the 2013-14 Budget forward estimates period.

On an underlying cash basis this reflects a decrease in expenditure of around $2.72 billion, partially offset by a decrease in superannuation earnings tax receipts of $30 million over this period. On a fiscal balance basis this reflects a decrease in expenses of around $3.69 billion partially offset by a decrease in superannuation earnings tax revenue of $30 million over the same period. A detailed breakdown of these components is included at Attachment A.

The costing includes reduced departmental expenses totalling $63.9 million over the 2013-14 Budget forward estimates period.

This proposal will have ongoing impacts beyond the 2013-14 Budget forward estimates period.

The revenue impact arises from lower earnings tax due to the Government no longer making contributions to superannuation accounts, resulting in lower balances and earnings.

The difference between the underlying cash balance impact and the fiscal balance impact is due to differences in the timing of the impact under each approach. The fiscal balance impact of the Low Income Superannuation Contribution (LISC) occurs in the year in which the qualifying superannuation contributions are made. The underlying cash balance impact occurs when the Australian Taxation Office (ATO) is able to consolidate taxpayer information and pay the government contributions to member accounts, which may take several years.

This costing is considered to be of medium reliability. The estimates will be sensitive to adjusted taxable incomes, the level of concessional contributions of individuals, the level of earnings of superannuation funds, when individuals lodge their income tax returns and when superannuation funds lodge their member contribution statements.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	900.2	928.0	920.7
Fiscal balance ($m)	960.6	932.9	921.4	907.1

(a) A positive number for the fiscal balance indicates a decrease in expenses or an increase in revenue on an accrual basis. A positive number for the underlying cash balance indicates a decrease in payments or an increase in receipts on a cash basis.

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- No behavioural response to the proposal is expected. For example, for individuals not already entitled to the maximum LISC there is very limited scope to increase contributions in the year prior to the removal of the LISC.
- The PBO has assumed that the ATO will not be obligated to pay any entitlements for superannuation contributions made in 2013-14 or later years.
- Departmental resourcing will be affected from 2014-15; 2013-14 resourcing will be required to administer the payment of LISC for most recipients in respect of the 2012-13 year.

Methodology

- The fiscal balance impact is based on the unpublished estimates as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO) report.
- The cash impact is based on the fiscal balance impact but applies the timing assumption of a similar measure – the Government Superannuation Co-Contribution. However, actual timing will depend on when individuals lodge their income tax returns and when superannuation funds lodge their member contribution statements. The cash impact also includes unpublished estimates variations included in the 2013 PEFO.
- The earnings tax impact is based on an assumed aggregate earning rate of superannuation funds which feeds into an aggregate superannuation accumulation model.
- The departmental impacts were estimated by the ATO.

Data source

- Unpublished estimates as at the 2013 PEFO report.

ATTACHMENT A: DISAGGREGATION OF COSTING

The detailed financial implications over the 2013-14 Budget forward estimates are summarised in Table A1 below.

Table A1: Financial implications[(a)]

Impact on	2013-14 $m	2014-15 $m	2015-16 $m	2016-17 $m	Total $m
Underlying cash balance[(b)]	-	**900.2**	**928.0**	**920.7**	**2,748.9**
Low Income Superannuation Contribution[(c)]	-	-890.0	-915.0	-910.0	-2,715.0
Revenue[(d)]	-	-5.0	-10.0	-15.0	-30.0
Departmental impact[(e)]	-	-15.2	-23.0	-25.7	-63.9
Fiscal balance[(b)]	**960.6**	**932.9**	**921.4**	**907.1**	**3,722.0**
Low Income Superannuation Contribution[(c)]	-960.6	-922.7	-908.4	-896.4	-3,688.1
Revenue[(d)]	-	-5.0	-10.0	-15.0	-30.0
Departmental impact[(e)]	-	-15.2	-23.0	-25.7	-63.9

Notes

(a) Departmental expenses and LISC fiscal balance estimates are rounded to the nearest $100,000, otherwise estimates are rounded to the nearest $5 million.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments.

(c) This is the impact of no longer making LISC payments. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(d) Revenue impact relates to the impact of lower earnings tax associated with less LISC payments being made to superannuation funds. A minus sign before the estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(e) This is the departmental saving associated with the ATO not administering the payment of the LISC for contributions made in 2013-14 and later income years. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Discontinue instant asset write-off increase**
Summary of proposal:	This proposal will reverse the 2010-11 Budget measure *Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling.* The separate Coalition policy "Removal of the Carbon Tax Package – Discontinue business compensation measures" includes the reversal of the 2011-12 Mid-year Economic and Fiscal Outlook measure *Clean Energy Future – Supporting jobs – increase in the instant asset write off threshold to $6,500.* Together, these policies will reduce the maximum value of assets that qualify for the instant asset write off from $6,500 to $1,000 and reverse the simplified pooling arrangements. This costing minute provides details of the assumptions and methodology for reversal of both measures.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

Reversing 2010-11 Budget measure *Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling* is expected to increase both the underlying cash and fiscal balances by $2.9 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

Reversing the 2011-12 Mid-year Economic and Fiscal Outlook measure *Clean Energy Future – Supporting jobs – increase in the instant asset write off threshold to $6,500,* which forms part of the separate Coalition policy "Removal of the Carbon Tax Package – Discontinue business compensation measures", is expected to increase both the underlying cash and fiscal balances by $0.2 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

These proposals will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of low reliability. While this costing is based on amounts included in the forward estimates as at the Pre-election Economic and Fiscal Outlook, these are not necessarily the same as the effect of changing or repealing a particular measure. In particular, Treasury does not generally re-cost individual measures after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates. Consequently the estimates in this costing should be considered approximate, and only provide an indication of the possible savings.

Table 1: Financial implications – Removal of the Mining Tax Package – Discontinue instant asset write-off increase (outturn prices)[(a)]

Revenue impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	850	1,065	990
Fiscal balance ($m)	-	850	1,065	990

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $5 million.

Key assumptions

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

The PBO has assumed that the small business instant asset write off increase and simplified pooling will be discontinued from October 2013.

Methodology

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The savings estimated in this costing represent the difference between the estimated impact of the proposed depreciation arrangements less the amounts currently in the forward estimates, with adjustments for timing and date of abolition.

Data sources

Forward estimate impacts for the small business instant asset write off and simplified pooling measure were obtained from Treasury.

Table 2: Abolition of instant asset write off – elements attributable to the Stronger, fairer, simpler tax reform (mining tax) package and to the Clean Energy Future package.

$ million	2013-14	2014-15	2015-16	2016-17
Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling, reversal	-	850	1,065	990
Clean Energy Future - Supporting jobs - increase in the instant asset write-off threshold to $6,500, reversal	-	80	60	65

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $5 million.

Reference No. *COA011*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Discontinue phase-down of interest withholding tax**
Summary of proposal:	This proposal will discontinue the phase down of interest withholding tax (IWT) on financial institutions.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

Discontinuing the phase down of IWT on financial institutions is expected to increase both the underlying cash and fiscal balances by $405 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental costs associated with this proposal have been included in a separate costing: *Reduce administrative and other expenses from scrapping the Minerals Resource Rent Tax package.*

This costing is considered to be of low reliability. While this costing is based on amounts included in the forward estimates as at the Pre-election Economic and Fiscal Outlook, these are not necessarily the same as the effect of changing or repealing a particular measure. In particular, Treasury does not generally re-cost individual measures after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates. Consequently the estimates in this costing should be considered approximate, and only provide an indication of the possible savings.

Table 1: Financial implications – Discontinuing the phase down of IWT on financial institutions (outturn prices)[(a)]

Revenue impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	80	160	165
Fiscal balance ($m)	-	80	160	165

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $5 million.

Key assumptions

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

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POLICY COSTING – POST ELECTION REPORT

Discontinuing the phase down of IWT on financial institutions will have effect from 1 July 2014.

Methodology

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The costing is calculated as the revenue gained by reversing the net effect of the 2010-11 Budget measure *Stronger, fairer, simpler tax reform — phasing down interest withholding tax on financial institutions*, as modified by the 2011-12 Mid-year Economic and Fiscal Outlook report measure *Interest withholding tax — phase down for financial institutions — deferral*. As the phase down of IWT had not yet commenced, the full impact of reversing the IWT phase down is included in the costing.

Data sources

Forward estimate impacts for the phase down of IWT on financial institutions measure were obtained from Treasury.

Reference No. COA012

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Discontinue tax loss carry back**
Summary of proposal:	This proposal will discontinue tax loss carry back.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

Discontinuing tax loss carry back is expected to increase both the underlying cash and fiscal balances by $950 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental costs associated with this proposal have been included in a separate costing: *Reduce administrative and other expenses from scrapping the Minerals Resource Rent Tax package.*

This costing is considered to be of low reliability. While this costing is based on amounts included in the forward estimates as at the Pre-election Economic and Fiscal Outlook, these are not necessarily the same as the effect of changing or repealing a particular measure. In particular, Treasury does not generally re-cost individual measures after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates. Consequently the estimates in this costing should be considered approximate, and only provide an indication of the possible savings.

Table 1: Financial implications – Discontinuing tax loss carry back (outturn prices)[(a)]

Revenue impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	350	300	300
Fiscal balance ($m)	-	350	300	300

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $50 million.

Key assumptions

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

The PBO has assumed that tax loss carry back will be discontinued from the 2013-14 income year.

POLICY COSTING – POST ELECTION REPORT

The proportion of prior year loss deductions able to be utilised in the absence of tax loss carry back was assumed to be equal to its historical average.

Methodology

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The forward estimates are then disaggregated into two components: the additional revenue loss associated with providing refunds of tax paid to companies in a tax loss position; and the savings from the associated reduction in deductions for prior year losses in subsequent years. The savings estimated in this costing represent the net effect of unwinding these components, with adjustments for timing and date of abolition.

Data sources

Forward estimate impacts for the tax loss carry back measure were obtained from Treasury.

Reference No. COA013

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Discontinue accelerated depreciation for motor vehicles
Summary of proposal:	This proposal will discontinue accelerated depreciation for motor vehicles.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

Discontinuing accelerated depreciation for motor vehicles is expected to increase both the underlying cash and fiscal balances by $425 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of low reliability. While this costing is based on amounts included in the forward estimates as at the Pre-election Economic and Fiscal Outlook, these are not necessarily the same as the effect of changing or repealing a particular measure. In particular, Treasury does not generally re-cost individual measures after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates. Consequently the estimates in this costing should be considered approximate, and only provide an indication of the possible savings.

Table 1: Financial implications – Discontinuing accelerated depreciation for motor vehicles (outturn prices)[(a)]

Revenue impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	155	155	115
Fiscal balance ($m)	-	155	155	115

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $5 million.

Key assumptions

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

The PBO has assumed that accelerated initial deduction for motor vehicles will be discontinued from October 2013.

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POLICY COSTING – POST ELECTION REPORT

Methodology

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The savings estimated in this costing represent the estimated impact of the proposed motor vehicle depreciation arrangements less the amounts currently in the forward estimates, with adjustments for timing and date of abolition.

Data sources

Forward estimate impacts for the accelerated depreciation for motor vehicles measure were obtained from Treasury.

Reference No. *COA014*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Reduce administrative and other expenses from scrapping the Minerals Resource Rent Tax (MRRT) package**
Summary of proposal:	This proposal will reduce administrative and other expenses from scrapping the MRRT package.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

This proposal is expected to increase both the underlying cash and fiscal balances by $90.3 million over the 2013-14 Budget forward estimates period. This impact is largely due to a decrease in administrative expenses associated with discontinuing the MRRT. The proposal also includes decreases in departmental expenses associated with: discontinuing the phase down of interest withholding tax (IWT) on financial institutions and discontinuing tax loss carry-back and a revenue save of $5 million per annum from 2015-16 to 2016-17 associated with discontinuing the 2011-12 Budget measure *Income tax — expanding the definition of exploration to include geothermal energy*.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of high reliability, as it primarily reflects a reversal of expenses included in the forward estimates as at the Pre-election Economic and Fiscal Outlook. The revenue component of the costing is considered to be of low reliability, as individual measures are generally not re-costed after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates.

Table 1: Financial implications – Reduce administrative and other expenses from scrapping the MRRT package (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	4.0	26.3	30.0	30.0
Fiscal balance ($m)	4.0	26.3	30.0	30.0

(a) A positive number for the fiscal balance indicates a decrease in expenses on an accrual basis. A positive number for the underlying cash balance indicates a decrease in expenditure on a cash basis.

Key assumptions

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

POLICY COSTING – POST ELECTION REPORT

Discontinuing administrative expenses to implement and run the MRRT and departmental expenses associated with phasing down IWT on financial institutions will have effect from 1 July 2014.

The PBO has assumed that departmental expenses associated with tax loss carry back will be discontinued from October 2013.

Methodology

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The costing largely represents the aggregate effect of administrative and departmental expense savings associated with: reversing the MRRT, the 2010-11 Budget measure *Stronger, fairer, simpler tax reform — phasing down interest withholding tax on financial institutions* and the 2012-13 Budget measure *Spreading the Benefits of the Boom — company loss carry-back.*

Data sources

Forward estimate administered and departmental expense impacts were obtained from the Australian Taxation Office.

Reference No. COA016

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Foregone revenue from removal of the mining tax**
Summary of proposal:	This proposal will discontinue the Minerals Resource Rent Tax (MRRT).
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

This proposal is expected to decrease revenue on an underlying cash and fiscal balance basis by \$3.5 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental costs associated with this proposal have been included in a separate costing: *Reduce administrative and other expenses from scrapping the MRRT package.*

This costing is considered to be of medium reliability. Estimates are based on published Pre-Election Economic and Fiscal Outlook values, noting that these are highly sensitive to the assumptions regarding production volumes, capital deductions, commodity prices and the exchange rate. There is also some uncertainty related to timing of MRRT revenue and any behavioural responses to this proposal.

Table 1: Financial implications – Discontinuing the MRRT (outturn prices)(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-600	-1,100	-1,800
Fiscal balance (\$m)	-	-600	-1,100	-1,800

(a) A negative number for the underlying cash balance indicates a decrease in receipts on a cash basis. A negative number for the fiscal balance indicates a decrease in revenue on an accrual basis.

Key assumptions

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

Discontinuing the MRRT will have effect from 1 July 2014.

The MRRT is paid quarterly which means that three quarters of each financial year's impact is from 'within year' mining activity and one quarter is from the previous financial year's mining activity.

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POLICY COSTING – POST ELECTION REPORT

Methodology

The underlying cash and fiscal balance impacts estimated for this proposal are based on net MRRT amounts currently in the 2013-14 Budget forward estimates with adjustments for timing and date of abolition.

Data sources

Pre-Election Economic and Fiscal Outlook forward estimate impacts for the MRRT were obtained from Treasury.

