



Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Disability Support
Summary of proposal:	The proposal would reverse the changes made to the assessment process for the Disability Support Pension (DSP) which came into effect in September 2011. The proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	6 September 2013
Agencies from which information was obtained:	<ul style="list-style-type: none"> • Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) • Department of Finance and Deregulation (Finance)

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by \$791 million over the 2013-14 Budget forward estimates period. This impact is due to an increase in DSP expenses administered by FaHCSIA, partially offset by a decrease in income support payments administered by the Department of Education, Employment and Workplace Relations (DEEWR), and a net decrease in administrative costs. A detailed breakdown of the components of the costing is included at [Attachment A](#).

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

This proposal reverses measures from the 2010-11 and 2011-12 Budgets that tightened the eligibility for the DSP. The measures have seen a reduction in DSP expenditure and an increase in expenditure of other income support payments, due to a number of the claimants no longer eligible for DSP moving to other income support payments, such as Newstart Allowance and Parenting Payment. Accordingly this proposal, which is to reverse the change brought in under these measures, results in an increase in DSP expenditure and a reduction in other income support payments spending. Reversing the earlier measures also results in reduced costs for the Department of Human Services (DHS) as the assessments for eligibility for DSP are less onerous and therefore less costly for the agency.

This costing is considered to be of medium reliability. The estimates are based on the actual increase in the rate of rejections of DSP claims from September 2011 onwards. However, other small but unquantifiable external factors unrelated to the measures, such as changes in claimants' demography, may have also contributed to the increase.

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Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-255	-260	-276
Fiscal balance (\$m)	-	-255	-260	-276

(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

The PBO has assumed that the increase in rejections of DSP claims from September 2011 onwards is due entirely to the changes made to the assessment process for DSP.

As the savings measures were introduced in the 2010-11 and 2011-12 Budgets, their estimates only extend to the end of the forward estimates period at the time, which were 2013-14 and 2014-15, respectively. As a result, the PBO has assumed that the estimates beyond these years would continue at the same trend as previous years.

Methodology

The estimates in this costing are based on reversing the estimated savings from the 2010-11 and 2011-12 Budget measures, plus an additional 12 per cent margin.

The additional margin has been applied as FaHCSIA advised that the actual number of DSP claims rejected as a result of the earlier savings measures is around 12 per cent higher than originally estimated.

Any departmental funding provided to FaHCSIA, DEEWR and DHS to administer the original savings measures has also been reversed. The PBO has allowed for these three departments to retain some funding in 2014-15 only (totalling around \$8 million), reflecting costs they will face in reverting back to previous arrangements.

Data sources

- FaHCSIA
 - Numbers and reasons of DSP claims rejected
- Finance
 - Financial impact of the 2010-11 Budget measure: *Job Capacity Assessment – more efficient and accurate assessments for Disability Support Pension and employment services*
 - Financial impact of the 2011-12 Budget measure: *Building Australia's Future Workforce – implementation of more efficient and accurate assessments for Disability Support Pension*

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ATTACHMENT A: COMPONENTS OF COSTING

Table A1: Financial implications by funding type and department ^{(a) (b)}

Funding type	Department	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
Administered	Department of Education, Employment and Workplace Relations – <i>Reduction in income support payments</i>	108	112	117	337
	Department of Families, Housing, Community Services and Indigenous Affairs – <i>increase in DSP expenditure</i>	-459	-480	-502	-1,441
Departmental	Department of Education, Employment and Workplace Relations	-1	-1
	Department of Families, Housing, Community Services and Indigenous Affairs	2	2	3	7
	Department of Human Services	96	105	106	306
Total		-255	-260	-276	-791

(a) All figures are in both fiscal and underlying cash balances. A negative number indicates an increase in expenses in both cash and accrual terms. A positive number indicates a decrease in expenses in both accrual and cash terms.

(b) .. not zero, but rounded to zero.



COSTING – POST ELECTION REPORT

Name of proposal to be costed:	Increasing Newstart and caring for single parents
Summary of proposal:	<p>The proposal would:</p> <ol style="list-style-type: none"> 1. increase the maximum rate of working age income support payments made to single principal carers by \$90 per week The income test for these recipients (other than those receiving Special Benefit) would be aligned with that for Parenting Payment (Single). 2. increase the maximum rate of working age income support payments made to other singles by \$50 per week 3. increase the maximum rate of income support payments made to single, independent youths and students by \$50 per week, and 4. index the maximum rate of allowances by the higher of growth in the Consumer Price Index (CPI), Male Total Average Weekly Earnings (MTAWE) or the Pensioner and Beneficiary Living Cost Index (PBLCI). <p>Rates would be increased from 1 July 2014. The change to the income test for single parents would apply from 1 July 2014. Changes to the indexation of payments would occur from 20 September 2014 for working age payments, and 1 January 2015 for payments to students and youth.</p>
Party:	Australian Greens
Date of public release of policy:	31 August 2013
Agencies from which information was obtained:	<ul style="list-style-type: none"> • Former Department of Education, Employment and Workplace Relations (DEEWR) • Former Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICSRTE), and • Department of Human Services (DHS).

Costing overview

The proposal is expected to decrease both the underlying cash and fiscal balances by around \$9.0 billion over the period 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

The proposal would have an ongoing impact beyond the forward estimates. Due to the change in indexation, the impact would compound.

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The costing includes \$145 million in departmental expenses across the 2013-14 forward estimates period. This is to provide resourcing for the DHS to implement IT changes, a communications campaign and for the ongoing service delivery element of the proposal. The service delivery expenses would be significant given the need to manage an increased caseload as a result of new recipients claiming income support.

A disaggregation of the impact into individual programs can be found at [Attachment A](#).

The estimates in this costing differ from those in the costing in the party's policy document due to updated parameters and the inclusion of interactions between the individual elements in the party's policy document. The most significant interaction relates to the impact of MTAWA indexation on the additional increase in the rate of payment to single parents.

The costing is considered to be of medium reliability. Although current data and forecasts have been used, the estimates will be affected by variations in labour market conditions and are subject to a number of assumptions.

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-5	-2,915	-2,950	-3,170
Fiscal balance (\$m)	-5	-2,915	-2,950	-3,170

(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

General assumptions

- The policy specification used in this costing is based on the policy document *Addressing Poverty in Australia: The Greens' plan for increasing Newstart and reversing single parent cuts* and the policy specification underlying the estimates published in that document.
- The Budgetary impacts of income support payments on fiscal and underlying cash balance bases differ slightly due to the impacts of over and underpayments, and the treatment of debt. However, this costing has assumed that any differences between the underlying cash and fiscal balance impacts of the proposal will be immaterial.
- No behavioural change has been included in the costing.
 - An increased rate of allowance may cause recipients to be less motivated to look for work, or reduce their working hours to receive additional support.
 - Similarly, as there will be a smaller discrepancy between the rates of allowances and pensions, current allowance recipients may be less likely to attempt to transfer to pension payments, such as the Disability Support Pension.
- No revenue impacts have been included in this costing.
 - Income support allowances are taxable income. The Beneficiary Tax Offset will offset the tax liability on any income from allowances. However, some recipients with income from other sources may have an increased tax liability due to the increase in their taxable income pushing them into a higher tax bracket.

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- This is not expected to have a material impact on taxation revenue.
- Estimates for individual programs have been rounded to the nearest \$5 million and then summed.

Increases to maximum rates

- The PBO assumes that income taper rates remain unchanged. By lifting the benefit rates by \$50 a week, the income test cut-off points increase for each of the affected payments. As a result, approximately 90,000 individuals who currently earn income in excess of the existing income test cut-off point but below the proposed new income test cut-off point would become eligible for a payment.
 - In addition to the direct costs associated with new recipients receiving part payment of an allowance, these recipients may, depending on their individual circumstances, be eligible for assistance through Job Services Australia (JSA), Disability Employment Services (DES) and the Remote Jobs and Community Program (RJCP).
 - Furthermore, they may be eligible to access, among other things, Commonwealth Rent Assistance, Income Support Bonus, Clean Energy Supplement, Start-up and Relocation Scholarships.
 - For example, a recipient may receive \$2 a fortnight in income support from the Government, yet still be eligible to receive the maximum amount of the supplements to which they are entitled.
 - Further interactions, for instance, with eligibility for concessional health care and other government concessions have not been considered.
- The PBO assumes that the average benefit for new recipients under the policy would, on average, be half the increase in their maximum rate – \$45 per week for single parents and \$25 per week for other beneficiaries. This amount would be increased by indexation across the forward estimate years.

Aligning the income test for single parents with Parenting Payment (Single)

- Any single parent recipient with an income above the current income free area would benefit from the increase in the threshold.
 - The number of existing recipients expected to benefit from the higher income threshold estimated as a proportion of total allowance customers was based on administrative data provided by DEEWR.
- The average benefit for these parents has been estimated based on the 40 per cent taper rate and the difference between the current and proposed income free areas.

Change to indexation arrangements

- The payments and allowances in this costing have their own special appropriations. It is important to note that each special appropriation contains the main payment plus a number of smaller supplementary payments. In the majority of instances these are also indexed by changes in the CPI. Therefore, the financial impact includes the impact caused by a change to the maximum basic rate of the payment, and the impact on the supplementary payment to which a recipient of the principle payment may be entitled; for instance, Rent Assistance.

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- Typically, earnings increase at a faster rate than prices. Thus, it has been assumed that under the proposed indexation arrangements the allowance rates would move in line with MTAWWE.

Methodology

Increases to maximum rates

- The estimated impact on existing allowance recipients was calculated by multiplying current forward estimates for recipient numbers by the proposed increase in allowances.
- The STINMOD model of the tax and transfer systems was used to estimate the number of new recipients of income support payments due to the changes.
- Once the new recipient numbers were calculated, the flow-on effect to supplementary payments, service delivery and jobseeker assistance were added.

Aligning the income test for single parents with Parenting Payment (Single)

- The number of existing recipients expected to benefit from the higher income threshold estimated as a proportion of total allowance recipients was based on administrative data provided by DEEWR.
- All additional recipients identified due to the increase in maximum rates would also benefit.
- The number of additional allowance recipients expected to result from the higher income free area have also been estimated using STINMOD.

Change to indexation arrangements

- The estimates for the indexation change have been derived by scaling the current Budget forward estimates by the difference between the expected growth in MTAWWE and CPI.
- A further amount is added on to reflect the impact of indexing the increased maximum rates that have been introduced under the first part of this proposal.

Data sources

- DHS provided the unit prices for administration of income support payments.
- Forward estimates models for income support allowances, as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO), were provided by DEEWR and DIICSTRE.
- The forward estimates models for JSA and DES, as at PEFO, were provided by DEEWR.
- DEEWR provided a disaggregation of recipients of working age payments by payment rate as at March 2013.
- The STINMOD model of the tax and transfer systems, which is based on confidentialised unit record data from Australian Bureau of Statistics household surveys.

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ATTACHMENT A: DISAGGREGATION OF IMPACTS

Table A1 below provides a disaggregation of the costing into individual programs. An increase in expenses has a negative impact on Budget aggregates.

The expenses for individual payment components include not only the basic payment, but also the impact on supplementary components such as Clean Energy Supplements, Rent Assistance, Pharmaceutical Allowance and the Income Support Bonus. The impact of the additional increase in payment rate for single principal carers is included under each of the relevant allowances and benefits.

Table A1: Disaggregated financial implications (outturn prices)

Impact on (\$m)	2013-14	2014-15	2015-16	2016-17	Total
Administered expenses	-	2,870	2,900	3,125	8,895
Consisting of:					
<i>Newstart Allowance</i>	-	2,110	2,035	2,175	6,320
<i>Youth Allowance (student)</i>	-	325	375	425	1,125
<i>Youth Allowance (other)</i>	-	170	175	190	535
<i>ABSTUDY (tertiary)</i>	-	15	15	15	45
<i>ABSTUDY (secondary)</i>	-	15	20	20	55
<i>Austudy</i>	-	110	125	140	375
<i>Widow Allowance</i>	-	65	65	60	190
<i>Sickness Allowance</i>	-	15	20	20	55
<i>Special Benefit</i>	-	5	10	10	25
<i>Job Services Australia</i>	-	25	40	50	115
<i>Disability Employment Services</i>	-	15	20	20	55
Departmental expenses	5	45	50	45	145
Underlying cash and fiscal balances	-5	-2,915	-2,950	-3,170	-9,040



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COSTING – POST ELECTION REPORT

Name of proposal costed:	Rewarding artists
Summary of proposal:	The proposal would provide a tax exemption for income sourced from the Australian arts awards listed in <u>Attachment A</u> , with effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	6 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 \$1 million over the 2013-14 Budget forward estimates period. This impact solely reflects a decrease in revenue.

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

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

This costing is considered to be of medium reliability. The costing is dependent on the average marginal tax rate of award recipients and growth in the annual value of the awards.

Table 1: Financial implications (outturn prices)^(a)

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

(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 receipts in cash terms.

Key assumptions

- The PBO has applied the updated policy specification underlying the published party estimates of the cost of this proposal.
- The total value of awards within the scope of the proposal is assumed to increase in line with the Consumer Price Index.
- Under current policy settings, award recipients become liable to pay tax on prize money in the financial year following receipt of the awards, at the time they lodge their tax return.

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Methodology

For each year from 2014-15, the total annual value of the awards within the scope of the proposal was multiplied by the PBO's estimate of the average marginal tax rate. These estimates were then applied to the following financial year to account for timing considerations for the taxation of income from awards.

Data

- 2013 Pre-Election Economic and Fiscal Outlook report
- 2010-11 Taxation Statistics

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ATTACHMENT A: LIST OF AWARDS WITHIN THE SCOPE OF THE PROPOSAL

- ABC Symphony Australia Young Performers Awards
- Adelaide Festival Awards for Literature
- Adelaide Perry Prize for Drawing
- Archibald Prize
- Clemenger Contemporary Art Award
- Dobell Prize for Drawing
- Glover Prize
- Keith and Elizabeth Murdoch Travelling Fellowship
- Marten Bequest Travelling Scholarship
- McCaughey Prize
- Miles Franklin Literary Award
- Mosman Art Prize
- National Aboriginal & Torres Strait Islander Art Award
- National Operatic Aria
- NSW Premier's Awards
- Patrick White Literary Award
- Portia Geach Memorial Award
- Queensland Literary Awards
- Sulman Prize
- Stella Prize
- Tasmanian Literary Prizes
- Victorian Premier's Literary Awards
- Western Australian Premier's Awards
- Wynne Prize



COSTING – POST ELECTION REPORT

Name of proposal costed:	Screen Package
Summary of proposal:	<p>This proposal has two parts:</p> <ul style="list-style-type: none"> • Part 1 – Increase the location-tax offset from 16.5 per cent to 30 per cent of qualifying expenditure, and • Part 2 – Increase the producer offset for television productions from 20 per cent to 40 per cent of qualifying expenditure. <p>The proposal would have effect from 1 July 2014.</p>
Party:	Australian Greens
Date of public release of policy:	15 February 2013
Agencies from which information was obtained:	Not applicable

Costing overview

Part 1 – Increase the location tax offset to 30 per cent

This proposal is expected to decrease the underlying cash balance by \$18 million and decrease the fiscal balance by \$27 million over the 2013-14 Budget forward estimates period. The amount is classified as expenditure as the location tax offset is refundable.

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

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

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of a timing difference between when the film becomes eligible to receive the offset and when the company can claim the offset. The fiscal balance impact arises when the company becomes eligible for the offset when production ceases on the film but the underlying cash impact arises when they lodge their tax return in the following financial year.

This costing is considered to be of low reliability. It is based on historical data of the total expenditure on foreign film production in Australia (published by Screen Australia) which is highly volatile. Reliable disaggregated information on the actual value of the location tax offset claimed in previous years is unavailable due to taxpayer confidentiality.

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Table 1: Financial implications – location tax offset (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-	-9	-9
Fiscal balance (\$m)	-	-9	-9	-9

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

Part 2 – Increase the producer tax offset for television content

This proposal is expected to decrease the underlying cash balance by \$140 million and decrease the fiscal balance by \$210 million over the 2013-14 Budget forward estimates period. The amount is classified as expenditure as the producer tax offset is refundable.

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

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

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of a timing difference between when the television production becomes eligible for the offset and when the company can claim the offset. The fiscal balance impact arises when the company becomes eligible for the offset upon completion of the production but the underlying cash impact arises when they lodge their tax return in the following financial year.

This costing is considered to be of medium reliability. It is based on historical data of the value of the annual offset for television production (published by Screen Australia) and on a number of assumptions.

Table 2: Financial implications – producer tax offset (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-	-70	-70
Fiscal balance (\$m)	-	-70	-70	-70

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

Key assumptions – parts 1 & 2

The PBO has made the following assumptions regarding this proposal:

- The PBO has applied the policy specification underlying the published party estimates of the cost of these proposals.
- The proposals would apply from 1 July 2014.
- Current qualifying thresholds for the producer offset would remain unchanged.
- All figures in this costing have been rounded to the nearest \$1 million.

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- The projected amount of production expenditure on foreign films that is eligible for the location tax offset is based on historical average amounts.
- The projected value of the producer offset is assumed to grow in line with GDP.
- Claims for both the location tax offset and producer's tax offset are expected to be made by companies in the year following the completion of production.
- A behavioural response to the increase in the location tax offset has been included in the costing. It is assumed that the proposal would attract foreign film productions to Australia that would have otherwise been filmed elsewhere.
 - The behavioural response is based on the after tax benefit to claimants and an assumed price elasticity of -0.5.

Methodology

Location tax offset

The cost of this proposal represents the estimated difference between the value of offsets claimed at the current 16.5 per cent rate compared to the value of offsets claimed (including behavioural response) at the proposed 30 per cent rate.

Producer tax offset

The cost of this proposal represents the estimated difference between the value of offsets claimed at the current 20 per cent rate compared to the proposed 40 per cent rate.