Reference No. *COA017*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Coalition's Paid Parental Leave Scheme Package**
Summary of proposal:	The proposal will: • provide a Paid Parental Leave (PPL) scheme with 26 weeks paid at the higher of a replacement wage (up to a cap of $150,000 per annum) or the National Minimum Wage, plus superannuation. Partners will also be able to take two out of the 26 weeks at their own replacement wage (up to the $150,000 per annum cap), plus superannuation • replace the existing PPL scheme, and • also replace the existing paid maternity leave schemes for Commonwealth agencies. Payments to the States would be reduced by the value of maternity payments that would otherwise have been expected to be made by the States. The payments in the new scheme will be made entirely through the Department of Human Services. The proposal will have effect from 1 July 2015. The proposed levy of 1.5 per cent on company taxable income above $5 million is considered separately.
Party:	Coalition
Date of public release of policy:	18 August 2013 and 5 September 2013
Agencies from which information was obtained:	• The former Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), and • Department of Human Services (DHS).

Costing overview

The gross cost of the new PPL scheme is expected to decrease both the underlying cash and fiscal balances by around $9.87 billion over the 2013-14 Budget forward estimates period.

Not proceeding with the former Government's PPL scheme is expected to increase both the underlying cash and fiscal balances by around $3.67 billion over the 2013-14 Budget forward estimates period.

Discontinuing the existing Commonwealth, State and Territory Governments' maternity leave schemes is expected to increase both the underlying cash and fiscal balances by around $1.38 billion over the 2013-14 Budget forward estimates period.

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POLICY COSTING – POST ELECTION REPORT

Additionally, the impact of the proposal on existing Government payments and taxes is expected to increase the underlying cash balance by around $1.33 billion and the fiscal balance by $1.36 billion over the 2013-14 Budget forward estimates period.

The net impact of the scheme is expected to be a decrease in the underlying cash balance of around $3.50 billion and a decrease in the fiscal balance of around $3.47 billion over the 2013-14 Budget forward estimates period.

A finer disaggregation of the costing can be found at Attachment A.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

The costing includes a decrease in departmental expenses of $155 million over the 2013-14 Budget forward estimates period. This reflects a decrease of $185 million from no longer needing to cover maternity payments for Commonwealth public servants, partially offset by an increase in expenses of $30 million to cover the costs of an information campaign and provide resourcing for the Department of Human Services to implement and administer the new scheme.

The proposed PPL scheme would result in increased expenses for the PPL program, primarily reflecting the higher level of payments under the scheme, but also because more families will choose to receive PPL in preference to the alternative Family Tax Benefit (FTB) supplement. This increased expense will be partially offset by a reduction in payments of FTB Parts A and B.

To reflect the change in incidence of parental leave payments to State and Territory public servants to the Australian Government, the Australian Government will reduce payments to the States and Territories by the value of maternity payments that would otherwise have been expected to be made by the State and Territory Governments.

As PPL payments are taxable, the increased expense of the scheme will also be partially offset by increased personal income tax revenue. Contributions tax will also be collected on the superannuation payments made under the scheme. The inclusion of superannuation in the PPL scheme will also result in increased expenses due to additional Low Income Superannuation Contribution (LISC) payments made in respect to these contributions.

The underlying cash balance impact of this proposal differs from the fiscal balance impact due to Family Tax Benefit supplements and lump sum payments, along with LISC payments, being made in the year following the accrual of the liability.

The estimates in this costing differ from those published by the party. The PBO has revised its previous estimates to the party of the incomes of secondary carers. This impacts the degree to which families take up the optional secondary carer component of the scheme. This costing also uses a different assumption from the party's costing to derive the estimated future utilisation of the existing public service paid maternity leave schemes under current policy.

This costing is of low to medium reliability. It is sensitive to a number of assumptions around fertility rates of working women, female labour force participation, the wages parents earn and the leave patterns of parents around the births of their children.

The cost of this proposal is lower in the first year as some recipients of the payment who have their child in 2014-15 will not receive their entire 26 weeks in this financial year. The estimated saving from the current PPL scheme in 2015-16 is less than the current expense estimate for the program in that year, reflecting the fact that some families who have a child in 2014-15 will be completing the PPL period under the old scheme in 2015-16.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications – Gross cost of the Coalition PPL (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-10	-4,175	-5,685
Fiscal balance ($m)	-	-10	-4,175	-5,685

Table 2: Financial implications – Existing Government scheme (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	1,670	2,000
Fiscal balance ($m)	-	-	1,670	2,000

Table 3: Financial implications – Savings from existing Commonwealth and State Public Sector schemes (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	625	750
Fiscal balance ($m)	-	-	625	750

Table 4: Financial implications – Automatic adjustments to Government spending and revenue (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	540	790
Fiscal balance ($m)	-	-	560	800

Table 5: Financial implications – All elements (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-10	-1,340	-2,145
Fiscal balance ($m)	-	-10	-1,320	-2,135

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in expenses in cash terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in expenses in cash terms

Key assumptions

General assumptions

- The policy specification used in this costing is based on the document *The Coalition's Policy for Paid Parental Leave.*

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- The grouped data approach used to model the policy cannot capture the full level of diversity in the population. The model works under the assumption that the outcome for an average person in each group represents the average outcome for the group.
- After a transitional period, the transaction costs currently incurred making PPL payments via employers are assumed to be equivalent to those incurred under the proposal when making PPL payments directly.
- No adjustment has been made to reflect any changes in fertility rates due to the proposal.

Income distribution of PPL recipients

- The income distribution of new mothers has been based on aggregated data on the distribution of adjusted taxable incomes of PPL recipients in the first eleven months of 2012-13.
  - While the rate of PPL will be based on the mother's salary, adjusted taxable income was used due to an absence of detailed data on the salaries of new mothers.
  - An analysis of the personal income tax returns from 2010-11 found that for women with wages and salary, aged 20-35, adjusted taxable income is, on average, slightly higher than wages and salary. For individuals where this is not the case, the difference is due to relatively small work related tax deductions. Similar results were found if a higher upper age range was used.
- These incomes have been grown in line with average weekly earnings.
- An assumption has been made about the proportion of eligible families that have partnered parents as well the average incomes of the partners. These assumptions have been made based on analysis of unit record data from the 2009-10 Survey of Income and Housing.
- Assumptions have also been made regarding the amount of time primary carers spend working outside the PPL period during the financial year of birth.

Take up of secondary carer payment

- Not all secondary carers currently take up Dad and Partner Pay. Under the proposed scheme all secondary carers are assumed to take up the payment as, for the greater majority, there would be no loss in income from choosing to do so. When paid paternity leave is not paid, the secondary carer is expected to continue to work. Thus, the income from the more generous paid paternity leave payment is not expected to result in a significant increase in personal income tax collections or decrease in family payments.

Child care assistance

- The effect of the proposal on child care assistance payments is expected to be minimal and has not been included in the costing.

Transitional arrangements

- It has also been assumed that those who have a child in 2014-15, but do not complete their PPL period by the end of the financial year, will continue to receive their payments under the current scheme until their 18 week period expires.

Public service offsets

- For Commonwealth public servants payment rates for salaries have been based on median salaries at each payment level. For State and Territory public servants, payment rates have been based on median salaries of the respective State and Territory public services.
- The number of State and Territory public servants taking maternity leave with salaries above $150,000 is negligible.
- For Commonwealth, State and Territory public servants, the proportion of female employees aged between 20 and 44 who would be accessing their paid maternity leave entitlement in each year has been estimated based on the Australian Public Service Commission's (APSC) submission to the Productivity Commission enquiry into PPL and historical trends in fertility rates.
- The income distribution of public service maternity leave recipients in the base data is assumed to be representative of the population across the forward estimates. Growth in incomes and take up rate of maternity leave has been based on recent trends.

Methodology

A grouped data model has been used to cost the proposal, based on administrative data from the existing PPL program.

The midpoint income of each of the categories in the aggregated data has been assumed to be representative of the average income of parents in each group. These incomes have been inflated to the years in 2013-14 Budget estimates period using average weekly earnings. Based on these uprated incomes, entitlement to PPL (including Dad and Partner Pay under the current scheme, and paternity pay in the new scheme) are estimated for both the current and new schemes.

Based on this, adjusted taxable incomes have been estimated for the families and used to estimate entitlement to FTB payments along with income tax liability.

The superannuation contributions tax revenue estimate is 15 per cent of the estimated superannuation payments made under the scheme. For those with an estimated adjusted taxable income below the threshold this contributions tax would be refunded through the LISC.

Estimates of the number of Commonwealth public servants who are entitled to the existing Government maternity leave, their salaries and the amount of leave to which they are entitled, have been made based on the Australian Public Service employment database, the APSC State of the Service Report and enterprise agreements of Commonwealth agencies. Estimates of salaries for State and Territory public service employees are based on State of the Service (or equivalent) reports from State and Territory public service commissions (or equivalent bodies). Expected maternity leave payments are then estimated using the take up rate assumption.

Timing effects have then been applied to recognise that PPL payments carry over into the subsequent financial year for recipients with children born towards the end of the year.

Estimates for revenue and administered expense components of the costing have been rounded to the nearest $10 million, departmental expenses have been rounded to the nearest $5 million and these estimates have then been summed to give the total impact.

POLICY COSTING – POST ELECTION REPORT

Data sources

- Australian Bureau of Statistics Catalogue number 4913.0, *Pregnancy and Employment Transitions,* November 2011
- Australian Bureau of Statistics, 2009-10 Survey of Income and Housing, Confidentialised Unit Record File.
- Aggregate data on the incomes of PPL and Baby Bonus recipients in the first eleven months of 2012-13 and forward estimates of expenses and recipient numbers for both Parental Leave Pay and Dad and Partner Pay have been provided by FaHCSIA.
- Data on entitlement and take up of paid maternity leave by public service employees have been taken from:
  - Productivity Commission, 2009, *Paid Parental Leave: Support for Parents with Newborn Children*
  - Australian Public Service Commission, *Australian Public Service employment database*
  - Public Service Commission of NSW, *Workforce Profile Report 2012*
  - State Services Authority of Victoria, *The State of the Public Sector in Victoria 2011-12*
  - Public Service Commission of Queensland, *Queensland Public Service Workforce Characteristics 2011-2012*
  - Public Sector Commission of Western Australia, *State of the Sector Report 2012*
  - Office of Public Employment and Review of South Australia, *State of the Sector Report 2012*
  - Office of the State Service Commissioner of Tasmania, *2011-2012 State Service Commissioner's Annual Report*
  - Office of the Commissioner for Public Administration of the Australian Capital Territory, *2010-11 ACTPS Workforce Profile 2010-11*, and
  - Office of the Commissioner for Public Employment of the Northern Territory, *State of the Service Report 2011-12.*
- The DHS have provided estimates of the departmental expenses that would be associated with implementing and administering a replacement wage PPL scheme.

ATTACHMENT A: DISAGGREGATION OF COSTING

Table A1 provides estimates on an underlying cash balance basis. A positive number for payments represents an increase in cash paid by the Commonwealth, while a positive number for receipts represents an increase in cash collected by the Commonwealth. The impact on the underlying cash balance is the change in receipts less the change in payments.

Table A1. Disaggregation of costing – Underlying cash basis

($m)	2014-15	2015-16	2016-17	Total
Payments				
Paid Parental Leave	-	2,490	3,680	6,170
Consisting of:				
New Primary Carer Scheme (including SG)	-	*3,880*	*5,400*	*9,280*
Existing Parental Leave Pay	-	*-1,590*	*-1,920*	*-3,510*
New Secondary Carer Scheme (including SG)	-	*280*	*280*	*560*
Existing Dad and Partner Pay	-	*-80*	*-80*	*-160*
Family Tax Benefit (Parts A and B)	-	-60	-100	-160
Low Income Super Contribution	-	-	10	10
Payments to States	-	-540	-650	-1,190
Total administered payments	-	**1,890**	**2,940**	**4,830**
Administration of new PPL scheme	10	15	5	30
Existing maternity payments to public servants	-	-85	-100	-185
Departmental expenses	**10**	**-70**	**-95**	**-155**
Receipts				
Personal Income Tax	-	430	630	1,060
Superannuation Contributions Tax	-	50	70	120
Total receipts	-	**480**	**700**	**1,180**
Impact on underlying cash balance	**-10**	**-1,340**	**-2,145**	**-3,495**

Table A2 reconciles these components with the format presented in the party's costing document, on an underlying cash basis.

Table A2. Reconciliation with presentation in Coalition policy document

Impact on underlying cash balance($m)	2014-15	2015-16	2016-17	Total
Gross cost of the proposed PPL scheme	**-10**	**-4,175**	**-5,685**	**-9,870**
New Primary Carer Scheme (including SG)	-	*-3,880*	*-5,400*	*-9,280*
New Secondary Carer Scheme (including SG)	-	*-280*	*-280*	*-560*
Administration of new PPL scheme	*-10*	*-15*	*-5*	*-30*
Existing Government PPL scheme	-	**1,670**	**2,000**	**3,670**
Existing Parental Leave Pay	-	*1,590*	*1,920*	*3,510*
Existing Dad and Partner Pay	-	*80*	*80*	*160*
Existing Commonwealth and State maternity leave schemes	-	**625**	**750**	**1,375**
Existing maternity payments to public servants	-	*85*	*100*	*185*
Payments to States	-	*540*	*650*	*1,190*
Automatic adjustments to Government spending and revenue	-	**540**	**790**	**1,330**
Family Tax Benefit (Parts A and B)	-	*60*	*100*	*160*
Low Income Super Contribution	-	-	*-10*	*-10*
Personal Income Tax	-	*430*	*630*	*1,060*
Superannuation Contributions Tax	-	*50*	*70*	*120*
Net impact	**-10**	**-1,340**	**-2,145**	**-3,495**

Table A3 provides estimates on a fiscal balance basis. A positive number for expenses represents an increased liability incurred by the Commonwealth, while a positive number for revenue represents an increase in money payable to the Commonwealth. The impact on the fiscal balance is the change in revenue less the change in expenses.

Table A3. Disaggregation of costing – Fiscal balance basis

($m)	2014-15	2015-16	2016-17	Total
Expenses				
Paid Parental Leave	-	2,490	3,680	6,170
Consisting of:				
New Primary Carer Scheme (including SG)	-	*3,880*	*5,400*	*9,280*
Existing Parental Leave Pay	-	*-1,590*	*-1,920*	*-3,510*
New Secondary Carer Scheme (including SG)	-	*280*	*280*	*560*
Existing Dad and Partner Pay	-	*-80*	*-80*	*-160*
Family Tax Benefit (Parts A and B)	-	-90	-110	-200
Low Income Super Contribution	-	10	10	20
Payments to States	-	-540	-650	-1,190
Total administered expenses	**-**	**1,870**	**2,930**	**4,800**
Administration of new PPL scheme	10	15	5	30
Existing maternity payments to public servants	-	-85	-100	-185
Total departmental expenses	**10**	**-70**	**-95**	**-155**
Revenue				
Personal Income Tax	-	430	630	1,060
Superannuation Contributions Tax	-	50	70	120
Total revenue	**-**	**480**	**700**	**1,180**
Impact on fiscal balance	**-10**	**-1,320**	**-2,135**	**-3,465**

Table A4 reconciles the components with the format presented in the party's costing document, on a fiscal balance basis.