Both parts of this costing have been compared to historical information on the value of total film tax offsets claimed (including the location, producer and post digital and visual effects tax offsets) as published in the Australian Taxation Office's 2010-11 Taxation Statistics publication. However, disaggregated information on the individual film tax offsets is not available and as such this information provides only a broad indication of the potential cost of these proposals.

Data sources

- Screen Australia Annual Reports, various years.
- Taxation Statistics 2010-11.



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COSTING – POST ELECTION REPORT

Name of proposal costed:	Reform taxation of trusts (excluding farming trusts)
Summary of proposal:	The proposal would tax discretionary trusts like companies, except those set up by farmers.
Party:	Australian Greens
Date of public release of policy:	2 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

Reforming the taxation of trusts is expected to increase the underlying cash and fiscal balances by \$2.4 billion over the 2013-14 Budget forward estimates period. This is largely due to an increase in revenue.

The gain in revenue mainly reflects an increase in the effective tax rate that applies to income under this proposal. For example, non-residents currently pay relatively low rates of withholding tax on their interest, unfranked dividends and other business income and in most cases pay no tax on capital gains or receive the capital gains tax discount in the case of property investments. Under this proposal, non-residents would pay the company tax rate on their share of such trust income at the trust level and the subsequent 'franked' dividend distributions would be exempt from withholding tax. This increases the effective tax rate applicable to these taxpayers.

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

The PBO has estimated departmental expenses under this proposal to be \$20 million per annum for five years, from 2013-14. This is based on the cost of implementing other large-scale proposals that have recently been estimated by the Australian Taxation Office (ATO), such as the 'standard deductions for work-related expenses' and 'resource super profits tax' measures in the 2010-11 Budget.

This costing is considered to be of low reliability. The model relies on several assumptions and aggregate trust distribution data. Possible behavioural responses to this proposal are extremely uncertain.

Table 1: Financial implications – Reform taxation of trusts (excluding farming trusts) (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$b)	..	0.6	0.9	0.9
Fiscal balance (\$b)	..	0.6	0.9	0.9

(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.

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Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- Farming trusts would continue to be taxed under existing arrangements. Amounts reported against the primary production trust distributions tax return label represent the amounts attributed to farming. These amounts were excluded under this proposal.
- The proposal would have effect from 1 July 2014.
- The modelling includes trust income from interest, dividends, capital gains and general sources.
- Trust income is distributed in the following way:
 - 30 per cent to individuals (of which 70 per cent are Australian residents and 30 per cent are non-residents)
 - 20 per cent to superannuation funds, and
 - 50 per cent to companies.
- Taxing discretionary trusts as companies would mean that the imputation system for franked dividends would also apply to trust distributions.
- The PBO has assumed that 50 per cent of income would be retained in trusts.
 - This would mean that 100 per cent of the trust income is taxed at the company tax rate, however, only 50 per cent of the after-tax amount would be distributed to beneficiaries as a 'dividend', which would be eligible for franking credits, as per the company tax arrangements.
- Superannuation funds currently have a tax rate of 15 per cent and would generally receive a refund of half the tax paid at the 30 per cent rate through the imputation system. If superannuation funds were to invest in trusts which do not distribute 100 per cent of their income, they would not be able to access refunded imputation credits and would face an effective tax rate of 30 per cent on undistributed income. Under this proposal, it is assumed that superannuation funds would only invest in trusts that distribute 100 per cent of their income and would therefore continue to be taxed at 15 per cent under this proposal.
- Trusts would pay tax on a quarterly basis. This means that trusts would pay only three-quarters of their 2014-15 tax liability in 2014-15 and one-quarter in 2015-16.
- Estimates have been rounded to the nearest \$100 million.

Methodology

The underlying cash and fiscal balance savings for this proposal were estimated by calculating the tax revenue to be paid by trusts at the company tax rate and the tax paid by beneficiaries on their distributions under the proposal, less the amount of base tax to be paid on distributions from trusts that is expected to be collected over the same period.

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Data sources

- Trust distribution data from ATO Taxation Statistics, 2005-06 to 2010-11.
- Australian tax treaties data from the Treasury website.
- International investment data from the Australian Bureau of Statistics Cat. No. 5352.0, International Investment Position, Australia: Supplementary Statistics, 2012, 2 May 2013.
- Taxation parameters from the 2013 Pre-Election Economic and Fiscal Outlook report.



COSTING – POST ELECTION REPORT

Name of proposal:	Reform capital gains tax through a 10% reduction in concession
Summary of proposal:	<p>The proposal would reduce the capital gains tax (CGT) discount for individuals and trusts from 50 to 40 per cent.</p> <p>For capital gains on taxpayers’ assets purchased on or after 11:45 am Australian Eastern Standard Time on 21 September 1999, this would result in tax being levied on 60 per cent of the nominal net capital gain. For assets purchased prior to this date, taxpayers may instead choose for tax to be levied on the difference between the disposal price and the indexed cost base.</p> <p>The proposal would have effect from September 2013.</p>
Party:	Australian Greens
Date of public release of policy:	2 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

This proposal would increase both the underlying cash and fiscal balances by approximately \$3.4 billion over the 2013-14 Budget forward estimates period. These impacts are almost entirely due to an increase in revenue.

The proposal would have an ongoing impact that extends beyond the forward estimates period.

As the proposal would apply from announcement, there is no allowance in the costing for taxpayers to change their behaviour and “bring forward” capital gains to take advantage of the larger discount prior to the start date. For the 2013-14 tax year, it has been assumed that realisation of capital gains is distributed evenly across the year.

The estimate includes estimated departmental expenses of \$3 million in 2013-14 and \$2 million in 2014-15. This would allow the Australian Taxation Office (ATO) to undertake an information and education campaign.

This costing is considered of low-medium reliability, due to the level of uncertainty in forecasting CGT revenue and any behavioural response to the policy change.

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Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-3	798	1,200	1,400
Fiscal balance (\$m)	-3	798	1,200	1,400

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

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- The first year impact has been estimated based on the assumption that capital gains are realised evenly across the financial year.
- A behavioural response to the decrease in the CGT concession has been incorporated into this costing. As a result of the smaller CGT concession, the PBO expects:
 - some investment to shift from assets on which the CGT discount can be applied (CGT assets) to other assets, and
 - investors who invest in CGT assets subject to the CGT will trade those assets less frequently.
- An average marginal tax rate for individuals claiming net capital gains has been estimated based on historic tax data, expected future income growth and announced future changes to tax rates.

Methodology

- The amount of assessable income from capital gains has been estimated for each year of the 2013-14 Budget forward estimates, based on current revenue estimates and projections of CGT.
- This base level of CGT activity has been adjusted based on the behavioural assumptions.
- An estimated average tax rate has been levied on 60 per cent of the revised net capital gains income, to give the estimated revenue under the proposal.
- The effect on revenue is estimated by taking the difference between this estimate and current CGT revenue forecasts and projections.
- This impact is adjusted to reflect that CGT revenue is collected when individuals lodge their income tax return. This means that the financial impacts occur in the financial year following the year in which the taxpayer sells the asset.
- Departmental expenses have been estimated based on amounts allocated to the ATO for similar recent measures, including the *Means-testing of government support – expanded definitions of income* to include reportable fringe benefits from the 2008-09 Budget and *Monthly PAYG instalments* for large companies from the 2012-13 Mid-Year Economic and Fiscal Outlook.
- Estimates of revenue have been rounded to the nearest \$50 million and departmental expense estimates to the nearest \$1 million.

POLICY COSTING – POST ELECTION REPORT

Data sources

- The Treasury provided the model used in estimating the tax expenditure associated with the CGT discount for individuals and trusts in the 2012 Tax Expenditure Statement and estimates and projections of revenue from CGT for years in the 2013-14 Budget forward estimates period, consistent with the 2013 Pre-Election Economic and Fiscal Outlook.



Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	Re-directing Private Health Insurance over three years
Summary of proposal:	<p>The proposal is to phase-out the Private Health Insurance Rebate (PHIR). Changes would begin to apply from 1 July 2014.</p> <p>The policy parameters for the rebate under the proposal across the 2013-14 Budget forward estimates period are outlined in Table 1.</p> <p>The Medicare Levy Surcharge (MLS) would also be abolished from 1 July 2014.</p>
Party:	Australian Greens
Date of public release of policy:	2 August 2013
Agencies from which information was obtained:	<ul style="list-style-type: none"> • The Treasury • Australian Taxation Office • the then Department of Health and Ageing, and • Department of Human Services.

Overview of costing

This proposal would be expected to increase the underlying cash balance by approximately \$10.2 billion over the 2013-14 Budget forward estimates period. This impact reflects a decrease in payments of approximately \$10.8 billion partially offset by a decrease in receipts of \$595 million.

The proposal would be expected to increase the fiscal balance by approximately \$10.9 billion over the same period. This reflects a decrease in expenses of approximately \$11.5 billion and a decrease in revenue of \$595 million.

Table 1 outlines the income thresholds for the PHIR tiers and the standard rates of the rebate under the proposal. The income thresholds that would apply from 1 July 2014 are the income thresholds applicable for 2013-14. As is currently the case, policies covering individuals aged 65 and over and attracting a non-zero rate of rebate are entitled to have an additional five per cent of their base premium covered by the rebate. Similarly, policies covering individuals aged 70 and over are entitled to a further five per cent rebate. Income thresholds would continue to be raised by \$1,500 for each dependent child after the first.

POLICY COSTING – POST ELECTION REPORT

Table 1: Private Health Insurance Rebate Policy Specification

Tier	Upper income threshold		Proportion of base premium rebated (%)		
	Single	Family	2014-15	2015-16	2016-17
-	\$88,000	\$176,000	20	10	-
1	\$102,000	\$204,000	10	-	-
2	\$136,000	\$272,000	-	-	-
3	-	-	-	-	-

The financial impacts of these proposals include both revenue and expense impacts. The revenue impact is due to the abolition of the MLS and the expense impact is largely due to the abolition of the PHIR. A disaggregation of the impact into administered expenses, departmental expenses and revenue is included in [Attachment A](#).

The impact in 2016-17 is reflective of the ongoing impact.

The estimates in this costing include an allowance for behavioural responses as taxpayers reduce private health insurance in response to the decreased private health insurance concessions.

The costing includes additional departmental expenses of \$32 million over the 2013-14 Budget forward estimates. This includes allowances for communication with stakeholders, an information campaign and preparation of legislation. This is not indicative of the long run impact of the proposal, which is estimated to reduce departmental expenses by approximately \$3 million per annum after the abolition of the rebate, due to reduced administrative costs.

This costing is considered to be of low to medium reliability. The estimates are based on projected average health insurance premiums and income distributions of individuals and couples with and without private health insurance (PHI) cover. The estimates only relate to the financial impact of decreasing the PHIR and abolishing the MLS, they do not include any estimate of flow-on impacts to public health expenditure.

Table 2: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-12	1,763	3,334	5,123
Fiscal balance (\$m)	-12	2,003	3,554	5,338

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

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 costing assumes that individuals have a negative price elasticity of PHI demand which varies according to income, with higher income policy holders being less price responsive than those on low incomes. The PBO estimates that there would be a decrease in PHI take-up as a result of the proposal.
- The majority of PHIR expenses administered by the then Department of Health and Ageing (DoHA) are delivered in the same financial year in which they accrue, with a small proportion delivered in the following financial year. PHIR expenses administered by the Australian Taxation Office are delivered in the financial year after they accrue, at the time individuals lodge their tax returns.
- MLS revenue is collected over the two years after the liability is incurred, at the time individuals lodge their tax returns.
- The policy will be implemented such that policy holders will not be able to pre-pay premiums to take advantage of the more generous rebate.

Methodology

The proposals were estimated using the PBO's PHIR and MLS simulation model. The model is based on projected income distributions of individuals and families with and without PHI which have been generated based on de-identified 2010-11 personal income tax data. Average PHI premiums were estimated using data from the Private Health Insurance Administration Council and forecast over the forward estimates period.

The potential MLS liabilities and values of the PHIR were estimated under the base policy settings and again under the proposals. PHI demand elasticities were then applied to the percentage changes in both the net PHI premium costs and MLS liabilities to estimate the behavioural response resulting from the policy change. The total PHIR expense and MLS revenue estimates under the proposal were then compared to the total under the base scenario to determine the cost of the policy.

Estimates for administered expenses and revenue have each been rounded to the nearest \$5 million per year. Estimates for departmental expenses have been rounded to the nearest \$1 million.

Data sources

- Private Health Insurance Administration Council – *Private Health Insurance Australia – Quarterly Statistics, March 2013*
- The ATO and DoHA provided an update of the forward estimates for the PHIR as at the 2013 Pre-Election Economic and Fiscal Outlook.
- The Department of Human Services and DoHA have provided information on the departmental expenses associated with changes to the rebate.

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: DISAGGREGATION OF COSTING

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

A negative expense estimate indicates a reduction in expenses, while a negative revenue estimate reflects a reduction in revenue. The effect on Budget aggregates is the revenue impact less the expense impact.

Table A1: Financial implications

Impact on	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
Underlying cash balance	-12	1,763	3,334	5,123	10,208
<i>Administered payments</i>	-	-1,775	-3,620	-5,440	-10,835
<i>Program support</i>	12	12	11	-3	32
<i>Receipts</i>	-	-	-275	-320	-595
Fiscal balance	-12	2,003	3,554	5,338	10,883
<i>Administered expense</i>	-	-2,015	-3,840	-5,655	-11,510
<i>Program support</i>	12	12	11	-3	32
<i>Revenue</i>	-	-	-275	-320	-595



COSTING – POST ELECTION REPORT

Name of proposal costed:	Lift overseas aid to 0.7% GNI and oppose cuts
Summary of proposal:	<p>The proposal would:</p> <ul style="list-style-type: none"> reverse the cuts to Official Development Assistance (ODA) included in the 2013 Economic Statement, increase ODA to 0.5 per cent of Gross National Income (GNI) by 2015-16 and 0.7 per cent of GNI by 2020-21, and establish an Office for Aid Effectiveness. <p>The proposal would commence in 2013-14.</p>
Party:	Australian Greens
Date of public release of policy:	3 September 2013
Agencies from which information was obtained:	Department of Foreign Affairs and Trade (DFAT)

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by \$5.9 billion over the 2013-14 Budget forward estimates period. This impact is due to an increase in expenses. This proposal will have an ongoing impact that extends beyond the forward estimates period. A detailed breakdown of the components of the costing is included at [Attachment A](#).

Departmental costs are expected to be significant due to the need to administer the large increase in ODA funding required to meet the targets. Based on current estimates, it is expected that departmental costs will account for approximately \$295 million of the increase in expenses over the 2013-14 Budget forward estimates period.

Departmental funding of \$0.5 million has been allocated in 2013-14 for the fit-out costs associated with establishing a new Office for Aid Effectiveness.

This costing is considered to be of high reliability as it is based on set targets and a limited number of assumptions.

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-420.5	-1,080.0	-1,855.0	-2,530.0
Fiscal balance (\$m)	-420.5	-1,080.0	-1,855.0	-2,530.0

(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.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

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

- The ODA/GNI ratio will increase on a straight line basis each year until it reaches 0.5 per cent in 2015-16 and then 0.7 per cent in 2020-21.
- DFAT's departmental costs relating to the lifting of ODA target are equal to six per cent of the change in total ODA funding in 2013-14 and 2014-15, and decline to five per cent of the change in total ODA as per the commitment in *Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16* (8 May 2012).
- Setup costs for the establishment of the Office of Aid Effectiveness would be \$0.5 million. This amount is consistent with other measures, including the establishment of the National Mental Health Commission.
- The existing resourcing for the Office of Development Effectiveness would be sufficient to accommodate the ongoing operating costs of the new body.

Methodology

The baseline ODA and GNI estimates for financial years 2013-14 onwards were obtained from DFAT. The baseline includes the cuts to ODA included in the 2013 Economic Statement, which were reversed to form part of the impact of this proposal.

The ODA/GNI ratios required to reach 0.5 per cent of GNI by 2015-16 and 0.7 per cent of GNI by 2020-21 were calculated on a straight line basis. The ratios for each year were then multiplied by the corresponding GNI estimate to calculate new ODA spending estimates to achieve the targets proposed. The baseline ODA estimates were subtracted from the new estimated ODA levels to obtain the impact of the proposal.

Data sources

- DFAT
 - Estimated ODA and GNI at the 2013 Pre-Election Economic and Fiscal Outlook
- *Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16* (8 May 2012)
<http://www.usaid.gov/au/Publications/Pages/comprehensive-aid-policy-framework.aspx>
- 2013 Economic Statement, p.58
 - Official Development Assistance – slowing growth to 2017-18

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: DETAILED BREAKDOWN OF THE COSTING

Components of costing ^(a)	2013-14	2014-15	2015-16	2016-17
Reversal of cuts to ODA included in the 2013 Economic Statement (\$m)	-	-	-168.4	-710.1
Increase of ODA target (\$m)	-420.0	-1,080.0	-1,686.6	-1,819.9
Establishment of the Office of Aid Effectiveness (\$m)	-0.5	-	-	-
Total	- 420.5	-1,080.0	-1,855.0	-2,530.0

(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.



COSTING – POST ELECTION REPORT

Name of proposal costed:	Oppose public service cuts
Summary of proposal:	The proposal would reverse the 2013 Economic Statement measure <i>Efficiency Dividend – temporary increase in the rate</i> that increased the public service efficiency dividend to 2¼ per cent for three years from 1 July 2014. This proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	2 August 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 \$1.8 billion 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.

The costing is considered to be of high reliability as it is based on reversing the *Efficiency Dividend – temporary increase in the rate* measure as published in the 2 August 2013 Economic Statement.

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-261.5	-588.8	-972.0
Fiscal balance (\$m)	-	-261.5	-588.8	-972.0

(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.

Data sources

2 August Economic Statement:

http://www.budget.gov.au/2013-14/content/economic_statement/download/06_App_B.pdf



Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Dying with Dignity
Summary of proposal:	The proposal would provide a national Dying with Dignity legislative framework similar to the Northern Territory <i>Rights of the Terminally Ill Act 1995</i> . The intention of the proposal is to allow medically supervised assisted suicide under controlled circumstances. The proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	15 August 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is not expected to impact on the underlying cash and fiscal balances. The PBO considers this activity to be a core departmental function of the Attorney-General's Department and estimates that the departmental expenses associated with this proposal would not be significant.