Table A4. Reconciliation with presentation in Coalition policy document

Impact on fiscal balance($m)	2014-15	2015-16	2016-17	Total
Gross cost of the proposed PPL scheme	**-10**	**-4,175**	**-5,685**	**-9,870**
New Primary Carer Scheme (including SG)	-	*-3,880*	*-5,400*	*-9,280*
New Secondary Carer Scheme (including SG)	-	*-280*	*-280*	*-560*
Administration of new PPL scheme	*-10*	*-15*	*-5*	*-30*
Existing Government PPL scheme	**-**	**1,670**	**2,000**	**3,670**
Existing Parental Leave Pay	-	*1,590*	*1,920*	*3,510*
Existing Dad and Partner Pay	-	*80*	*80*	*160*
Existing Commonwealth and State maternity leave schemes	**-**	**625**	**750**	**1,375**
Existing maternity payments to public servants	-	*85*	*100*	*185*
Payments to States	-	*540*	*650*	*1,190*
Automatic adjustments to Government spending and revenue	**-**	**560**	**800**	**1,360**
Family Tax Benefit (Parts A and B)	-	*90*	*110*	*200*
Low Income Super Contribution	-	*-10*	*-10*	*-20*
Personal Income Tax	-	*430*	*630*	*1,060*
Superannuation Contributions Tax	-	*50*	*70*	*120*
Net impact	**-10**	**-1,320**	**-2,135**	**-3,465**

Reference No. COA021

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposals costed:	**Company tax rate cut to 28.5 per cent** **Levy of 1.5% on company taxable income above $5 million**
Summary of proposal:	This proposal will: • reduce the company tax rate to 28.5 per cent, and • impose a levy of 1.5 per cent on that part of company taxable income above $5 million. with effect from 1 July 2015.
Party:	Coalition
Date of public release of policy:	7 August 2013 – Company tax rate cut to 28.5 per cent. 18 August 2013 – Levy of 1.5 per cent.
Agencies from which information was obtained:	Company tax data was obtained from The Treasury.

Costing overview

Reducing the company tax rate to 28.5 per cent is estimated to decrease both the underlying cash and fiscal balances by $4.9 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to decreased revenue. A detailed breakdown of the financial implications of this proposal is at Attachment A.

Imposing a 1.5 per cent levy on that part of company taxable income over $5 million is estimated to increase both the underlying cash and fiscal balances by $4.3 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to increased revenue. A detailed breakdown of the financial implications of this proposal is at Attachment A.

Together, reducing the company tax rate to 28.5 per cent and imposing a 1.5 per cent levy on that part of company taxable income over $5 million is estimated to decrease both the underlying cash and fiscal balances by $0.5 billion over the 2013-14 Budget forward estimates period. Rounding and interactions between the proposals mean that the costings are not fully additive. A detailed breakdown of the financial implications of both proposals is at Attachment A.

This costing is considered to be of medium reliability as modelling is based on historical tax data and several assumptions. Possible behavioural responses to this proposal are uncertain.

This costing assumes that the Australian Taxation Office (ATO) would not vary company instalment calculations in response to the change in company tax rates. Company tax instalment rates are calculated by the ATO based on the amount of tax paid by a company in the previous year and are not explicitly based on the statutory company rate. For large companies, who account for the majority of company tax paid, the impact of the levy would offset most of the reduction in company tax, leaving the overall level of tax on their company taxable income that would be payable by instalments largely unchanged. The assumption in relation to instalments mainly impacts on the profile of company tax collections as instalments adjust to the new company rate and does not affect the cost of the proposal once instalments assimilate the new company rate.

If the ATO were to vary instalments to take account of the impact of the new company tax rate for companies with taxable incomes under $5 million, the cost of the proposal would be larger in the first year following the date of effect than in this costing, with this difference unwound over the next three years (which extends beyond the forward estimates period). This would further decrease underlying cash and fiscal balances by around $0.6 billion over the 2013-14 Budget forward estimates.

Both elements of this proposal will have an ongoing impact that extends beyond the forward estimates period. Cutting the company tax rate to 28.5 per cent is estimated to have a mature cost in the order of $3.7 billion in 2018-19. The company levy is estimated to have a mature saving in the order of $3.3 billion in 2018-19. The annual estimates for both proposals will grow in line with the underlying growth in the company tax base from 2018-19.

Departmental expenses are expected to be minimal for each part of this proposal and have not been included in this costing.

Table 1: Financial implications – Company tax cut to 28.5 per cent (outturn prices)[a]

Impact on:	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-400	-300	-4,200
Fiscal balance ($m)	-	-400	-300	-4,200

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue receipts in cash terms.

Table 2: Financial implications – 1.5 per cent company levy (outturn prices)[a]

Impact on:	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	300	300	3,700
Fiscal balance ($m)	-	300	300	3,700

(a) A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts in cash terms.

Table 3: Financial implications – Company tax cut to 28.5 per cent and 1.5 per cent company levy (outturn prices)[a]

Impact on:	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-100	-	-400
Fiscal balance ($m)	-	-100	-	-400

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue receipts in cash terms. Tables 1 and 2 may not add to Table 3 due to rounding.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- The proposals will apply from 1 July 2015.

General assumptions

- Superannuation funds and the superannuation business of life insurance companies continue to be taxed at the 15 per cent rate.
- Growth rates are based on company gross operating surplus (GOS), adjusted to take into account the effects of many companies having substituted accounting periods.
- Estimates have been rounded to the nearest $100 million.

Behavioural 'bring forward' assumption – company tax cut and company levy

- With a start date of 1 July 2015 and announcement of these proposals in 2013 the PBO considers that there is sufficient time for companies to take steps to change the timing of their deductions and income in the financial year prior to the start date in order to benefit from the net changes in the company rate. Having a long lead time increases the likelihood of a behavioural response that would increase the cost of transition to the proposal and decrease revenue.
  - The PBO has assumed that around 0.5 per cent of company taxable income under $5 million would be deferred around the commencement of these proposals in order to benefit from the company tax rate cut and the 1.5 per cent company levy.

Impact of the imputation system on the costing

- The 1.5 per cent levy on company taxable income in excess of $5 million will not be creditable for dividend imputation purposes.
- Company dividends and imputation:
  - For companies with taxable incomes up to $5 million, where the rate of company tax paid is cut and no levy is imposed, the PBO has assumed that approximately one half of the tax cut will be distributed to shareholders and one half retained in the company and that around 60 per cent of shareholders are residents.
  - For companies with taxable incomes of $5 million or more, where the 1.5 per cent levy on that part of a company's taxable income greater than $5 million mostly offsets the company tax cut on that part of their taxable income, the PBO has assumed that there would be no change in the level of cash dividends paid.
  - For all company dividends paid from 1 July 2015, the rate at which franking credits attach to dividends falls in line with the reduction in the statutory company tax rate.

Timing assumptions

- The PBO has assumed that the pay as you go (PAYG) instalment system will remain unchanged and that the ATO will not vary instalment rates. In addition, the costing assumes that companies would not vary their instalment amounts from the ATO 'safe harbour' amount.

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POLICY COSTING – POST ELECTION REPORT

- The costing also assumes that company substituted accounting period timing will apply to the costings from 1 July 2015.
- The PBO has assumed that the levy is collected via the company pay as you go (PAYG) instalment system. This means that the levy would have the same timing as the changes in company tax rate.

Methodology

The cost of the company tax rate cut was estimated by calculating company and shareholder tax revenue using the proposed tax structure and various assumptions over the 2013-14 Budget forward estimates period and subtracting the amount of base company and shareholder tax revenue that is expected to be collected over the same period.

The cost of the company levy was estimated by calculating company and shareholder tax revenue and the proposed levy using the proposed tax structure and various assumptions over the 2013-14 Budget forward estimates period and subtracting the amount of base company and shareholder tax revenue that is expected to be collected over the same period.

Reducing the generally applicable company tax rate will have an ongoing impact on the rate at which dividends paid to shareholders are franked. When the company tax cut is combined with a company levy that will not generate franking credits the imputation credit attaching to a fully franked dividend will fall under this proposal from 3/7ths of the fully franked cash dividend paid to 28.5/71.5ths of the fully franked cash dividend paid.

Data sources

Data sources include ATO tax return data for companies, individuals and the superannuation business of life insurance companies up to the 2009-10 financial year.

The data includes entities that are taxed as companies.

ATTACHMENT A: DISAGGREGATION OF COSTING

Table A1 provides a detailed breakdown of the financial implications of the proposed company tax rate cut to 28.5 per cent.

Table A1: Revenue impacts – fiscal balance and underlying cash balance ($m)

Proposal	Revenue	2013-14	2014-15	2015-16	2016-17	Total
Reduce the company tax rate from 30 per cent to 28.5 per cent	*Companies*	-	-400	-500	-5,600	-6,500
	Individuals	-	-	200	1,400	1,600
	Total impact	-	**-400**	**-300**	**-4,200**	**-4,900**

Note: A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A positive number for the fiscal balance indicates an increase in receipts in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue in cash terms. A negative number for the fiscal balance indicates a decrease in receipts in accrual terms. Totals may not add due to rounding.

Table A2 provides a detailed breakdown of the financial implications of the proposed 1.5 per cent company levy.

Table A2: Revenue impacts – fiscal balance and underlying cash balance ($m)

Proposal	Revenue	2013-14	2014-15	2015-16	2016-17	Total
Introduce a 1.5 per cent levy on company taxable income over $5 million	*Companies*	-	300	300	3,700	4,300
	Individuals	-	-	-	-	-
	Total impact	-	**300**	**300**	**3,700**	**4,300**

Note: A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A positive number for the fiscal balance indicates an increase in receipts in accrual terms.

Table A3 provides a detailed breakdown of the financial implications of the proposed company tax rate cut to 28.5 per cent and the proposed 1.5 per cent company levy.

Table A3: Revenue impacts – fiscal balance and underlying cash balance ($m)

Proposal	Revenue	2013-14	2014-15	2015-16	2016-17	Total
Reduce the company tax rate from 30 per cent to 28.5 per cent and introduce a 1.5 per cent levy on company taxable income over $5 million	*Companies*	-	-100	-200	-1,700	-2,000
	Individuals	-	-	200	1,300	1,500
	Total impact	-	**-100**	-	**-400**	**-500**

Note: A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A positive number for the fiscal balance indicates an increase in receipts in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue in cash terms. A negative number for the fiscal balance indicates a decrease in receipts in accrual terms. Tables 1 and 2 may not add to Table 3 due to rounding.

Reference No. COA022

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Doubling practice incentive payments for General Practice teaching**
Summary of proposal:	The proposal will double the Practice Incentive Payment (PIP) for teaching from \$100 to \$200 per session from 1 January 2015. The PIP teaching payment aims to encourage general practices to provide teaching sessions to undergraduate and graduate medical students preparing for entry into the medical profession.
Party:	Coalition
Date of public release of policy:	22 August 2013
Agencies from which information was obtained:	• Department of Health and Ageing (DoHA) • Department of Human Services (DHS)

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by \$119.0 million over the 2013-14 Budget forward estimates period. The proposal will also have an ongoing impact that extends beyond the forward estimates period and is expected to grow in line with the trend growth exhibited in the last two years of the forward estimates. This impact is entirely due to an increase to expenses.

The costing includes departmental funding of \$4.8 million over the 2013-14 Budget forward estimates period, related to the cost of additional transactions it is projected DHS will administer under the proposal.

This costing is considered to be of medium reliability as it estimates teaching sessions based on increased general practitioner participation, which in actual terms may vary considerably.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-21.8	-46.9	-50.2
Fiscal balance (\$m)	-	-21.8	-46.9	-50.2

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

(b) Figures in the table may not add to totals quoted elsewhere in the costing minute due to rounding.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

Consistent with advice provided by the Coalition, the PBO has used a 1 January 2015 implementation date to cost this proposal.

In addition, the PBO has assumed that:

- DoHA will administer the policy change from within the current departmental funding allocation for this program, and
- the increase in participating practices from doubling the PIP will be consistent with the 23 per cent increase in participating practices from 2003-04 to 2009-10 as a result of the 2004-05 increase in PIP payment of $50 to $100.

Based on advice and information from DoHA, the PBO has assumed that current rural loading arrangements, which apply a sliding scale of loadings based on the degree of remoteness of participating practices, will be applied to the new higher payment.

Methodology

Costs under the proposal are a combination of administered expenses that will be borne by DoHA and departmental funding for additional administration expenses incurred by DHS.

Administered costs – Department of Health and Ageing

The total cost of the modified scheme was derived by multiplying the estimated number of teaching sessions (including additional sessions resulting from the increased incentive) by the increased session payment of $200 and adding on an additional 20 per cent for the rural loading. The current program estimates were then deducted to estimate the budget impact of the proposal.

In order to estimate the revised number of teaching sessions, the following calculations were undertaken:

- the current average teaching sessions per practice was derived by dividing each year's current session estimates by the number of participating practices
- the number of practices participating in the program and receiving PIP teaching incentives was increased by 23 per cent (refer to Key assumptions), and
- the revised number of teaching sessions was then calculated by multiplying the revised practice estimates by the current average session per practice.

Departmental costs – Department of Human Services

The total departmental cost was calculated by multiplying the estimated number of additional transactions by the processing cost per transaction.

Data sources

From DoHA, the PBO obtained the *Practice Incentive Payment – Teaching payment forward estimates model.*

From DHS, the PBO obtained the estimated processing cost per transaction for the 2013-14 Budget forward estimates period.

The PBO also consulted the *2003-04 Department of Health and Ageing Annual Report.*

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Reference No. *COA023*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Investing in medical internships**
Summary of proposal:	The proposal aims to fund an additional 100 intern places within private hospitals for medical students on an ongoing basis. The aim of the proposal is to increase the number of opportunities for medical graduates to achieve full registration with the Medical Board of Australia through completing the required 47 weeks of clinical training. The proposal will have effect from 1 January 2014.
Party:	Coalition
Date of public release of policy:	22 August 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $39.7 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase to expenses. This proposal will have an ongoing impact that extends beyond the forward estimates period and is expected to grow in line with the trend growth exhibited in the forward estimates.

This costing is considered to be of medium reliability as it is based on forecasts of costs for intern training placements and estimated administrative funding, that in actual terms may vary.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-5.5	-11.2	-11.4	-11.6
Fiscal balance ($m)	-5.5	-11.2	-11.4	-11.6

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms

Key assumptions

In costing the proposal, the PBO has assumed that New South Wales cost factors for internships are a reasonable estimate for other jurisdictions.

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POLICY COSTING – POST ELECTION REPORT

Methodology

The costing was calculated by multiplying the cost of an individual intern place, derived by adding the intern salary of $57,422 and fixed costs (including training) per intern of $50,943, by 100 new places to total $10.8 million.

As the intern salary and fixed cost factors used were from 2012, the forward estimates were calculated by applying indexation and the 2013-14 estimate was halved to account for the 1 January 2014 start date.

No departmental funding was provided as postgraduate medical internships are managed by State and Territory Governments (see Data sources).