This costing is considered to be of high reliability as any associated departmental costs would be accommodated within the existing resources of the Attorney-General's Department.

Table 1: Financial implications (outturn prices)

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



COSTING – POST ELECTION REPORT

Name of proposal costed:	Fuel efficient cars
Summary of proposal:	<p>The proposal would phase in a fuel efficiency standard of 95g CO₂/km for new cars and 147g CO₂/km for new light commercial by 2023.</p> <p>The proposal would also apply a standard of 90g CO₂/km to the Australian Government’s car fleet by 2023.</p> <p>The proposal would have effect from 1 July 2014. The standard would be phased in gradually to 2023.</p>
Party:	Australian Greens
Date of public release of policy:	24 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 \$140 million over the 2013-14 Budget forward estimates period. This impact reflects a decrease in revenue from reduced fuel excise revenue of \$145 million and a decrease in government expenditure on fuel for its vehicle fleet of \$5 million over this period.

The proposal would have substantial financial impacts beyond the forward estimates period. These impacts would increase over time as the number of fuel efficient vehicles on the road increases.

Departmental costs are not expected to be significant and have not been included in the costing.

The financial impact of this proposal includes a number of components including reduced revenue from a reduction in fuel excise as vehicles become relatively more fuel efficient (and use less fuel) and reduced expenditure as the government spends less on fuel. The proposal would also include a reduction in GST revenue of around \$50 million from lower petrol use over the 2013-14 Budget forward estimates period. However, this would be entirely offset by reduced GST payments to the States and Territories.

A detailed breakdown of the components of the costing is included at [Attachment A](#).

This costing is considered to be of low reliability as it based on a number of assumptions and limited data on sales of light commercial vehicles.

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)	-	- 10	- 40	-90
Fiscal balance (\$m)	-	-10	-40	-90

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

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of these proposals.
- The emissions standard is assumed to be phased in linearly between 1 July 2014 and 30 June 2023. The standard is reduced by around 9g CO₂/km per year for cars, 11g CO₂/km per year for light commercial vehicles and 12g CO₂/km per year for government vehicles.
- The fuel efficiency standard applies only to new vehicle purchases.
- The emissions standard would, consistent with the European approach, be an average emissions level for new vehicles sold and not an upper limit.
- The number of new vehicles estimated to be purchased in each year grows each year in line with the historical trend.
- The PBO has assumed that all vehicles subject to the emissions standards would be subject to the full rate of fuel excise on the fuel they use (that is 38.143 cents per litre).
- The reduction in fuel use is offset by 10 per cent to reflect individuals driving fuel efficient vehicles more than they would have driven less fuel efficient vehicles. This is consistent with the offset that the United States Environmental Protection Agency estimated when examining similar standards in the US.
- It is assumed that individuals, businesses and the government spend the same amount on purchasing fuel efficient vehicles as they would have spent on less fuel efficient vehicles.

Methodology

The PBO estimated the reduction in fuel used for new cars and light commercial vehicles (purchased after 1 July 2014) under current policy settings and under the proposed fuel efficiency standard. The reduction in fuel use was multiplied by the relevant fuel excise rate to calculate the reduction in revenue.

The estimated reduction in Government expenditure on fuel use was calculated by multiplying an average forecast fuel price to estimate the total reduction in fuel costs.

All estimates have been rounded to the nearest \$5 million.

POLICY COSTING – POST ELECTION REPORT

Data sources

Passenger vehicle sales data was obtained from the Australian Bureau of Statistics (ABS) – *Sales of New Motor Vehicles*, April 2013.

Light commercial vehicle sales data was obtained from the Federal Chamber of Automotive Industries website.

Information on fuel use was obtained from the ABS – *Survey of Motor Vehicle Use, Australia*, 12 months ended 30 June 2012.

Information on historical average emissions from passenger vehicles, light commercial vehicles and government vehicles was obtained from the National Transport Commission (NTC) – *Carbon dioxide emissions from New Australian Vehicles 2012 – Information Paper*, March 2013.

Fuel price data was obtained from the Australian Institute of Petroleum website.

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: DETAILED FINANCIAL IMPLICATIONS

Table 1: Detailed financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Reduction in fuel excise revenue				
Underlying cash balance (\$m)	-	-10	-40	-95
Fiscal balance (\$m)	-	-10	-40	-95
Reduction in Government expenditure on fuel				
Underlying cash balance (\$m)	-	5
Fiscal balance (\$m)	-	5
Reduction in GST revenue				
Underlying cash balance (\$m)	-	..	-15	-35
Fiscal balance (\$m)	-	..	-15	-35
Reduction in GST expenditure to States and Territories				
Underlying cash balance (\$m)	-	..	15	35
Fiscal balance (\$m)	-	..	15	35
Net impact of the proposal				
Underlying cash balance (\$m)	-	-10	-40	-90
Fiscal balance (\$m)	-	-10	-40	-90

(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 revenue in cash terms. 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 in cash terms. “..” means not zero, but rounded to zero. Estimates rounded to the nearest \$5 million. Figures may not add due to rounding.



COSTING – POST ELECTION REPORT

Name of proposal costed:	National Capital Authority: restore funding
Summary of proposal:	The proposal would restore funding to the National Capital Authority (NCA) to 2007-08 levels (prior to the 2008-09 Budget savings measures). The proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	4 September 2013
Agencies from which information was obtained:	Not applicable

Costing overview

The proposal would restore departmental funding for the NCA to 2007-08 levels (indexed), as estimated prior to the 2008-09 Budget savings measures.

This proposal is expected to decrease the underlying cash and fiscal balances by \$16.3 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

The costing is considered to be of high reliability as the estimates use known expenditure levels and indexation rates.

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-5.7	-5.4	-5.2
Fiscal balance (\$m)	-	-5.7	-5.4	-5.2

(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.

Key assumptions

The PBO has assumed that:

- restoring the NCA to 2007-08 funding levels in 2014-15, means that the proposal would provide departmental funding for the NCA for 2014-15 that would be equivalent to the real value of 2007-08 departmental funding, and
- from that point onwards, NCA departmental funding would be subject to wage cost indexation and the efficiency dividend.

POLICY COSTING – POST ELECTION REPORT

Methodology

The 2007-08 departmental expenses from the then Department of Transport and Regional Services 2007-08 Portfolio Budget Statements were indexed to calculate the proposed level of funding for the NCA in 2014-15. This amount was then indexed each year and the efficiency dividend applied to arrive at the proposed level of departmental funding across the 2013-14 Budget estimates period. The current levels of departmental expenses as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO) were then deducted from the proposed level of funding to obtain the costing estimates.



COSTING – POST ELECTION REPORT

Name of proposal costed:	Re-powering social housing
Summary of proposal:	<p>The proposal would provide, over a 10 year period, \$3,000 to every household in social housing to be spent on a 1.5kW photovoltaic (PV) panel, insulation, energy and water efficiency initiatives, fixed heating, food gardens, and other initiatives. It would also include a training, employment and education component.</p> <p>The Commonwealth Government would fund 50 per cent of the costs.</p> <p>The proposal would have effect from 2013-14 and terminate on 30 June 2023.</p>
Party:	Australian Greens
Date of public release of policy:	3 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 \$313.2 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. Funding for this proposal would terminate on 30 June 2023.

This proposal would involve expenditure of \$78.3 million per annum for 10 years.

The PBO has included a small allocation for departmental funding in the costing to implement and manage the new program which would be part of the National Affordable Housing Agreement.

This costing is considered to be of medium reliability. The estimates are based on 2010-11 and 2011-12 data from the Report on Government Services 2013 (the 2013 Report) and used the number of Indigenous Community Housing dwellings as a proxy for the number of Indigenous Community Housing households because that data was not available.

Table 1: Financial implications (outturn prices) ^(a) ^(b)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-78.3	-78.3	-78.3	-78.3
Fiscal balance (\$m)	-78.3	-78.3	-78.3	-78.3

(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.

(b) Figures may not sum to total due to rounding.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

The PBO has made the following assumptions in calculating the estimated impact of this proposal:

- total households in social housing include the following data categories:
 - public housing
 - State Owned and Managed Indigenous Housing (SOMIH)
 - community housing, and
 - Indigenous community housing
- the number of Indigenous community housing dwellings is used as a proxy for the number of Indigenous community housing households because there is no data available for the number of households
- per annum growth in the number of households in public housing, SOMIH and community housing is based on the average growth rate of households over the period 2007-08 to 2011-12
- per annum growth in the number of households in Indigenous community housing is based on the average growth rate of dwellings over the period 2007-08 to 2010-11
- additional funding for two full-time-equivalent (FTE) staff would be required to implement and manage the program, noting that the payment of individual grants would be administered by States and Territories
- the funding to States and Territories each year would be based on grant payments to an equal number of households per annum, based on the total number of households by the end of the 10 year period, and
- the funding to States and Territories is based on the grant per household remaining fixed over the 10 year period.

The PBO has not made an assessment about whether the grant of \$3000 per household is sufficient to fully fund the proposed initiatives.

Methodology

The estimates in this costing are based on the social housing data in the 2013 Report. The estimated financial impact over the 10 year period was calculated by multiplying the estimated total number of households in social housing in Australia in 2022-23 by the fixed grant amount of \$3,000 per household. The total number of households in 2022-23 was derived by applying an average growth rate based on trend growth in households. The number of households per year receiving the grant was determined by profiling the total number of households in 2022-23 across the 10 year period of the proposal.

Data sources

The data source used for this costing is the 2013 Report on Government Services

- Table 16A.3: number of social housing dwellings at 30 June, and
- Table 16A.4: number of households in social housing at 30 June.



COSTING – POST ELECTION REPORT

Name of proposal costed:	Paid Parental Leave scheme
Summary of proposal:	<p>The proposal would replace the current Paid Parental Leave (PPL) scheme with the following elements:</p> <p>Part 1: Provide 26 weeks PPL, to be paid at the greater of the National Minimum Wage (NMW) or the primary carer's replacement wage (capped at a maximum salary of \$100,000 per annum). The scheme would also include superannuation contributions at the superannuation guarantee rate.</p> <p>For partnered parents, an additional two weeks would be available as paid partner leave at the greater of the NMW or 100 per cent of the partner's replacement wage (capped at a maximum salary of \$100,000 per annum).</p> <p>Payments would be made through the Department of Human Services.</p> <p>Part 2: Impose a 1.5 per cent levy on that part of company taxable income over \$5 million. This levy would generate franking credits.</p> <p>The proposal would have effect from 1 July 2014.</p>
Party:	Australian Greens
Date of public release of policy:	23 July 2013
Agencies from which information was obtained:	<ul style="list-style-type: none"> • The former Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), and • Department of Human Services (DHS)

Costing overview

The proposal is estimated to decrease the underlying cash balance by around \$2.55 billion over the 2013-14 Budget forward estimates period. Over the same period, this proposal is expected to decrease the fiscal balance by around \$2.52 billion.

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)	190	-1,735	-615	-385
Fiscal balance (\$m)	190	-1,715	-605	-385

(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. 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.

The financial impact of the proposal in the forward estimates period is not indicative of its longer term ongoing impact as it is significantly affected by the timing of collections of the levy on company taxable incomes in the initial period of operation. The proposal would have an ongoing net negative impact beyond the forward estimates period of around \$600 million per year.

Part 1: Paid Parental Leave.

The proposed extension to the PPL program is expected to decrease the underlying cash balance by around \$7.25 billion and decrease the fiscal balance by \$7.22 billion over the 2013-14 Budget forward estimates period.

The underlying cash balance impact of this part reflects an increase in expenditure of \$9.76 billion and an increase in receipts of \$2.51 billion over the 2013-14 forward estimates period. The fiscal balance impact reflects an increase in expenses of \$9.73 billion and an increase in revenue of \$2.51 billion over this period. A further disaggregation of Part 1 of the costing can be found at [Attachment A](#).

These impacts would be ongoing beyond the 2013-14 forward estimates period.

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.

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

Part 1 of the costing includes departmental costs of \$35 million over the 2013-14 forward estimates period. This estimate reflects a number of factors: an information campaign, IT changes to make systems compatible with paying PPL at a rate proportional to the recipients' replacement wage, additional upfront costs to clarify a person's replacement wage when they apply for PPL, additional transactional costs associated with paying PPL for 26 weeks rather than 18 and also making payments to superannuation funds. These estimates have been based on consultation with the Department of Human Services and expenditure on advertising for recent changes to family payments, such as the Schoolkids Bonus and the Clean Energy Future Household Assistance Package.

POLICY COSTING – POST ELECTION REPORT

The underlying cash balance impact of this proposal differs from the fiscal balance impact due to the FTB supplement and lump sum FTB payments, along with LISC payments being made in the year following the liability being accrued.

The estimates in this costing differ from the costing prepared by the PBO during the election caretaker period (GRN011). The PBO has revised its estimates of the incomes of secondary carers. This impacts the degree to which families take up the optional secondary carer component of the scheme.

The cost of the 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' worth of payments in this financial year. The estimated saving from the current PPL scheme in 2014-15 is less than the current expense estimate for the program in that year. This reflects the fact that some families who have a child in 2013-14 would still complete their PPL period under the old scheme in 2014-15.

The costing estimate for Part 1 is considered to be of low to medium reliability, as the costing is based on heavily aggregated data and reliant on several assumptions. The estimates in this costing are sensitive to changes in the National Minimum Wage, fertility rates, the participation of women in the labour market, and the wages primary carers (and their partners) earn.

Part 2: 1.5 per cent levy on that part of company taxable income over \$5 million – levy generates franking credits

Imposing a 1.5 per cent levy on that part of a company's taxable income over \$5 million with the levy generating franking credits would increase both the underlying cash and fiscal balances by \$4.7 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue. Detailed financial implications for Part 2 are included at [Attachment B](#).

These impacts will be ongoing beyond the 2013-14 forward estimates period.

Departmental expenses are expected to be minimal for Part 2 of this proposal and have not been included in this costing.

The costing of Part 2 is considered to be of medium reliability as modelling is based on historical tax data and several assumptions. Possible behavioural responses to this part of the proposal are uncertain.

Key assumptions

The PBO has made the following assumptions regarding this costing.

Part 1: PPL

General assumptions

- 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.
- The transaction costs for making PPL payments through employers are assumed to be equivalent to those incurred by paying PPL through DHS.

POLICY COSTING – POST ELECTION REPORT

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.
- 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.

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 2013-14, 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.

Part 2: Company Tax Levy

General assumptions

- Superannuation funds and the superannuation business of life insurance companies would 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

- With a start date of 1 July 2014 and announcement of the proposal 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 introduction of the levy. 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.

POLICY COSTING – POST ELECTION REPORT

- The PBO has assumed that around 0.375 per cent of company taxable income over \$5 million would be brought forward around the commencement of this proposal in order to avoid an announced levy on company income in excess of \$5 million.

Impact of the imputation system

- As specified by the applicant, the 1.5 per cent levy on company taxable income in excess of \$5 million would be creditable for dividend imputation purposes and flows through into the rate at which dividends are franked. This means a proportion of the increased tax paid at the company level will flow through to resident shareholders as imputation credits which they can then use to reduce their own tax liabilities.
- The PBO has assumed that companies with taxable income less than \$5 million would also be required to frank their dividends at the same rate as companies with taxable income in excess of \$5 million.
- With regard to company dividends and imputation, the PBO has assumed that the impact of the levy would be absorbed by companies and would not impact on the level of cash dividends paid.

Timing assumptions

The PBO has assumed that the levy is collected via the company pay as you go (PAYG) instalment system. This means the levy would have the same timing as general company tax collections. This costing assumes that the Australian Taxation Office (ATO) will not vary company instalment calculations in response to the company levy. Instalment rates are calculated by the ATO based on the amount of tax paid by a company in the previous year and are not based on the statutory company rate.

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 company levy. If the ATO were to vary instalments to take account of the impact of the company levy, 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.

Data sources

The costing estimate for Part 1 relied on aggregated data on the incomes of PPL recipients in 2012-13 along with forward estimates of expenses and recipient numbers for both Parental Leave Pay and Dad and Partner Pay, which were provided by FaHCSIA.

The Australian Bureau of Statistics' Survey of Income and Housing confidentialised unit record files and their publication *Survey of Pregnancy and Employment Transitions* were also analysed to help inform assumptions used in the costing.

Data sources for Part 2 include ATO tax return data for companies, individuals and the superannuation business of life insurance companies up to the 2010-11 financial year. The data includes entities that are taxed as companies.

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A

This attachment provides a disaggregation of the costing of Part 1 of the proposal.

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

Table A1: Disaggregation of PPL costing – Cash basis

(\$m)	2013-14	2014-15	2015-16	2016-17	Total
<i>Payments</i>					
Paid Parental Leave	-	2,540	3,630	3,850	10,020
<i>Consisting of:</i>					
<i>New Primary Carer Scheme (including SG)</i>	-	3,750	5,180	5,450	14,380
<i>Existing Parental Leave Pay</i>	-	-1,530	-1,860	-1,920	-5,310
<i>New Secondary Carer Scheme (including SG)</i>	-	390	390	400	1,180
<i>Existing Dad and Partner Pay</i>	-	-70	-80	-80	-230
Family Tax Benefit (Parts A and B)	-	-80	-120	-120	-320
Low Income Super Contribution	-	-	10	10	20
Total administered payments	-	2,460	3,520	3,740	9,720
Departmental expenses	10	15	5	5	35
<i>Receipts</i>					
Personal Income Tax	-	590	830	880	2,300
Superannuation Contributions Tax	-	50	80	80	210
Total receipts	-	640	910	960	2,510
Impact on underlying cash balance	-10	-1,835	-2,615	-2,785	-7,245

Table A2 provides estimates on a fiscal balance basis. A positive number for expenses reflects an increased liability incurred by the Commonwealth, while a positive number for revenue reflects an increase in money owed to the Commonwealth. The effect on the fiscal balance is the change in revenue less the change in expenses.