Data sources

- University of Sydney School of Medicine, 2012, Study of internship program costs: http://www.heti.nsw.gov.au/Global/HETI-Resources/prevocational/Med-Ed-Forum/13%20internship%20program%20costs.pdf
  - Annual intern salary of $57,422 and fixed costs (including training) per intern of $50,943.
- Report on the Audit of Health Workforce in Rural and Regional Australia: http://www.health.gov.au/internet/publications/publishing.nsf/Content/work-res-ruraud-toc~work-res-ruraud-3~work-res-ruraud-3-2~work-res-ruraud-3-2-1~work-res-ruraud-3-2-1-med
  - Following completion of medicine at university, all students are required to complete an intern year (PGY1) prior to being eligible for registration. This training year is completed in the hospital sector and therefore funded and managed by State and Territory Governments.
- 2013 PEFO report parameters

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Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	**Full implementation and expansion of bowel cancer screening**
Summary of proposal:	This proposal will accelerate the expansion of the National Bowel Cancer Screening (NBCS) program so that all Australians aged 50 to 74 are eligible for biennial bowel cancer screenings by 2020-21. The proposal will have effect from 1 July 2015.
Party:	Coalition
Date of public release of policy:	22 August 2013
Agencies from which information was obtained:	Department of Health and Ageing

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $46.3 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase in expenses.

This proposal will have an impact that extends beyond the forward estimates period, with the full annual cost expected to peak when implementation under this proposal is reached in the 2020-21 financial year.

This proposal extends a current program for which funding already exists in the estimates. Under current policy settings:

- for the period until 1 July 2015, all Australians are eligible to participate in the NBCS program in the year in which they turn 50, 55, 60 or 65, and
- from 1 July 2015, eligibility for this program will be expanded such that by 2033-34 all Australians aged 50 to 74, will be eligible to participate in the NBCS program on a biennial basis.

The additional impact from 2015-16 to 2033-34 is estimated to be $850.1 million.

Details of the gross cost of the accelerated introduction of biennial screening, the current estimates, and the net impact on the Budget bottom-line can be found in Table A1 at Attachment A. Taking into account funding which is currently factored into the medium term estimates, the net impact of this proposal will continue to diminish from 2021-22 until 2033-34. From 2033-34 onwards there will be no additional impact associated with this proposal as it will align with the current implementation arrangements of the program.

POLICY COSTING – POST ELECTION REPORT

This costing is considered to be of high reliability as gross costs for the proposal have been calculated using the current forward estimate model for the NBCS program with the eligible population figures adjusted to reflect the accelerated expansion schedule. It should be noted that any change to the implementation schedule assumed in this costing would see changes to the cost of this proposal.

No additional departmental funding for the Department of Health and Ageing (Health) has been included in this costing as the PBO considers that current departmental funding of approximately $1.3 million per year is sufficient to manage the accelerated expansion of the program. Under the operations of the NBCS program, administrative costs for the Department of Human Services (DHS) are appropriated to Health who then reimburses DHS for their costs. These administrative costs for DHS are embedded within the established forward estimates model for the NBCS program and have subsequently increased in line with the accelerated rollout of the program.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	-7.0	-39.4
Fiscal balance ($m)	-	-	-7.0	-39.4

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Key assumptions

The PBO has assumed that:

- consistent with the current schedule for expanding eligibility, the point at which new age cohorts are added to the program will preference older persons, and the current phasing in of biennial screening over a 19 year period (2015-16 through to 2033-34) will be compressed into a six-year period (2015-16 through to 2020-21), and
- the average cost per eligible participant is unchanged by the acceleration of the expansion of the program.

Methodology

Based on the assumed accelerated expansion schedule, new eligible population estimates were derived. These new eligibility estimates were then entered into the current NBCS program forward estimates model to determine the gross costs of the accelerated expansion of the program. The estimates currently factored into the forward estimates for the existing NBCS program were subtracted from the costs of this proposal to provide the net impact to the budget bottom-line.

Data sources

- National Bowel Cancer Screening - 2012 Model - Data as of July 2013.

ATTACHMENT A: BREAKDOWN OF COSTS

Table A1: Estimates and net impact until 2033-34 [(a)]

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
National Bowel Cancer Screening Program – Accelerated Expansion – Gross Cost	-	-	-70.6	-104.2	-107.8	-151.4	-142.9	-176.8	-185.9	-191.3	-196.4
National Bowel Cancer Screening Program – Current estimates	-	-	63.7	64.8	70.0	76.6	90.0	92.4	110.0	127.0	132.1
Net Impact	**-**	**-**	**-7.0**	**-39.4**	**-33.8**	**-74.7**	**-53.0**	**-84.5**	**-75.9**	**-64.4**	**-64.3**
	2024-25	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-32**	**2032-33**	**2033-34**	**Total**
National Bowel Cancer Screening Program – Accelerated Expansion – Gross Cost	-202.1	-207.0	-212.4	-217.5	-223.7	-229.5	-236.3	-242.5	-250.0	-254.4	**-3,602.8**
National Bowel Cancer Screening Program – Current estimates	135.7	155.0	158.5	179.8	185.7	208.8	196.7	220.5	227.0	254.4	**2,752.7**
Net Impact	**-66.4**	**-52.0**	**-53.9**	**-37.7**	**-38.0**	**-20.6**	**-39.5**	**-22.0**	**-23.0**	-	**-850.1**

(a) Totals may not add due to rounding.

Reference No. *COA028*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**The Coalition's policy to index the Commonwealth Seniors Health Card**
Summary of proposal:	The proposal will index the income limits for the Commonwealth Seniors Health Card (CSHC) by the Consumer Price Index (CPI) on an annual basis, with indexation occurring in September each year. The current income limits are: • a combined adjusted taxable income of $80,000 per year for couples, and • an adjusted taxable income of $50,000 for singles. The proposal will have effect from 20 September 2014.
Party:	Coalition
Date of public release of policy:	25 August 2013
Agencies from which information was obtained:	Department of Health and Ageing

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $101.8 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

This estimate includes departmental expenses totalling $2.3 million over the same period.

This proposal will have an ongoing and compounding impact beyond the 2013-14 Budget forward estimates period.

A disaggregation of the costing can be found at Attachment A.

The administered expenses of the proposal consist of two major components:

- the Seniors Supplement cash payment, which is made to CSHC recipients on a quarterly basis, and
- concessional health benefits, such as a lower threshold for the Extended Medicare Safety Net, bulk-billed general practitioner appointments and access to medicines listed on the Pharmaceutical Benefits Scheme (PBS) at the concessional rate.

Other benefits to cardholders, such as concessional travel, are not expected to significantly impact Australian Government budget aggregates.

The departmental expenses consist of an upfront component for departments to update information on CHSC eligibility for the introduction of indexation, and an ongoing component due to Centrelink administering the CHSC for additional recipients.

This costing is considered to be of low reliability, as it is based on a small sample of survey data. The estimates are sensitive to the distribution of income for members of the population above Age Pension age, and the degree to which higher income health card holders access the concessional benefits associated with the card.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-0.5	-14.2	-33.4	-53.7
Fiscal balance ($m)	-0.5	-14.2	-33.4	-53.7

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in payments in cash terms.

Key assumptions

- There is assumed to be full take-up of CSHC by the population who become eligible under the proposal.

Methodology

- Forecasts of CPI from the 2013 Pre-Election Economic and Fiscal Outlook (PEFO) report have been used to estimate the indexed thresholds and the value of the Seniors Supplement across the forward estimates period.
- The STINMOD microsimulation model has been used to estimate the number of additional seniors who will receive the CSHC.
- The number of additional CSHC holders has been multiplied by the estimated Seniors Supplement rate to provide an estimate of the impact on Seniors Supplement payments.
- The number of additional card holders has been multiplied by the average utilisation of concessional Medicare benefits by current CSHC holders to provide an estimate of the impact on Medicare expenses.
- The average annual utilisation of the PBS by current Commonwealth concession card holders aged 65 or more has been multiplied by the expected increase in CHSC holders to give an estimate of the impact of the proposal on PBS expenses.
- Departmental expenses have been estimated based on previous Budget measures and the Centrelink unit pricing costs for administering the CSHC.

Data sources

- Economic parameters as at the 2013 PEFO.
- STINMOD, a microsimulation model of the Australian personal tax and transfer system, which is based on household income survey data from 2007-08 and 2009-10.

POLICY COSTING – POST ELECTION REPORT

- The Department of Health and Ageing has provided information on the level of concessional medical benefits currently utilised by CSHC holders.
- The Department of Human Services has provided unit pricing costs for Centrelink payments from its departmental funding model.

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: DISAGGREGATION OF COSTING

Table A1 provides a disaggregation of the expense impact of the proposal to index the CSHC income limit to the CPI.

Table A1. Disaggregation of costing

Expense ($m)	2013-14	2014-15	2015-16	2016-17	**Total**
Seniors' Supplement Payments	-	5.0	12.0	19.0	36.0
Medical Concessions	-	8.5	21.0	34.0	63.5
Total administered expenses	-	**13.5**	**33.0**	**53.0**	**99.5**
Departmental expenses	**0.5**	**0.7**	**0.4**	**0.7**	**2.3**
Total expenses	**0.5**	**14.2**	**33.4**	**53.7**	**101.8**

Reference No. *COA032*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	The Coalition's policy for Better Apprentice Support
Summary of proposal:	The proposal will create interest-free income-contingent Trade Support Loans of up to $20,000 over four years to assist apprentices with everyday costs during an apprenticeship. Trade Support loans will be repayable at the same income thresholds as FEE-HELP loans, currently set at $51,309. Apprentices who successfully complete their apprenticeships will receive an immediate 20 per cent discount on the nominal value of their Trade Support Loans. The proposal will only apply to apprentice occupations listed on the National Skills Needs List (NSNL). The proposal will have effect from 1 July 2014.
Party:	Coalition
Date of public release of policy:	25 August 2013
Agencies from which information was obtained:	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE)

Costing overview

This proposal is expected to decrease the underlying cash balance by $57.3 million and the fiscal balance by $85.3 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase in expenses. The proposal is also expected to decrease the headline cash balance over the same period by $1.9 billion.

This proposal will have an ongoing financial impact that extends beyond the forward estimates. Financial implications between 2013-14 and 2024-25 are at Attachment A.

Departmental costs are estimated at $10.3 million over the 2013-14 Budget forward estimates period, which includes $5.0 million for changes to IT systems and implementation costs in 2013-14, and approximately $1.8 million per annum for additional staff to implement and manage the new scheme.

This costing is considered to be of medium reliability because it is based on the trend in apprenticeship numbers over the period of 2007 to 2012 but does not take into account the potential behavioural change resulting from this proposal.

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Table 1: Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Headline cash balance ($m)	-5.0	-232.2	-851.5	-855.3
Underlying cash balance ($m)	-5.0	-1.8	-13.7	-36.8
Fiscal balance ($m)	-5.0	-8.7	-33.9	-37.7

(a) A negative number in the headline cash balance indicates the value of loan granted and departmental cost is greater than the value of repayment received. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Key assumptions

The PBO has assumed:

- the current trends in apprenticeship commencements would continue over the 2013-14 Budget forward estimates and beyond
- the rate of apprenticeship completions and attritions remain steady over the 2013-14 Budget forward estimates and beyond
- the repayment pattern, including the level of 'doubtful debt', would be consistent with the current pattern for HELP
- that all apprentices undertaking an apprenticeship in the NSNL would take up a Trade Support Loan, and
- the NSNL last updated at August 2012 would remain static over the period estimated.

Methodology

The estimated number of apprenticeship commencements for 2013 was calculated by applying an average growth rate (based on the last six years of data for commencements) to the total number of Certificate III and IV apprenticeship commencements in 2012. Estimates in subsequent years are derived by applying the same growth rate.

The average attrition and completion rate over the last six years was applied to each year to 2024-25. Consistent with the costing request, this proposal will be an element of HELP. Given this, the HELP forward estimates model was used to cost the proposal.

Data sources

- Department of Industry, Innovation, Climate Change, Research, Science, and Tertiary Education
  - Australian Vocational Education and Training Statistics: Apprentice and Trainee, July 2013
  - Higher Education Loan Program forward estimates model

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: FINANCIAL IMPLICATIONS BETWEEN 2013-14 AND 2024-25

($m) [(a)]	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Headline cash balance	-5.0	-232.2	-851.5	-855.3	-860.9	-867.4	-874.2	-881.2	-888.1	-895.2	-902.3	-909.4	**-9,022.7**
Underlying cash balance	-5.0	-1.8	-13.7	-36.8	-68.9	-110.1	-101.8	-90.6	-76.5	-59.5	-39.4	-16.9	**- 621.0**
Fiscal balance	-5.0	-8.7	-33.9	-37.7	-50.0	-73.9	-52.5	-30.6	-7.7	16.0	40.6	66.2	**- 177.2**

(a) A negative number in the headline cash balance indicates the value of loan granted and departmental cost is greater than the value of repayment received. A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Reference No. COA040

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Community Development Grants programme** **Redirect Building Better Regional Cities programme**
Summary of proposal:	The proposal will establish the Community Development Grants Programme (CDGP), partly funded by redirecting funds from the Building Better Regional Cities programme (BBRCP). This proposal will take effect in 2013-14.
Party:	Coalition
Date of public release of policy:	8 February 2013
Agencies from which information was obtained:	Department of Social Services

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $340.8 million over the 2013-14 Budget and forward estimates. This is due to an increase in expenses of $342 million for the CDGP, offset partly by the reallocation of uncommitted funding already included in the Budget for BBRCP ($1.2 million).

Item 7.9 of the *Fiscal Budget Impact of Federal Coalition Policies* document showed that $25 million in 2013-14 would be redirected from BBRCP to CDGP. However, the Department of Social Services has advised that the existing funding under the BBRCP includes unallocated funding of $1.2 million and contractual commitments of $48.7 million in 2013-14. The high level of contractual commitments in 2013-14 reflects the fact that this is the final year of a terminating program.

The impact of redirecting funding from BBRCP is considered to be of high reliability as it is based on recent advice from the Department of Social Services. The cost of the Community Development Grants Program is considered of high reliability as it is based on the capped amounts in the party's policy.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-0.8	-160.0	-160.0	-20.0
Fiscal balance ($m)	-0.8	-160.0	-160.0	-20.0

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

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Details of the components of this costing are provided in the table below.

Table 2: Elements of the costing (a)

Element ($m)	2013-14	2014-15	2015-16	2016-17	Total
CDGP	-2.0	-160.0	-160.0	-20.0	-342.0
BBRCP uncommitted funding	1.2	-	-	-	1.2
Total	-0.8	-160.0	-160.0	-20.0	-340.8

(a) Impacts are the same on both a fiscal balance and underlying cash balance basis. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Reference No. *COA042*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Incentives to employers to employ over 50s**
Summary of proposal:	The proposal will introduce a Seniors Employment Incentive payment to employers who take on mature job seekers aged 50 or over and are unemployed for six months or more. After six months of continuous employment, there will be 13 fortnightly payments of $250 to the employer as long as the job seeker remains employed. The proposal will have effect from 1 July 2014.
Party:	Coalition
Date of public release of policy:	4 September 2013
Agencies from which information was obtained:	• Department of Employment • Department of Social Services

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $165.6 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. The proposal will have an ongoing impact that extends beyond the forward estimates period at a level similar to the estimate in 2016-17.

Departmental costs of $0.6 million per year have been included in this costing based on advice provided by the former Department of Education, Employment and Workplace Relations.

The proposal includes savings of $5.5 million in 2014-15 and $2.5 million in 2015-16 as it replaces the current '10,000 jobs bonuses' component of the 2012-13 Budget measure *Economic Potential of Senior Australians – Employment assistance*, and the Enhanced Wage Subsidy scheme, which was announced as part of the Building Australia's Future Workforce Initiative in the 2011-12 Budget.