Table A2: Disaggregation of PPL costing – Fiscal balance basis

(\$m)	2013-14	2014-15	2015-16	2016-17	Total
<i>Expenses</i>					
Paid Parental Leave	-	2,540	3,630	3,850	10,020
<i>Consisting of:</i>					
<i>New Primary Carer Scheme (including SG)</i>	-	3,750	5,180	5,450	14,380
<i>Existing Parental Leave Pay</i>	-	-1,530	-1,860	-1,920	-5,310
<i>New Secondary Carer Scheme (including SG)</i>	-	390	390	400	1,180
<i>Existing Dad and Partner Pay</i>	-	-70	-80	-80	-230
Family Tax Benefit (Parts A and B)	-	-110	-130	-120	-360
Low Income Super Contribution	-	10	10	10	30
Total administered expenses	-	2,440	3,510	3,740	9,690
Total departmental expenses	10	15	5	5	35
<i>Revenue</i>					
Personal Income Tax	-	590	830	880	2,300
Superannuation Contributions Tax	-	50	80	80	210
Total revenue	-	640	910	960	2,510
Impact on fiscal balance	-10	-1,815	-2,605	-2,785	-7,215

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT B

This attachment provides a disaggregation of the costing of Part 2 of the proposal.

Table B1: Revenue impact of the company levy – Cash and fiscal balance basis^(a)

(\$m)	2013-14	2014-15	2015-16	2016-17	Total
<i>Revenue</i>					
Company Tax	200	300	3,400	4,000	7,900
Personal Income Tax	-	-200	-1,400	-1,600	-3,200
Total revenue	200	100	2,000	2,400	4,700
Effect on cash and fiscal balance	200	100	2,000	2,400	4,700

(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. 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 receipts in cash terms.



COSTING – POST ELECTION REPORT

Name of proposal to be costed:	Safer pathways for refugees policy, Refugee health, and End immigration detention (previously <i>Safer pathways for refugees</i>)
Summary of proposal:	<p>The proposal would:</p> <ol style="list-style-type: none"> 1) increase Australia’s humanitarian program by 10,000 places a year, from 20,000 to 30,000 2) provide \$70 million a year in grants to the UN High Commissioner for Refugees (UNHCR) to enable faster assessment, resettlement and better protection for refugees 3) establish a Refugee Health Advisory Panel 4) establish a 30-day time limit for on-shore detention of Irregular Maritime Arrivals (IMA) (including Christmas Island) for initial health, security and identity checks before community release for the duration of their assessment for refugee status 5) increase payments provided to IMAs while in the community by increasing all currently provided services 6) close Regional Processing Centres (RPCs) on Nauru and Manus Island, and 7) close the on-shore detention centres at Curtin, Scherger, Wickham Point, Northern and some sites on Christmas Island. <p>The proposal would have effect from 1 January 2014.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	4 September 2013
Date costing completed:	5 September 2013
Date of public release of policy:	31 July 2013, 6 & 21 August 2013
Additional information requested (including date):	Clarification was sought from Senator Milne’s Office on 5 September 2013 as to whether increasing payments provided to IMAs while in the community by increasing all currently provided services, remained an element of the package of proposals.

POLICY COSTING – POST ELECTION REPORT

Additional information received	On 5 September 2013, Senator Milne’s Office advised that increasing payments provided to IMAs while in the community by increasing all currently provided services, would remain an element of the package of proposals.
Agencies from which information was obtained:	<ul style="list-style-type: none"> • Former Department of Immigration and Citizenship (DIAC) • Former Department of Finance and Deregulation (Finance)

Costing overview

This proposal is expected to decrease the underlying cash balance by \$514.1 million and decrease the fiscal balance by \$507.8 million over the 2013-14 Budget forward estimates period. This impact is due to a net increase in expenses. This proposal would have an ongoing impact that extends beyond the forward estimates period. A detailed breakdown of the financial implications of the proposal is given in Table A1 at [Attachment A](#).

The costings of the following proposals are considered to be of medium to high reliability, given they are based on either good available data or a capped amount of funding as specified in the costing request:

- increase Australia’s humanitarian program by 10,000 places a year
- provide \$70 million a year in grants to the UNHCR, and
- establish a Refugee Health Advisory Panel.

The costings of following proposals are considered to be of low reliability due to uncertainty regarding savings from shutting down on-shore detention centres (see [Key assumptions](#)):

- establish a 30-day time limit on onshore detention for initial health, security and identity checks before releasing asylum seekers into the community for the term of their refugee assessment
- increase payments provided to IMAs while in the community
- close the on-shore detention centres at Curtin, Scherger, Wickham Point, Northern and some sites on Christmas Island.

The estimated savings from the closure of RPCs on Nauru and Manus Island differs from that which was costed by the PBO during the caretaker period. The costing minute prepared during the caretaker period included the PBO’s estimate of savings of \$970.5 million associated with closing down the RPC on Nauru. This estimate included \$859.4 million for ongoing operational costs for the Nauru RPC in 2014-15 and later years on the assumption that these costs were included in the forward estimates, based on statements by the former Government indicating that provision for the cost of operating the processing facilities on Nauru 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). The PBO has been unable to verify the magnitude of that provision and so cannot confirm the savings to the budget from closing down the Nauru RPC. Consequently, the savings from closing down the Nauru RPC are no longer included in this costing.

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)	399.2	-160.3	-326.2	-426.9
Fiscal balance (\$m)	399.1	-160.5	-326.0	-420.5

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

Key assumptions

The PBO has assumed that:

- RPC on Manus Island will close immediately after this proposal takes effect on 1 January 2014
- onshore detention facilities not mentioned above will remain open or on standby even if empty
- the new facility at Blaydin Point and other planned extensions to the on-shore detention network outlined in the 2013 Economic Statement would not be constructed, and
- the RPC on Manus Island would not be constructed.

Finance and DIAC have advised the PBO that the cost of operating an RPC on Nauru is not included in the forward years (2014-15 to 2016-17) for the current Program estimates.

Methodology

The PBO has estimated the cost of increasing the humanitarian program by a further 10,000 places by using the same proportion of costs across agencies (including departmental costs) as used in the 2012-13 MYEFO measure which increased the humanitarian program by 6,250 places.

A detailed breakdown of the components of this part of the costing is included in Table A2 at [Attachment A](#).

The PBO used DIAC's *Demand Driven Model for Irregular Maritime Arrivals* to simulate elements relating to reducing the time spent in held detention, increasing payments to IMAs in the community, and closing select on-shore detention centres. The simulation outcome was subtracted from the simulation outcome as at the 2013 Pre-election Economic and Fiscal Outlook to determine the savings from these elements. The 2013-14 results were then halved to account for a 1 January 2014 start date.

Estimated savings from closing RPCs on Manus are based on advice from DIAC and Finance on the operational cost for Manus Island.

The 2013 Economic Statement contained a number of measures that affected the *Offshore Asylum Seeker Management* Program. These included building a new facility at Blaydin Point and a temporary expansion of the existing on-shore detention network. The PBO has reversed these measures as they would likely not be required since this proposal would substantially reduce the number of IMAs in Held Detention.

POLICY COSTING – POST ELECTION REPORT

A detailed breakdown of the components of this part of the costing is included in Table A3 at [Attachment A](#).

Data sources

- DIAC's Demand Driven Model for Irregular Maritime Arrivals
- Finance's Central Budget Management System

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A

Table A1: Breakdown of cost components, financial implications (outturn prices)^(a)

Impact on underlying cash balance	2013-14	2014-15	2015-16	2016-17	Total
Increasing humanitarian intake by 10,000 places (see Table A2)	-221.4	-610.2	-766	-946.2	-2,543.8
Grant funding to UNHCR	-70	-70	-70	-70	-280
Establishing a Refugee Health Advisory Panel	-	-1	-1	-	-2
Changed arrangements for detention of asylum seekers (see Table A3)	690.6	520.9	510.8	589.3	2,311.7
Total	399.2	-160.3	-326.2	-426.9	-514.1
Impact on fiscal balance	2013-14	2014-15	2015-16	2016-17	Total
Increasing humanitarian intake by 10,000 places (see Table A2)	-221.5	-610.4	-765.8	-939.8	-2,537.5
Grant funding to UNHCR	-70	-70	-70	-70	-280
Establishing a Refugee Health Advisory Panel	-	-1	-1	-	-2
Stopping detention of asylum seekers (see Table A3)	690.6	520.9	510.8	589.3	2,311.7
Total	399.1	-160.5	-326	-420.5	-507.8

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

POLICY COSTING – POST ELECTION REPORT

Table A2: Breakdown of cost for increasing the humanitarian intake by 10,000 places, financial implications (outturn prices)^(a)

	2013-14	2014-15	2015-16	2016-17
Impact on underlying cash balance				
<i>Payments (\$m)</i>	-244.9	-708.3	-925.9	-1,164.7
<i>Receipts (\$m)</i>	23.4	98.1	159.8	218.4
Total (\$m)	-221.4	-610.2	-766.0	-946.2
Impact on fiscal balance				
<i>Expenses (\$m)</i>	-246.3	-711.3	-929.0	-1,158.4
<i>Revenue (\$m)</i>	24.8	101.0	163.2	218.6
Total (\$m)	-221.5	-610.4	-765.8	-939.8

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

POLICY COSTING – POST ELECTION REPORT

Table A3: Establish a 30-day time limit, close down remote and offshore detention centres and increase welfare levels, financial implications (outturn prices)^(a)

Savings (\$m)	2013-14	2014-15	2015-16	2016-17	Total
Savings from having less people in Held Detention	190.2	243.6	256.8	234.9	925.5
Closing the RPC on Manus Island (and not building another)	266.5 ^(b)	145.9	158.1	256.7	827.2
Closing the RPC on Nauru ^(d)	111.1	-	-	-	111.1
Not pursuing other measures in Economic Statement ^(c)	55.1	28.4	-1.2	-0.4	81.9
Closing specified on-shore detention centres	67.7	103.0	97.1	98.1	366.0
Total	690.6	520.9	510.8	589.3	2,311.7

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

(b) Closing the Manus Island RPC on 1 January 2014 would recoup \$44.1 million in 2013-14.