This costing is considered to be of medium reliability as there is limited data available on job outcomes of mature aged workers who meet the eligibility criteria for this proposal.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-18.3	-72.4	-74.9
Fiscal balance ($m)	-	-18.3	-72.4	-74.9

(a) A negative number for the fiscal balance indicates a net increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a net increase in expenditure in cash terms.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

Utilising a range of statistics published by the Australian Bureau of Statistics and the former Department of Families, Housing, Community Services and Indigenous Affairs as proxies, and administrative data provided by the former Department of Education, Employment and Workplace Relations, the PBO has made the following assumptions:

- The proportions of Newstart Allowance and Disability Support Pension (DSP) recipients aged 50 or over are 25.9 per cent and 55.9 per cent, respectively.
- The proportions of Newstart Allowance, DSP and Age Pension recipients, who are aged 50 or over and seeking employment are 45.5 per cent, 12.2 per cent and 4.85 per cent, respectively.

Based on a similar costing completed in the past, the PBO has assumed that in any one year, 10 per cent of mature age job seekers find a job and remain employed for a minimum of six months.

Furthermore, the PBO has made the following assumptions in costing this proposal:

- Subsequent to the initial six months of employment, 5 per cent of the employees remaining would leave their employer each month.
- 100 per cent of employers who hire an eligible mature age worker would take up the incentive payment on the basis that doing so is in their own best interest.
- The *Coalition's Plan to Grow Tasmania*, which includes a similar trial jobs program, would have a negligible impact on the demand for this program.

Methodology

The assumptions outlined in the first two dot points in *Key assumption*s are applied to the total benefit recipient population to arrive at the population of eligible job seekers. The remaining assumptions were then applied to this population to arrive at the number of job seekers expected to find a job and remain employed for at least six months. This figure was then multiplied by the value of each fortnightly payment to determine the cost of the proposal.

Data sources

- 2012-13 Budget Paper No.2, pg. 110
  - Expense measure 'Economic Potential of Senior Australians – Employment assistance'
- Former Department of Families, Housing, Community Services and Indigenous Affairs
  - Estimates of DSP and Age Pension recipient population
  - *Statistical Paper No. 10 – Income support customers: a statistical overview 2011*
  - *Characteristics of Disability Support Payment Recipients, June 2011*
- Former Department of Education, Employment and Workplace Relations
  - Estimates of Newstart Allowance recipient population
  - Enhanced Wage Subsidy information portal https://deewr.gov.au/enhanced-wage-subsidy

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- Australian Bureau of Statistics
  - *Disability and Work*, article in *Australian Social Trends*, Catalogue Number 4102.0, March Quarter 2012

Reference No. COA043

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Jobseeker relocation allowance and job commitment bonus for young people**
Summary of proposal:	The proposal will introduce two initiatives aimed at increasing employment participation. i) Jobseeker relocation allowance This initiative will provide unemployed jobseekers on Newstart Allowance a payment of up to $6,000 if they relocate to take up a job. Jobseekers will be provided with $3,000 if they relocate to a metropolitan area and $6,000 if they relocate to a regional area. Jobseekers with dependent children will also be eligible for an additional payment of up to $3,000. Jobseekers that do not remain employed for at least six months will be ineligible to receive further benefits for a six month period, unless reasonable grounds for job separation can be demonstrated. Employers will receive a payment of $2,500 for employing an eligible jobseeker under this policy. Payments will be made at $500 per week for the first five weeks of employment. ii) Job commitment bonus The initiative will provide bonus payments to long term unemployed Newstart Allowance and Youth Allowance (Other) recipients, aged 18 to 30, who find employment and remain employed for a continuous period of 24 months. The bonus payments will be made after 12 and 24 months of continuous employment for the amounts of $2,500 and $4,000 respectively. This proposal will have effect from 1 July 2014.
Party:	Coalition
Date of public release of policy:	27 August 2013
Agencies from which information was obtained:	• Department of Education • Department of Finance

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Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $74.5 million over the 2013-14 Budget forward estimates period. This proposal will have an ongoing impact that extends beyond the forward estimates period.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-0.5	-4.8	-20.9	-48.3
Fiscal balance ($m)	-0.5	-4.8	-20.9	-48.3

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

The costings for each component of this policy are outlined separately in the sections below.

(i) Jobseeker relocation allowance

Overview

This initiative is expected to increase the underlying cash and fiscal balances by $17.4 million over the 2013-14 Budget forward estimates period. This impact is due to a net decrease in expenses.

Departmental costs of $2.0 million per year have been included in this costing. Of this, $0.5 million will be for the Department of Education to implement the policy and $1.5 million for the Department of Human Services to manage the program. These estimates are based on analysis undertaken in costing this proposal following the 2010 Election. Departmental costs will flow from 2013-14 to allow for the program to be set up prior to commencement.

This element of the costing is considered to be of high reliability as it is based on the results of a pilot program with a similar purpose and the same incentive payments.

Table 2: Financial implications (outturn prices)[(a) (b)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-0.5	-2.4	7.8	12.4
Fiscal balance ($m)	-0.5	-2.4	7.8	12.4

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms. A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

(b) Differences between totals are due to rounding.

Key assumptions

The PBO assumes that the eligibility criteria and take up of this policy will be similar to the *Connecting People with Jobs* pilot program which was in operation from 1 January 2011 through to 31 December 2012. This pilot allocated funding for up to 4,000 individuals to be compensated for relocating for employment. The payment rates for the pilot were the same as those proposed in this policy.

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While a majority of people claiming the Newstart allowance were eligible, only 1,031 people relocated for employment as part of this pilot over the two year period.

Guided by data generated from the pilot program, PBO has made the following assumptions:

- 88 per cent of people claiming the Newstart allowance will be eligible for relocation grants.
- This is a demand driven program and based on the take up rates of the pilot program, it is estimated that approximately 680 people per year will access relocation grants. Of these, 26 per cent will be relocated to metropolitan areas, 74 per cent to regional areas. Of people relocating under the program, 22 per cent will have dependents and be eligible for an additional payment.
- Savings from pausing benefit payments of jobseekers that do not remain employed for at least six months are expected to be minimal and have not been included in this costing. Of the 1,031 participants in the pilot program, only four people had their payments paused as a result of not remaining in employment for six months.

Further to this the PBO has made the following assumptions:

- Each participant will exhaust the full amount of funding to which they are eligible.
- On the basis that the program will be managed in a way that ensures relocation bonuses will be directed to filling vacancies that employers are unable to fill from within their own region, savings to Newstart Allowance will be a direct effect of the proposal
  - Based on the average length of time a person would have spent on Newstart had they not participated in the program, the growth in the number of participants no longer claiming Newstart plateaus after two years.

Methodology

Using the assumptions outlined above the PBO derived the overall costs by forecasting the:

- Newstart population who would be eligible to apply for grant funding
- take-up rate and participants each year
- split between those relocating to metropolitan and regional areas, as well as participants with dependents who will be eligible for additional funding, and
- savings to Newstart as a result of this proposal.

(ii) Job commitment bonus

Overview

This initiative is expected to decrease both the underlying cash and fiscal balances by $91.9 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

Individuals will be eligible from 1 July 2015 for the 12 month job commitment bonus payment with the full year ongoing impact of this proposal evident from 1 July 2016 when both 12 and 24 month bonus payments will be available to eligible recipients.

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Departmental costs of $2.5 million per year from the start date of 1 July 2014 have been included in this costing based on advice DEEWR and Centrelink provided to Finance in costing this proposal following the 2010 Election.

This element of the costing is considered to be of medium reliability as there is limited data available on the job outcomes of long term unemployed beyond 12 months of leaving income support.

Table 3: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-2.5	-28.7	-60.7
Fiscal balance ($m)	-	-2.5	-28.7	-60.7

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Assumptions

The PBO has made the following assumptions in costing this proposal:

- Approximately 14 per cent of individuals receiving Youth Allowance (Other) and 8 per cent of individuals receiving Newstart Allowance are long term unemployed, seeking employment and aged 18 to 30. This is consistent with information reported by FaHCSIA in *Income support customers: a statistical overview 2011*.
- In a twelve month period, 39 per cent of long term unemployed individuals will find a job. It is assumed that job outcomes described by duration of unemployment in DEEWR's *Labour Market Assistance Outcomes Report – September 2012*, apply equally across age groups.
- Three months after finding a job, 65 per cent of previously long term unemployed individuals will still be employed (according to DEEWR's *Labour Market Assistance Outcomes Report – September 2012*). Of this cohort, it is estimated that approximately 60 per cent will not have returned to welfare after 12 months based on advice provided by DEEWR. It is assumed that not returning to welfare is equivalent to remaining employed for the purposes of this costing.
- Of the cohort of long term unemployed who reach 12 months employment, it is assumed that 80 per cent will remain employed at the end of 24 months. This is consistent with the average tenure of individuals currently employed for more than one year with their current employer as reported by the ABS in *Labour Mobility, Australia February 2012*.

Methodology

Using the assumptions outlined above, the population of eligible individuals expected to find a job and remain employed for at least 12 and 24 months was multiplied by the bonus payment of $2,500 and $4,000 respectively as specified in the policy document, with departmental costs added to the total.

POLICY COSTING – POST ELECTION REPORT

Data sources

- Australian Bureau of Statistics
  - Labour Mobility, Australia - February 2012
- Department of Education, Employment and Workplace Relations
  - Information on the utilization and eligibility requirements of the Connecting People with Jobs pilot program from 1 January 2011 through to 31 December 2012
  - Labour Market Assistance Outcomes Report – September 2012 - http://foi.deewr.gov.au/system/files/doc/other/labour_market_assistance_outcomes_september_2012.pdf
  - Projections of the numbers of Newstart Allowance recipients
- Department of Families, Housing, Community Services and Indigenous Affairs
  - Statistical Paper No. 10 – Income support customers: a statistical overview 2011
- Questions on Notice
  - DEEWR Question No. EW0645_13, Supplementary Budget Estimates 2012-13, Senate Standing Committee on Education Employment and Workplace Relations.

Reference No. COA045

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	**Clear 30,000 Border Backlog**
Summary of proposal:	The proposal will alter Government policy for the processing of Irregular Maritime Arrivals (IMAs) by: • stopping the use of Special Humanitarian Program (SHP) Visas to settle IMAs in the community • introducing Temporary Protection Visas (TPVs) granted for a maximum of three years • restricting eligibility for Protection Visas (PVs) to IMAs who have held a TPV for at least five years • removing the benefit of the doubt for IMAs who do not have travel and identity documentation • replacing the current statutory review process for negative refugee status assessments for IMAs with a non-statutory review, and • introducing a 'rapid assessment' for IMAs who the Department of Immigration and Border Protection suspect (on arrival) are not likely to be genuine refugees, and a 'rapid removal' process for those found not to be refugees. The proposal will have effect in 2013-14.
Party:	Coalition
Date of public release of policy:	5 September 2013
Agencies from which information was obtained:	• Department of Immigration and Border Protection (DIBP) • Department of Finance

Costing overview

This proposal is expected to increase both the underlying cash balance and fiscal balance by $39.8 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a net decrease in expenses.

Departmental costs have been included in this costing as they are built into DIBP's *Demand Driven Model for Irregular Maritime Arrivals* (DIBP's Model) (see Methodology).

The costing is considered to be of low reliability as it uses DIBP's Model, which was built to reflect specific policy parameters under the Labor Government's border protection policies. Any changes in the Model's key variables would also affect the estimated savings. These key variables include the actual number of IMAs in any given month, detainee placement across the detention network, and the actual number of people settled or returned to their country of origin.

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POLICY COSTING – POST ELECTION REPORT

The estimates in this costing differ from those presented in the Coalition's report due to the PBO's use of DIBP's Model, which the Coalition did not have access to at the time of their costing.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-34.2	54.6	28.5	-9.2
Fiscal balance ($m)	-34.2	54.6	28.5	-9.2

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

Key assumptions

Based on information provided by the Coalition in relation to new and existing asylum seekers in detention and the community, the proposal assumes that:

- the combined effect of policies to remove the benefit of the doubt for IMAs who do not have identity documentation, to replace statutory reviews with non-statutory reviews, and to implement a 'rapid assessment' and 'rapid removal' process, will be to increase the monthly removal rate of IMAs from the current rate of 6 per cent to 50 per cent and to decrease the time it takes to removal from the current average of 75 days to 49 days
- the combined effect of withdrawing Humanitarian Program Visas for IMAs, replacing these with TPVs, and restricting eligibility for PVs to those IMAs who have held a TPV for at least five years, will increase by five years the time it takes to settle an asylum seeker found to be a genuine refugee (currently an average of around six months)
- unlike the current cap on PV places of 7,000 per annum, there will be no cap applied on the number of TPVs granted
- IMAs will be processed at Regional Processing Centres (RPCs) as a matter of priority, and only when RPCs are full would they be processed onshore in detention or the community, and
- asylum seekers processed and given a TPV on RPCs will be transferred onshore to reside in the community with work rights until they are settled on a PV, or if circumstances change in their home country, returned home.

In addition, the PBO has assumed that:

- TPVs cost the same to assess and administer as PVs, and
- TPVs will be granted for a full three years and then be renewed for a further three years after which point the holder will be eligible to apply for a PV.

Finally, the proposal has been costed assuming an interaction with the *Coalition's Policy for a Regional Deterrence Framework to Combat People Smuggling* (COA150) and the *Coalition's Dividend from Stopping the Boats* (COA047). To account for these interactions, the PBO has used Coalition specified arrivals numbers and increased offshore processing capacity of 2,000 on Nauru.

POLICY COSTING – POST ELECTION REPORT

Methodology

The PBO started with DIBP's Model as at the Pre-election Economic and Fiscal Outlook (PEFO) in September 2013 and made changes to its parameters to reflect the assumptions made above. The difference between the Model's estimates at PEFO and the Model's estimates with the Coalition's changed parameters is the financial impact of this proposal.

Data sources

- Immigration's Demand Driven Model for Irregular Maritime Arrivals
- The Coalition's Policy to Clear Labor's 30,000 Border Failure Backlog, accessed: http://lpaweb-static.s3.amazonaws.com/Policies/ClearLabor30000BorderFailureBacklog.pdf.

Reference No. COA046

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Border security – withdraw taxpayer funded immigration assistance to illegal boat arrivals**
Summary of proposal:	This proposal will reduce taxpayer funded immigration assistance under the Immigration Advice and Application Assistance Scheme (IAAAS) for those who arrive illegally by boat (or any other means) to prepare asylum claims and make appeals. The remaining funds will provide: • clear instructions in multiple languages setting out the application and assessment process • interpreters and staff of the Department of Immigration and Border Protection to answer any questions about the process, and • facilitated access to private and/or pro bono immigration advice.
Party:	Coalition
Date of public release of policy:	31 August 2013
Agencies from which information was obtained:	Department of Immigration and Border Protection

Costing overview

This proposal is expected to increase the underlying cash and fiscal balances by $100 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses.

This costing is considered to be of high reliability as it is based on a fixed funding reduction to an existing program.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	28.0	35.0	20.0	17.0
Fiscal balance ($m)	28.0	35.0	20.0	17.0

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

The PBO has confirmed with the Department of Immigration and Border Protection that there are sufficient uncommitted funds within the IAAAS to accommodate the reduced funding.

The PBO has made no assumptions as to the adequacy of remaining funds to provide:

- clear instructions in multiple languages setting out the application and assessment process
- interpreters and staff of the Department of Immigration and Border Protection to answer any questions about the process, and
- facilitated access to private and/or pro bono immigration advice.

Data sources

- Forward estimates data for the IAAAS provided by the Department of Immigration and Border Protection.

Reference No. COA047

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	Border security - dividend from stopping the boats
Summary of proposal:	The Coalition Border Protection policies aim to achieve a reduction in Irregular Maritime Arrivals (IMAs) which would generate savings to the Budget. These savings are expected to arise from reduced IMA detainment and processing costs in the on-shore detention network and from savings arising from the closure of several on-shore detention facilities that would no longer be needed. The proposal will have effect from 2013-14.
Party:	Coalition
Date of public release of policy:	5 September 2013
Agencies from which information was obtained:	• Department of Immigration and Border Protection (DIBP) • Department of Finance

Costing overview

The reduction in the number of IMAs specified by the Coalition would be expected to increase both the underlying cash balance and fiscal balance by $1.2 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses.

Departmental savings have been included in this costing as they are built into the DIBP's *Demand Driven Model for Irregular Maritime Arrivals* (the Model) (see Methodology).

The costing is considered to be of low to medium reliability as it is based on an established departmental model and a reduction in IMA numbers specified by the Coalition. There is some uncertainty in the results due to the sensitivity of the Model to variations in actual parameter values from those specified in the simulations, including variations in relation to the number of IMAs in any given month, detainee placement across the detention network and in the community, and the number of people settled or returned to their country of origin. The estimated savings from the closure of onshore detention facilities included in this costing are considered to be of low to medium reliability as the order of closure of the facilities is based on assumptions inherent in the DIBP Model rather than any policy specification. These closures may also incur termination costs that have not been included in this costing.

The estimates in this costing differ from those presented in the Coalition's report due to the PBO's use of the Model, to which the Coalition did not have access at the time of their costing (see Methodology).

POLICY COSTING – POST ELECTION REPORT

A reduced number of IMAs coupled with other aspects of the Coalition's Border Protection policies such as processing in RPCs as a matter of priority, would reduce the demand on the current on-shore detention network and thereby make it possible to shut some of the centres down. This costing includes savings from reducing the capacity of the on-shore detention network by 40 per cent of its current total. The effect of these closures is shown at Attachment A.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	294.3	283.5	281.2	353.0
Fiscal balance ($m)	294.3	283.5	281.2	353.0

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

Key assumptions

The Coalition has assumed that the introduction of the *Coalition's Plan for More Secure Borders* will lead to a reduction in IMAs over the 2013-14 Budget forward estimates period. The difference between the Coalition's assumptions and the assumed arrival rate as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO) is outlined in Table 2.

Following policy clarification provided by the Coalition the PBO costing includes savings that may be realised from closing down on-shore detention centres (see Attachment A), commencing from 1 January 2014. These savings include the operating and maintenance costs of those centres.

Due to modelling methodology the impact that lower arrival rates would have on the use of Regional Processing Centres is contained in the costing minute for *Regional Cooperation to Combat People Smuggling* (see: COA150).

Table 2: Estimated Irregular Maritime Arrivals (IMA) for former Department of Immigration and Citizenship's Offshore Asylum Seeker Management Program

	2013-14	2014-15	2015-16	2016-17	Total
PEFO Estimated Arrivals	15,600	8,826	4,452	4,452	33,330
PEFO Arrivals per Month (derived)	1,300	736	371	371	
Coalition Estimated Arrivals	13,181	4,625	1,452	663	19,921
Coalition Estimated Arrivals per Month (derived)	1,098	385	121	55	

Methodology

The PBO used the Coalition's projected IMAs to run a simulation using DIBP's Demand Driven Model. To estimate savings from the closure of on-shore detention centres the PBO then altered the simulation to close centres in the order specified in the Model. The difference between the Model's PEFO estimates and the model output following the changes to IMA arrival numbers and detention centre closures derived the financial impact of this proposal as shown in Table 1 (above).

POLICY COSTING – POST ELECTION REPORT

Data sources

- DIBP's *Demand Driven Model for Irregular Maritime Arrivals* was used to estimate the financial implications of this proposal.
- Estimated arrival numbers from the 2013 Pre-election Economic and Fiscal Outlook report.
- Information on projected arrivals was provided by the Coalition.

ATTACHMENT A

Table A1: Estimated financial impact of Dividend from Stopping the Boats by component[(a)(b)]

	2013-14	2014-15	2015-16	2016-17	**Total**
Fewer IMAs ($m)	112.2	181.1	205.9	276.9	**776.2**
Closing on-shore detention centres ($m)	182.1	102.5	75.3	76.0	**435.8**
Total impact ($m)	**294.3**	**283.5**	**281.2**	**353.0**	**1,212.0**

(a) A positive number indicates a decrease in expenses in both accrual and cash terms
(b) Totals may not sum due to rounding.

Reference No. COA048

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Reverse change to FBT arrangements for cars**
Summary of proposal:	The proposal is not to proceed with the abolition of the statutory formula method for calculating Fringe Benefits Tax (FBT) on motor vehicles that was announced in the 2013 Economic Statement.
Party:	Coalition
Date of public release of policy:	5 September 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by around $1.8 billion over the 2013-14 Budget forward estimates period. This impact reflects a decrease in expenses of around $400 million and a decrease in revenue of around $2.2 billion over this period. A disaggregation of this costing into its costing components is provided at Attachment A.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-75	-330.9	-617.2	-771.8
Fiscal balance ($m)	-75	-330.9	-617.2	-771.8

(a) A negative number for the fiscal balance indicates an increase in expenses or a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates an increase in payments or a decrease in receipts in cash terms.

Key assumptions

The PBO assumes that any change in economic activity as a result of the announcement of the measure *Fringe benefits tax – better targeting actual business use for car fringe benefits* in the 2013 Economic Statement does not have a significant impact on overall economic activity for the 2013-14 financial year or FBT year.

Methodology

The estimates in this costing were derived by reversing the estimates of the measure *Fringe benefits tax – better targeting actual business use for car fringe benefits* in the 2013 Economic Statement, which were current as at the 2013 Pre-Election Economic and Fiscal Outlook report.

ATTACHMENT A: DISAGGREGATION OF COSTING COMPONENTS

Table A1 provides a disaggregation of the costing components of this proposal.

Table A1. Disaggregation of financial impact

	2013-14 ($m)	2014-15 ($m)	2015-16 ($m)	2016-17 ($m)	Total ($m)
Impact on					
Receipts (a)	-75.0	-410.0	-750.0	-960.0	**-2,195.0**
Payments (a)	-	-79.1	-132.8	-188.2	**-400.1**
Underlying cash balance (b)	**-75.0**	**-330.9**	**-617.2**	**-771.8**	**-1,794.9**
Impact on					
Revenue (a)	-75.0	-410.0	-750.0	-960.0	**-2,195.0**
Expense (a)	-	-79.1	-132.8	-188.2	**-400.1**
Fiscal balance (b)	**-75.0**	**-330.9**	**-617.2**	**-771.8**	**-1,794.9**

Notes:

(a) A minus sign before the estimate indicates a reduction in expenses, payments, receipts or revenue.

(b) A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments in cash terms.

Reference No. *COA051*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**The Coalition's policy for fair indexation of military super**
Summary of proposal:	The proposal is to change the indexation arrangements for pensions payable under the Defence Forces Retirement Benefit (DFRB) and Defence Force Retirement and Death Benefits (DFRDB) to be the same as the indexation method applying to the maximum basic rate of the Age Pension for superannuants aged 55 and over. The *2013 Economic Statement* announced changes to the indexation of these pensions. Currently they are indexed by the Consumer Price Index (CPI) and from 1 July 2014 will be indexed by the higher of the CPI or the Pensioner and Beneficiary Living Cost Index (PBLCI) for superannuants aged 65 and over. The proposal will have effect from 1 July 2014.
Party:	Coalition
Date of public release of policy:	2 September 2013
Agencies from which information was obtained:	• Department of Defence, and • Australian Government Actuary

Costing overview

This proposal will significantly increase the Government's unfunded superannuation liabilities, with effect from 1 July 2014. As a result, the Government's net worth will be reduced by around $4 billion in 2014-15, with this reduction reaching around $4.4 billion by the end of the forward estimates period in 2016-17. The impact on net worth reflects a revaluation of the stock of unfunded future superannuation liabilities as at 1 July 2014 as a result of the proposed change to the indexation arrangements for DFRB and DFRDB superannuants aged 55 and over. The proposal will continue to reduce the Government's net worth well beyond the forward estimates period due to the continuing accumulation of superannuation liabilities and notional interest on accrued liabilities, with the reduction in net worth peaking at around $7 billion in 2035-36[1].

There is a significant difference between the underlying cash balance and fiscal balance impact of this proposal. This proposal is expected to decrease the underlying cash balance by $58.1 million and decrease the fiscal balance by around $780.1 million over the 2013-14 Budget forward estimates period. Departmental expenses are not expected to be significant and have not been included in this costing.

[1] Projections beyond the forward estimates should be treated as broadly indicative only, as they are predicated on assumptions and point-in-time data.

The underlying cash balance impact reflects the increase in pension payments when they are paid. This means that the annual impact of this proposal on the underlying cash balance peaks well beyond the forward estimates at around a $460 million reduction in 2046-47, as the difference between the current indexation arrangements and those under the proposal compound over time.

The fiscal balance impact of this proposal reflects the expense incurred as a result of the increase in the net present value of estimated future unfunded superannuation benefit payments. The proposal will have an ongoing impact on the fiscal balance, with the annual impact peaking beyond the forward estimates at around a $360 million reduction in 2031-32, mainly associated with the accruing superannuation entitlements of scheme members who have not retired, which then begins to decline as these members reach retirement.

The personal tax and transfer system impacts of these proposals affect both the fiscal and underlying cash balances at around the same time, when benefits are paid or when tax is collected.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-8.0	-19.7	-30.4
Fiscal balance ($m)	-	-249.0	-260.7	-270.4
Net worth ($m)	-	-3,954.0	-4,189.0	-4,421.0

(a) A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments in cash terms.
(b) Changes in unfunded superannuation liabilities affect the Commonwealth's net worth. A negative number for net worth indicates a reduction in net worth. For instance, the proposal is expected to decrease net worth by around $4.4 billion by 2016-17.

The financial impact of this proposal includes revenue, expense and net worth impacts. A detailed breakdown of the components of the costing is included at Attachment A.

This costing is considered to be of low to medium reliability.

Key assumptions

In 2011, the Australian Government Actuary (AGA) estimated the financial impacts of a similar proposal for each scheme, for a 1 July 2011 start date. The PBO has assumed those estimates remain representative of the impact of the proposals and has used a rule of thumb approach to update those financial impacts for the change in start date and changes in membership data and to include the interactions with the personal tax transfer system. A budget standard costing would require a full actuarial investigation; as such the rule of thumb estimates are of a lower reliability.

The PBO has assumed that the costing of the measure entitled, *Military Superannuation – higher indexation for DFRB and DFRDB pensioners over 65 years of age*, within the 2013 Economic Statement (and reconfirmed in the *2013 Pre-Election Economic and Fiscal Outlook* (PEFO) report) has been prepared on a comparable basis, allowing the impact of that measure to be netted off from the PBO estimates.

POLICY COSTING – POST ELECTION REPORT

Methodology

The PBO has updated the financial impacts for each scheme, consistent with the Budget accounting framework published by the then Department of Finance and Deregulation[2], for changes in membership data and the change in start dates based on AGA modelling from 2011[3]. These estimates were reduced for the measure entitled, *Military Superannuation – higher indexation for DFRB and DFRDB pensioners over 65 years of age*, within the 2013 Economic Statement. Additionally, the PBO has estimated some of the interactions with the personal tax and transfer system.

The interactions with the personal tax and transfer system were estimated using a combination of aggregate and microsimulation modelling approaches.

Data

- 2013 Economic Statement
- 2013 PEFO report
- Unpublished AGA modelling results for the measure entitled, *Military Superannuation – higher indexation for DFRB and DFRDB pensioners over 65 years of age*
- Unpublished AGA modelling results for a proposal to provide indexation by Male Total Average Weekly Earnings for DFRB and DFRDB pensions from age 55

[2] *Updated Estimates of the Costs of Alternative Indexation Arrangements for Commonwealth Superannuation Pensions*, accessed online on 2 October 2012.
[3] AGA modelling results included the increases in pension payments, the unfunded liability, notional interest and service costs.

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: DISAGGREGATION OF COSTINGS

The detailed financial implications over the 2013-14 Budget forward estimates are summarised below in Table A1.

Table A1: Financial implications[(a)(b)]

	2013-14 $m	2014-15 $m	2015-16 $m	2016-17 $m	Total $m
Underlying Cash Balance	**-**	**-8.0**	**-19.7**	**-30.4**	**-58.1**
Unfunded superannuation benefit payments[(c)]	-	9.0	22.0	35.0	66.0
Reduction in other Government payments[(d)]		-1.0	-2.0	-4.0	-7.0
Superannuation payments[(e)]	-	-	-	-	-
Receipts[(f)]	-	-	0.3	0.6	0.9
Fiscal Balance	**-**	**-249.0**	**-260.7**	**-270.4**	**-780.1**
Unfunded superannuation benefit payments[(c)]	-	-	-	-	-
Reduction in other Government payments[(d)]		-1.0	-2.0	-4.0	-7.0
Superannuation expenses[(e)]	-	250.0	263.0	275.0	788.0
Revenue[(f)]	-	-	0.3	0.6	0.9
Net Worth[(g)]	**-**	**-3,954.0**	**-4,189.0**	**-4,421.0**	**-4,421.0**

(a) Estimates less than $1 million are rounded to the nearest $100,000, otherwise estimates are rounded to the nearest $1 million.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments.

(c) Changes in superannuation pension and lump sum payments impact the underlying cash balance. This liability is also accounted for in changes in the Government's net worth and the fiscal balance as a result of notional interest that will be payable on the increased unfunded liabilities. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(d) Reductions in the Government payments (such as the Service pension) are a result of higher assessable Commonwealth military superannuation pension payments for DFRB and DFRDB superannuants aged 55 and over and impact both the underlying cash and fiscal balances. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(e) The Commonwealth's superannuation expenses only impact the fiscal balance. These expenses comprise service costs (superannuation entitlements accrued from further service or employment) and notional interest that will be payable on the increased unfunded superannuation liabilities. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(f) Revenue impact relates to the impact of higher income tax associated with higher taxable Commonwealth military superannuation pensions for DFRB and DFRDB superannuants aged 55 and over. A minus sign before the estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(g) Changes in unfunded superannuation liabilities affect the Commonwealth's net worth. A negative number for net worth indicates a reduction in net worth. For instance, the proposal is expected to decrease net worth by around $4.4 billion by 2016-17.

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Reference No. *COA055*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	Reduce Public Service headcount by 12,000 through natural attrition
Summary of proposal:	The proposal will reduce the Commonwealth public service headcount by a net additional 12,000 through natural attrition by the end of two years. The proposal will have effect from 1 October 2013.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained.	Former Department of Finance and Deregulation (Finance)

Costing overview

This proposal is expected to increase the underlying cash and fiscal balances by $5.2 billion over the 2013-14 Budget forward estimates period.

This proposal is expected to generate savings beyond the forward estimates period similar to those achieved in 2016-17, indexed for wages growth.

A tight constraint on both the engagement of new ongoing staff and re-engagement of non-ongoing staff will be required for this policy to be implemented through natural attrition without recourse to additional redundancy payments.

The savings in this proposal are entirely due to a decrease in departmental expenses across the APS.

This costing is considered to be of low to medium reliability as the PBO faces data limitations as staffing forecasts are only provided for the 2013-14 financial year and agency estimates for employee expenses are yet to reflect key public service efficiency saving measures from the 2013-14 Budget and the 2013 Economic Statement.

Table 1: Net additional 12,000 head count reduction over two years (a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	303.1	1,198.4	1,790.3	1,919.9
Fiscal balance ($m)	303.1	1,198.4	1,790.3	1,919.9

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

Consistent with advice provided by the Coalition, the following agencies were exempt in costing this proposal:

- Australian Customs and Border Protection Services
- Australian Federal Police
- Australian Security Intelligence Organisation
- Department of Defence – Military and Reserves, and
- Australian Secret Intelligence Service.

Consistent with advice provided by the Coalition:

- the APS headcount reduction commences on 1 October 2013 and is completed by September 2015, and
- in the first nine months (1 October 2013 – 30 June 2014) the APS headcount is reduced by 6,000, by a further 4,800 in 2014-15, and by a further 1,200 in the first three months of 2015-16.

The PBO has made the following assumptions in costing this proposal:

- wages will grow approximately 5.9 per cent per annum, consistent with the average growth in total remuneration packages for non-SES staff observed in 2012, as reported by the Australian Public Service Commission
- higher separation rates already inherent in the 2013-14 Budget forward estimates are facilitated by higher levels of redundancy payments
- separations due to natural attrition will continue to average approximately 5 per cent per annum (the average of the past three years' total separations of 6 per cent, less retrenchments of 1 per cent), resulting in average annual separations by natural attrition of 8,200 in 2013-14 declining to 7,500 in 2015-16.
- the costing does not take account of any potential impact this proposal may have on service delivery or revenue collection.

Methodology

Using standard calculations for the costing of public service staff, benchmarked against information provided by Finance, the PBO has determined that the average annual cost per staff member (including on-costs and ongoing corporate support) across APS agencies that are in scope of the proposal is $134,716 in 2013-14.

For each financial year the current average salary (grown by the historical growth in total remuneration) across all non-exempt APS agencies has been multiplied by the respective cumulative number of reduced positions. These calculations have been made on a monthly basis.

POLICY COSTING – POST ELECTION REPORT

Data sources

- 2013-14 Budget Paper No. 1 - Statement 6: Table C3: Estimates of average staffing level (ASL) of agencies in the Australian Government general government sector.
- Australian Public Service Commission
  - APS Statistical Bulletin – 2011-12
    http://www.apsc.gov/about-th-apsc/parliamentary/aps-statistical-bulletin/2011-12
  - 2012 Remuneration Report – Total Remuneration Package
    http://www.apsc.gov.au/publications-and-media/current-publications/remuneration-surveys/remuneration-report-2012/background#f2

Reference No. *COA056*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	Restore humanitarian immigration intake to 13,750 per annum
Summary of proposal:	The proposal will reverse the 2012-13 MYEFO measure *Response to the expert panel — Humanitarian migration program — additional places from 2012-13* to increase the humanitarian program level from 13,750 to 20,000 places per year. The proposal will have effect from 1 October 2013.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	Department of Resources, Energy and Tourism (RET)

Costing overview

This proposal is expected to increase the underlying cash and fiscal balances by $1.3 billion over the 2013-14 Budget forward estimates period.

This proposal will have an ongoing impact that extends beyond the forward estimates period and is similar to that in 2016-17 and growing at around two to three per cent per year.

The savings in this costing reflect both the direct costs published in the 2012-13 MYEFO measure *Response to the expert panel — Humanitarian migration program — additional places from 2012-13* and the consequential impacts of lower refugee settlements on other Government programs.

This costing is considered to be of medium reliability. The saving arising from the Department of Immigration and Citizenship is consistent with the previous treatment of an increase in the Humanitarian Program (2011-12 Budget) which was subsequently rescinded (2011-12 MYEFO). It has been assumed that this same treatment applies to the savings that will be generated from other Government programs from lower recipient numbers.

The underlying cash and fiscal balance impacts of this proposal vary slightly due to timing differences in income support payments between when the expense is recorded and the cash is received by recipients.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	141.1	267.2	371.6	488.7
Fiscal balance ($m)	141.3	267.3	371.7	488.7

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

Key assumptions

Consistent with advice provided by the Coalition the PBO has assumed that the humanitarian intake for the 2013-14 financial year will still be capped at 13,750 and the intake following 1 October 2013 will be limited to meet the 13,750 cap.

Methodology

The estimates in this costing assume the removal of funding currently reflected in the 2013-14 Budget forward estimates period based on the cost of the 2012-13 MYEFO measure, with an allowance made for the cost of the additional intake of persons in 2012-13.

Based on advice provided by the Department of Immigration and Citizenship a pro-rata reduction to the savings from this proposal has also been made due to the *Humanitarian Settlement Services - reduction of support for those already in the community* measure published in the 2 August 2013 Economic Statement.

Data sources

- 2012-13 MYEFO - Response to the expert panel — Humanitarian migration program — additional places from 2012-13
  http://www.budget.gov.au/2012-13/content/myefo/html/09_appendix_a_expense-12.htm

- Department of Immigration and Citizenship – Agency Supplementary Estimates Statement
  http://www.immi.gov.au/about/reports/budget/budget12/_pses-pdf/agency-measures-table.pdf

- 2011-12 Budget Paper No. 2 - Humanitarian Migration Program — increase of 4,000 places
  http://www.budget.gov.au/2011-12/content/bp2/html/bp2_expense-14.htm

- 2011-12 MYEFO - Humanitarian Migration Program — decrease of 4,000 places
  http://www.budget.gov.au/2011-12/content/myefo/html/09_appendix_a_expense-12.htm

Reference No. *COA064*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Redirect National Crime Prevention Fund to the Coalition's Safer Streets Program** **Safer Streets – Protecting Communities from Crime**
Summary of proposal:	The proposal would redirect funding from the National Crime Prevention Fund (NCPF) to the Safer Streets Program (SSP). This proposal will commence in 2013-14.
Party:	Coalition
Date of public release of policy:	19 August 2013
Agencies from which information was obtained:	Attorney-General's Department

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $14.2 million over the 2013-14 Budget and forward estimates. This is due to an increase in expenses of $50 million for the SSP, offset partly by the reallocation of uncommitted funding already included in the Budget for the NCPF ($35.8 million).

Item 9.7 of the *Fiscal Budget Impact of Federal Coalition Policies* document showed that $20 million in 2014-15, $20 million in 2015-16 and a small amount of funding in 2016-17 would be redirected from the NCPF to the new SSP. However, the actual profile of the funding for the NCPF is one year earlier than this with $20.3 million in 2013-14, $20.2 million in 2014-15 and $300,000 in 2015-16.

The Attorney-General's Department has advised that the existing funding under the NCPF includes contractual commitments of $2.5 million in 2013-14 and $2.5 million in 2014-15.

The impact of redirecting funding from the NCPF is considered to be of high reliability as it is based on the 2013-14 Budget measure and recent advice from the Attorney-General's Department. The cost of the SSP is considered of high reliability as it is based on the capped amounts in the party's policy.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	17.8	-2.3	-14.7	-15.0
Fiscal balance ($m)	17.8	-2.3	-14.7	-15.0

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

(b) Differences in totals due to rounding.

POLICY COSTING – POST ELECTION REPORT

Details of the components of this costing are provided in the table below.

Table 2: Elements of the costing assuming existing commitment under NCPF is not redirected

Element ($m)	2013-14	2014-15	2015-16	2016-17	Total
NCPF uncommitted funding	17.8	17.7	0.3	-	35.8
SSP	-	-20.0	-15.0	-15.0	-50.0
Total	17.8	-2.3	-14.7	-15.0	-14.2

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Reference No. COA069

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Revert to pre-2010 election personal staffing ratios**
Summary of proposal:	The proposal will reduce the number of parliamentarians' staff by a total of 10 positions. The proposal will take effect from1 January 2014.
Party:	Coalition
Date of public release of policy:	5 September 2013
Additional information requested (including date):	On 20 September 2013, clarification was sought on the number of staff being reduced by this proposal.
Additional information received (including date):	On 7 October 2013, the Office of the Prime Minister advised that the proposal will reduce the number of staff by a total of 10 positions.

Costing overview

This proposal is expected to increase both the underlying cash and fiscal balances by $6.5 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses. The proposal will have an ongoing impact that extends beyond the forward estimates period at a level similar to the estimate in 2016-17.

This costing is considered to be of high reliability as it is based on a capped reduction of staff and the average cost of personal staff of parliamentarians used in previous measures.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	0.9	1.8	1.9	1.9
Fiscal balance ($m)	0.9	1.8	1.9	1.9

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms.

Key assumptions

The PBO has assumed that the average annual cost per personal staff position is $180,700 in 2013-14, which is an average of previous similar expense measures introduced in the 2010-11 Mid-Year Economic and Fiscal Outlook and 2011-12 Budget.

POLICY COSTING – POST ELECTION REPORT

Methodology

The annual savings from this proposal are calculated by multiplying the number of staff reduced by the average cost per staff position. The savings for each year across the forward estimates period is then indexed to arrive at the total savings of the proposal over the period.

Data sources

- 2010-11 Mid-Year Economic and Fiscal Outlook, p. 173
  - Government and non-Government personal employees – additional positions
- 2011-12 Budget Paper No. 2, p. 199
  - Government and non-Government Parliamentarian staff – additional positions

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Reference No. *COA070*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	**Further 0.25 per cent per annum efficiency dividend – reduced advertising, consultancy and travel costs and by achieving deregulation efficiencies**
Summary of proposal:	The proposal will increase the efficiency dividend by 0.25 per cent per annum for the majority of Commonwealth Government agencies. The proposal will target reduced advertising, consultancy and travel costs, and deregulation efficiencies. The proposal will have effect for three years from 1 July 2014.
Party:	Coalition
Date of public release of policy:	5 September 2013
Agencies from which information was obtained:	Department of Finance and Deregulation

Costing overview

This proposal is expected to increase the underlying cash and fiscal balances by $428.5 million over the 2013-14 Budget forward estimates period. The proposal will also have an ongoing impact that extends beyond the forward estimates period, with the impact per year being in the order of the 2016-17 estimated saving. This impact is entirely due to a decrease in departmental expenses.

The costing is considered to be of medium reliability as it is based on agency-level information on departmental funding as at the 2013-14 Budget, adjusted to account for the *Efficiency Dividend – temporary increase in the rate,* announced in the 2 August 2013 Economic Statement.

Table 1: Financial implications (outturn prices)[(a)] [(b)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	69.3	138.8	220.3
Fiscal balance ($m)	-	69.3	138.8	220.3

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

(b) Figures in the table may not add to totals quoted elsewhere in the costing minute due to rounding.

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Key assumptions

Exemptions

Consistent with advice provided by the Coalition, it is assumed that the following agencies would be exempt from the increase in the efficiency dividend:

- Family Court
- Federal Court
- Federal Magistrates Court
- High Court
- Administrative Appeals Tribunal
- Social Security Appeals Tribunal
- National Native Title Tribunal
- Migration Review Tribunal – Refugee Review Tribunal
- Australian National Maritime Museum
- National Gallery of Australia
- National Museum of Australia
- Australia Council
- Australian Film, Television and Radio School
- Australian Sports Commission
- National Film and Sound Archive
- National Archives
- Old Parliament House
- Screen Australia
- Australian Institute of Aboriginal and Torres Strait Islander Studies
- Australian War Memorial
- Torres Strait Regional Authority
- Aboriginal Hostels Limited
- Indigenous Business Australia
- Indigenous Land Corporation, and
- Australian Communications and Media Authority.

In addition, the PBO has assumed the following ongoing exemptions to departmental appropriations, which apply under the current efficiency dividend policy, would be maintained under this proposal:

- 100 per cent of the Australian Broadcasting Corporation, Special Broadcasting Service Corporation and Safe Work Australia
- 100 per cent of the Coastwatch contract held by the Australian Customs and Border Protection

POLICY COSTING – POST ELECTION REPORT

- 88 per cent of the Australian Institute of Marine Science
- 85 per cent of Australian Nuclear Science and Technology Organisation
- 81 per cent of the Department of Defence
- 70 per cent of the Commonwealth Scientific Industrial Research Organisation, and
- 55 per cent of the Australia Council.

Variations

The PBO has assumed the following ongoing variations to departmental appropriations, which apply under the current efficiency dividend policy, would be maintained under this proposal:

- services for People with Disability, Community Investment and Homelessness Prevention programs run by the Department of Families, Housing, Community Services and Indigenous Affairs are subject to the efficiency dividend, and
- 1.25 per cent of the Department of Education, Employment and Workplace Relations Employment Assistance and Other Services program is subject to the efficiency dividend.

Methodology

Using the estimates of departmental appropriations prior to any efficiency dividend application, the higher rate of 2.5 per cent for the period 2014-15 to 2016-17 is applied to in-scope agencies, taking into account the cumulative impact of the efficiency dividend. The difference between these savings and those estimated under the current efficiency dividend rates (2.25 per cent for the three years to 2016-17) is equal to the savings estimated in this costing.

Data sources

Departmental appropriations as at the 2013-14 Budget provided by the Department of Finance and Deregulation.

Other information sourced from the 2013 Economic Statement.

Reference No. *COA149*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Operation Sovereign Borders Joint Agency Taskforce
Summary of proposal:	The proposal will provide $10.0 million for the establishment of an Operation Sovereign Borders Joint Agency Taskforce (OSBJAT). This funding will provide for the establishment of a headquarters for the OSBJAT and provide a reserve of funding for urgent requirements. This proposal will commence in 2013-14.
Party:	Coalition
Date of public release of policy:	25 July 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $10.0 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase to expenses.

This costing is considered to be of high reliability as it is based on a capped amount and profile as specified by the Coalition. No departmental expenses above those reflected in the table below have been included as the Coalition has specified that seconded officers from Commonwealth agencies will be compensated by the deployed officer's home agency.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-5.5	-1.5	-1.5	-1.5
Fiscal balance ($m)	-5.5	-1.5	-1.5	-1.5

(a) A negative number for the fiscal balance indicates a net increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a net increase in expenditure in cash terms.

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POLICY COSTING – POST ELECTION REPORT

Details regarding the allocation of funding are provided in the table below.

Table 2: Elements of the OSBJAT Policy [(a)]

Element ($m)	2013-14	2014-15	2015-16	2016-17	Total
Headquarters establishment	-1.5	-0.1	-	-	-1.6
Reserve for urgent requirements	-4.0	-1.4	-1.5	-1.5	-8.4
Total	-5.5	-1.5	-1.5	-1.5	-10.0

(a) Impacts are the same on both a fiscal balance and underlying cash balance basis. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Reference No. *COA150*

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Regional Cooperation to Combat People Smuggling
Summary of proposal:	The package will fund a suite of eight proposals in an effort to combat people smuggling through greater regional cooperation. The Coalition's Regional Deterrence Framework comprises: i. joint operations with Indonesia, Sri Lanka and Malaysia to disrupt people smuggling, including the international deployment of Australian Federal Police personnel ii. a program managed through the International Organisation for Migration to engage and enlist local villages within Indonesia to assist information gathering iii. tighter border controls and improved identity management in the region iv. appointing a special envoy to facilitate operational cooperation within the region to implement the Framework v. enhancing air surveillance in the region vi. supporting the search and rescue response capability of Indonesia vii. subject to the agreement of Australia's regional partners, enhancing capabilities for the interception of suspected irregular entry vessels and the transfer of irregular maritime arrivals (IMAs) to offshore processing facilities via agreed transit ports in the region, and viii. increasing the offshore processing capacity on Nauru by 2,000 additional places offset by discontinuing construction of the Singleton detention centre. The package will have effect from 2013-14.
Policy of party:	Coalition
Date of public release of policy:	31 August 2013
Agencies from which information was obtained:	Department of Immigration and Border Protection (DIBP)

Costing overview

The package of proposals is expected to decrease both the underlying cash and fiscal balances by $357.3 million over the 2013-14 Budget forward estimates period.

Apart from the capped components of the package the costing is considered to be of low reliability.

- The PBO has been able to obtain broad confirmation from DIBP relating to the cost of a number of measures relating to the acquisition of sophisticated IT and other capital equipment. However, the costs of some measures could not be validated due to the detailed nature of the proposals and limited time to undertake the costing.
- There is also some uncertainty around capital and occupancy costs relating to the expansion of offshore processing capacity. These costs were based on limited historic data provided by DIBP.
- Finally, the estimates are sensitive to changes in key variables impacting costs, including the actual number of IMAs in any given month, detainee placement across the detention network, and the actual number of people settled or returned to their country of origin.

The estimated savings in this costing are greater by $65.5 million over the 2013-14 Budget forward estimates than those estimated by the Coalition. The variance is due to a combination of:

- lower costs for enhanced air surveillance ($11 million over four years)
- higher costs for enhanced search and rescue capability ($20 million over four years), and
- a net save from item (viii), increasing offshore processing capacity at Nauru, where the Coalition assumed no net impact on the budget ($73.9 million over four years).

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-381.4	-153.7	61.4	116.4
Fiscal balance ($m)	-381.4	-153.7	61.4	116.4

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

A breakdown of the financial impact of each proposal in the package is included at Attachment A.

Key assumptions

In relation to components (i) to (vii), the PBO has made use of *The Coalitions Policy for a Regional Deterrence Framework to Combat People Smuggling*, low level policy detail from the Coalition and advice provided by DIPB to arrive at estimated costs. Some of this information has commercial and other sensitivities associated with it and for that reason has not been disclosed.

i. Improved regional intelligence and joint policing operations

The Coalition policy document specified:

- the deployment of personnel from the Australian Federal Police to countries in the region
- funding for information technology equipment and software to facilitate greater information exchange and coordination on people smuggling operations between Australia and Indonesia, and
- funding for special operations in the region.

The greater majority of the costs included in this component were specified by the Coalition as capped funding.

ii. Engage with local communities in Indonesia

The Coalition policy document specified funding for a community engagement programme including:

- communications campaigns to raise awareness within local villages that people smuggling is a criminal activity
- a capped boat buy-back scheme
- support for wardens in local communities, and
- the option, in exceptional circumstances, for bounty payments for the provision of information resulting in significant disruption or arrests leading to convictions.

These activities are to be implemented in up to 100 villages and managed by the International Organisation for Migration (IOM). The PBO has included project management funding for the IOM.

The costing takes account of the capped funding on a per village or scheme basis for each element set out above.

iii. Tighten regional border controls and improve identity management

The Coalition policy document specified funding for:

- the acquisition and ongoing licensing of advanced Passenger Information (API) system equipment. Specified amounts provided to the PBO by the Coalition were confirmed by DIBP who confirmed that the proposed funding would be sufficient for one API system
- improved capacity for biometric matching through the acquisition and ongoing licensing of biometrics computer software. Due to a lack of specificity around the scale and sophistication of this technology, DIBP was unable to confirm cost estimates provided to the PBO by the Coalition. The PBO has been similarly unable to validate these costs but has included them as they are relatively immaterial to the overall costing, and
- provision of document matching equipment and training.

The Coalition specified that any departmental costs arising from this element would be absorbed by the relevant departments.

iv. Appoint special envoy for Operation Sovereign Borders

This element will fund the appointment of one senior officer plus associated on-costs for a two-year period of employment.

v. Enhanced air surveillance

The Coalition document specified funding for increased air surveillance effort.

Based on advice from the Coalition and DIBP, the PBO has assumed:

- costs of $4 million in each of 2013-14 and 2014-15 and $2 million in each of 2015-16 and 2016-17 for aircraft, and

- an additional $2 million in each of 2013-14 and 2014-15 and $1 million in each of 2015-16 and 2016-17 for the cost of basing aircraft on Christmas Island, from which additional flights will originate.

vi. Enhanced Indonesian search and rescue capability

The Coalition policy document specified funding for Australia to assist Indonesia in rapid response search and rescue capability through the provision of fast transfer vessels, with appropriately trained crew and onboard security. The PBO costed this policy based on advice from the Coalition and DIBP on the associated costs.

The Coalition advised that any departmental costs arising from this proposal would be absorbed by the relevant departments.

vii. Interception and transfer of asylum seekers

The Coalition specified:

- the establishment of agreed transit ports within the region
- navy and custom vessels to be used for interception of boats
- provision for a fleet of fast transfer vessels to be commercially leased to take asylum seekers directly to transit ports following interception
- chartered aircraft to take asylum seekers directly to Manus Island or Nauru

The PBO costed this policy based on supplier-quoted costs provided by the Coalition. While DIBP was unable to confirm these costs, the PBO has completed the costing based on the quotes provided.

viii. Increasing offshore processing capacity

The Coalition specified:

- IMAs will be processed on Regional Processing Centres (RPCs) as a matter of priority, and only when RPCs are full would they be moved onshore for processing
- on average, 50 per cent of IMAs will be found to be genuine refugees and granted a Temporary Protection Visa (TPV); the remaining IMAs will be returned to their country of origin or a third country (see COA045 – *Clearing the 30,000 border backlog* for further detail)
- costs of increasing the offshore processing capacity on Nauru by 2,000 will be offset by discontinuing construction of the Singleton detention centre, and
- asylum seekers processed and given a TPV on RPCs will be transferred onshore to reside in the community with work rights until they are settled on a PV, or if circumstances change in their home country, returned home.

In addition, the PBO has assumed:

- processing time for a TPV will be three months, in line with DIBP's *Demand Driven Model for Irregular Maritime Arrivals*
- time to removal will reduce from the current 75 days to 49 days due to the proposed Fast Track Removal Process (see COA045 – *Clearing the 30,000 border backlog* for further detail)
- the per-person cost of installing tents is based on equivalent costs at Manus Island for 2013-14 ($82,667 per person) obtained from DIBP

- per-person occupancy costs on Nauru and Manus Island of $0.19 million in 2013-14 indexed by the Consumer Price Index in the forward years, based on current program estimates, and
- an additional cost of 17 per cent on top of operational costs per annum for departmental costs, based on the current split of departmental to administered in the program estimates.

Methodology

For capped components of these proposals the specified amounts were used to calculate costs.

For components (i) to (vii) the PBO multiplied unit cost information by information relating to the size and scope of the individual policies.

For component (viii), *Increasing offshore processing capacity,* the capital costs associated with the proposal were calculated by multiplying the proposed additional 2,000 places by the average per-person cost of installing tents, less the savings from discontinuing construction of the Singleton detention centre ($58.0 million in 2013-14, as reflected on pages 60 and 66 of the 2013 Economic Statement). Administered occupancy costs were calculated as projected monthly occupancy on Nauru and Manus Island multiplied by the average per person occupancy cost. On top of this was added an additional 17 per cent per annum in departmental expenses.

Net savings for Manus Island were calculated by taking the difference between occupancy numbers at the Pre-election Economic Fiscal Outlook (PEFO) and lower occupancy numbers under this proposal (noting that occupancy levels are based on the arrival rates reflected in the costing minute COA047 – *Dividend from stopping the boats*).

DIBP and Finance advised that funding for the costs of operating the Nauru RPC beyond 2013-14 in the period 2014-15 to 2016-17 have not been included in the program forward estimates.

Statements by the former Government indicate that provision for the cost of operating the processing facilities on Nauru beyond 2013-14 had been included in the contingency reserve (joint press conference by former Prime Minister, the Hon Kevin Rudd MP; President of Nauru, His Excellency Baron Waqa MP; and former Minister for Immigration, Multicultural Affairs and Citizenship, the Hon Tony Burke MP, on Saturday, 3 August 2013). As the PBO has been unable to verify the magnitude of that provision, the PBO has not included any savings from reduced costs of operating the Nauru RPC beyond 2013-14.

This costing includes the impacts directly associated with increasing offshore processing capacity on RPCs. Downstream impacts of the proposal on the detention network costs and general society costs are included in COA045 – *Clearing the 30,000 border backlog*.

Data sources

- Supplier cost information provided by the Coalition
- Department of Immigration and Border Protection
- The Economic Statement, August 2013

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: BREAKDOWN OF COSTS BY PROPOSAL

Underlying cash/fiscal balance impacts	2013-14 ($m)	2014-15 ($m)	2015-16 ($m)	2016-17 ($m)	Total ($m)
Improved regional intelligence and joint policing operations	**-14.80**	**-17.40**	**-17.40**	**-17.40**	**-67.00**
Engage with local communities in Indonesia	**-6.80**	**-6.23**	**-3.38**	**-3.38**	**-19.78**
Tighten regional border controls and improve identity management	**-20.00**	**-6.50**	**-5.50**	**-5.50**	**-37.50**
Special Operation Sovereign Borders Envoy	**-0.36**	**-0.54**	**-0.23**	**-**	**-1.13**
Enhanced air surveillance capability	**-4.00**	**-6.00**	**-3.00**	**-3.00**	**-16.00**
Enhanced Indonesian search and rescue capability	**-22.87**	**-34.31**	**-17.16**	**-17.16**	**-91.49**
Interception and transfer of asylum seekers	**-68.94**	**-88.74**	**-26.50**	**-14.08**	**-198.25**
Increasing offshore processing capacity	**-243.62**	**6.03**	**134.58**	**176.91**	**73.89**
GRAND TOTAL	**-381.39**	**-153.68**	**61.43**	**116.40**	**-357.25**

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

(b) Totals may not sum due to rounding.

Reference No. COA162

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	**Re-build ADF Gap Year programme**
Summary of proposal:	The proposal will re-introduce the Australian Defence Force (ADF) Gap Year Program (the Program) at a capped intake of 250 places in 2014-15, 500 places in 2015-16, 750 places in 2016-17 and 1,000 places in 2017-18. The proposal will have effect from 1 July 2014 and is ongoing.
Party:	Coalition
Date of public release of policy:	2 September 2013
Agencies from which information was obtained:	Department of Defence

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $113.3 million over the 2013-14 Budget forward estimates period. The proposal will also decrease the underlying cash and fiscal balances by $78.5 million in 2017-18. This impact is entirely due to an increase in expenses.

Departmental costs of $14.2 million over four years have been included based on staffing support funds allocated to the first iteration of the Program in 2007. The ADF Gap Year Program was originally implemented in 2006-07 and ceased in 2012-13.

The costing is considered to be of medium reliability because it assumes that transfer rates into the regular and reserve forces from the first iteration of the Program will continue into the future, where actual transfer rates may differ. There is also some uncertainly around the timing of bonus payments that may impact on the profile of funding.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-18.3	-37.5	-57.5
Fiscal balance ($m)	-	-18.3	-37.5	-57.5

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Attachment A provides a break up of major costs under the proposal.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

The PBO has made the following assumptions in the costing of this proposal:

- the average program cost per participant is $63,461, calculated as total costs divided by the number of participants per annum on average for the period 2008-09 to 2011-12. This was indexed by the Consumer Price Index to obtain forward year costs
- funding splits between support staffing, participants' salary and overheads, contribution to education costs and operating costs were based on funds allocated to the first iteration of the Program in 2007 (refer Table 1of the Evaluation of the ADF Gap Year Program (2010), page 24)
- around 54 per cent of participants per annum would transfer to an ongoing form of service upon completion of the Program, based on actual transfers from the Program into permanent and reserve forces on average over the period 2008-09 to 2011-12
- the bonus payment of $10,000 would be paid to each transferee at the end of the one-year Program, and
- the proposal to provide 1,000 places under the Program 'by 2017-18' intends that the Program would be made ongoing.

The estimates in this costing do not include recruitment savings from transfers from the Program into an ongoing form of ADF service, as identified in the costing request. Based on advice from Defence, transferees from the Program to the ADF will still have to go through the normal recruitment process such as medical examinations and tests, the costs for which Defence will continue to bear.

Methodology

Based on the above assumptions, the capped number of participants per annum was multiplied by the estimated cost per participant to estimate program running costs. These are made up of staffing support costs, participants' salary and overheads, contribution to education costs and operating costs. To the program running costs were added bonus payments to estimate total costs under the proposal, calculated as 54 per cent of the capped number of participants in any given year, multiplied by the payment of $10,000.

Data sources

- The Department of Defence provided the following data:
  - Annual cost and average number of participants for the period 2008-09 to 2011-12
  - Information about bonus payments
  - Percentage of Program participants that transferred to an ongoing form of ADF service for the years 2009-10 to 2011-12, and
  - Average recruitment costs per ordinary ADF placement.
- Additional information on planned funding and funding sources was extracted from: Evaluation of ADF Gap Year Program (2010), prepared by Noetic Solutions Pty Ltd for the Department of Defence, accessed on 2/08/13: http://resources.news.com.au/files/2011/05/31/1226066/086682-parnell-foi.pdf
- Indexation factors sourced from Treasury Parameters as at the Pre-Election Fiscal Outlook.

ATTACHMENT A: DETAILED BREAKDOWN OF COSTS

The following table provide a detailed breakdown of the major cost items under this proposal.

Table A1: ADF Gap Year Program – costs [(a)] [(b)]

Impact on ($ million)	2013-14	2014-15	2015-16	2016-17	2017-18
Participants' salary and overheads	-	-14.2	-29.1	-44.7	-61.1
Support staffing	-	-1.4	-2.8	-4.3	-5.8
Bonus payments	-	-1.3	-2.7	-4.0	-5.4
Operating costs	-	-0.9	-1.7	-2.7	-3.7
Contribution to education costs	-	-0.6	-1.2	-1.8	-2.5
Total	-	**-18.3**	**-37.5**	**-57.5**	**-78.5**

(a) A negative number indicates an increase in expenses.

(b) Totals may not sum due to rounding.