(c) Includes savings from not proceeding with the construction of facilities at Blydyn Point.

(d) No savings have been included beyond 2013-14 given that operational funding for offshore processing at Nauru is not included in the program's estimates beyond 2013-14.



COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Veterans (previously <i>Caring for veterans and their families</i>)
Summary of proposal:	<p>The proposal would fund a suite of fourteen initiatives that would :</p> <ul style="list-style-type: none"> i) Care for veterans by: <ul style="list-style-type: none"> a) providing \$6 million to develop mental health support b) funding research into specific needs of female veterans c) recognising the service of British and Commonwealth Occupation Forces (BCOF), SEATO nurses and the Australian Women’s Land Army (WLA), giving them access to the services and benefits they deserve, and d) ensuring injured service personnel are entitled to the income tax exemptions that apply under Section 23AD of the Income Tax Assessment Act 1936 for the period in which the exemptions would have applied had the person not been injured. ii) Care for veterans’ families by: <ul style="list-style-type: none"> e) allowing children of veterans acting as a carer, and parents and siblings of veterans killed in service, to access counselling through the Veterans and Veterans’ Families Counselling Service (VVCS) f) granting bereavement payments to partners who have separated from their veteran partner due to veterans’ mental health issues g) increasing funeral benefits under the <i>Veterans’ Entitlements Act 1986</i> from \$2,000 to \$4,000 h) making the Department of Veterans’ Affairs responsible for assessing the eligibility of veterans’ carers for the Centrelink Carer Allowance i) changing the current situation regarding Carer Allowance so it is no longer cancelled after the veteran has been hospitalised for six weeks j) reviewing the carer supplement every five years k) increasing Veterans’ Home Care respite services to 260 hours per year l) establishing and maintaining a ‘Jobs for Defence Families’ website m) funding the Defence Community Organisation to provide induction and support seminars for defence families, and

POLICY COSTING – ELECTION CARETAKER PERIOD

	<p>n) bringing forward the reporting date for the Vietnam Veterans' Family Study to December 2013.</p> <p>The package would have effect from 1 July 2014, with the exception of the proposal to bring forward the reporting date for the Vietnam Veterans' Family Study to 31 December 2013.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	2 September 2013
Date costing completed:	5 September 2013 (revised on 13 September 2013)
Date of public release of policy:	29 August 2013
Agencies from which information was obtained:	<ul style="list-style-type: none"> • Department of Veterans' Affairs (DVA) • Department of Defence • Department of Education, Employment and Workplace Relations • Department of Families, Housing, Community Services and Indigenous Affairs • Department of Finance and Deregulation • Department of Human Services

Costing overview

The package of proposals is expected to decrease the underlying cash balance by \$108.1 million and fiscal balance by \$109.1 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

Overall, the package is considered to be of medium to high reliability with the following proposals considered to be of medium reliability:

- *Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits*: is based on estimated beneficiary populations and an average DVA cost per beneficiary, which in actual terms may vary
- *Carer Allowance – modifying rules for suspension*: there is uncertainty on how the change in arrangements would affect the individuals' awareness of their eligibility to claim the allowance
- *Carer Supplement Review*: there is uncertainty around the scope of the review
- *Increase Veterans' Home Care respite services*: there are data limitations regarding veterans using residential respite care, and
- *Vietnam Veterans' Family Study*: there is uncertainty around the amount of funding required to complete the report by 31 December 2013.

POLICY COSTING – POST ELECTION REPORT

- *Ensuring injured service personnel are entitled to income tax exemptions while being treated:* this proposal is expected to have an unquantifiable but very small financial impact.

Table 1: Financial implications (outturn prices) ^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-2.0	-35.9	-35.8	-34.4
Fiscal balance (\$m)	-2.0	-37.1	-35.7	-34.3

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

A breakdown of the impact on each component of the proposal, including the duration of each policy is included at [Attachment A](#).

Key assumptions

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits as per advice from DVA and the Department of Finance and Deregulation:

- the estimated SEATO nurses population of 133 on 1 July 2014 (declining to 127 by 1 July 2016)
- the estimated BCOF veteran population of 450 on 1 July 2014 (declining to 338 by 1 July 2016)
- of surviving BCOF veterans, 50 per cent qualify for the Gold Card through other World War II service, and of the residual, 55 per cent have a Gold Card via other eligibilities
- of surviving BCOF veterans that do not have a Gold Card, 50 per cent have a White Card
- due to other World War II service, BCOF veterans would already have access to support pensions
- the estimated average cost per beneficiary (including access to the Gold Card) of \$22,800 in 2014-15 rising to \$25,000 by 2016-17
- there would be offsetting savings to the Medical and Pharmaceutical Benefits Schemes as patients will no longer claim benefits under these schemes. Offsets per beneficiary are estimated to be \$3,566 in 2014-15 growing to \$3,848 in 2016-17, and
- the average departmental cost per client for DVA to administer the activity is approximately \$1,000.

The PBO has assumed that 100 per cent of beneficiaries would take up the entitlements and that the age of WLA members from the peak enrolment in 1943 was evenly distributed over the recruitment ages of 18 to 50.

Funeral benefits

The PBO has assumed that an increase in the maximum benefit amount would not encourage claimants who do not currently claim the \$2,000 to claim the higher amount in this proposal.

Carer allowance assessment – DVA

In costing this proposal, the PBO has assumed:

- the assessment of veterans by DVA would cost no more than were the assessments to continue to be carried out by DHS

POLICY COSTING – POST ELECTION REPORT

- the cost of conducting two-yearly ‘remote reviews’ would equate to the cost of conducting similar ‘circumstance reviews’ which are currently undertaken by DHS for recipients of Carer Allowance, and
- the cost to develop a new veteran-specific application form (or to amend the current form) would be minimal.

Carer allowance – no longer cancelled after hospitalisation

In costing the proposal the PBO has assumed no additional demand for Carer Allowance as a result of this proposal, noting the recipients have the same regulatory requirement to prove their eligibility regardless of their benefit being suspended or cancelled. This also means the workload of the Department of Human Services is unchanged as the evidence that needs to be assessed remains the same.

The PBO understands that the current program for administering the Carer Allowance payment has the capacity to either suspend or cancel payments. Therefore, no additional funding has been included for IT changes.

Carer supplement review

In costing this proposal, the PBO has assumed that this internal review could be conducted by a team of three people over the course of six months. This is consistent with the average funding for a basic program review by other agencies.

Increase Veterans’ Home Care respite services

The PBO has made the following assumptions in calculating the estimated impact of this proposal:

- all veterans currently utilising more than 81 hours of in-home care per year would use an additional 64 hours per annum
- all veterans currently utilising more than 181 hours of residential care per year would use around nine extra days of care
- the number of veterans approved to use residential care is equal to the number of veterans using residential respite care
- the estimates for residential respite care would grow in line with the average trend growth in the forward estimates for in-home respite care (ie around 3 per cent per annum). This takes into account indexation and change in demand
- additional departmental expenses for three staff, and
- a two-month lag between claims and payments.

In addition to the above, the PBO has not included any offsets from other programs because the impact is expected to be minimal and data availability is limited.

Establish and maintain a ‘Jobs for Defence Families’ website

In costing this proposal, the PBO has assumed the Australian JobSearch (AJS) website established and maintained by the Department of Education, Employment and Workplace Relations (DEEWR) is similar in function and design to the proposed ‘Jobs for Defence Families’ website.

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Provide enhanced induction and support seminars for defence families

Consistent with the costing request, the proposal is similar to the Defence Transition Seminars.

The PBO has assumed the cost per seminar and the number of seminars to be conducted under the proposal is similar to those of the Defence Transition Seminars.

Vietnam Veterans' Family Study

The PBO has assumed that bringing forward the funding in the final year (from 2014-15 to 2013-14) would provide sufficient resources to enable the report to be finalised by 31 December 2013.

Methodology

Research into specific needs of female veterans

The current funding profile for 'Health and Medical Research' listed under Program 2.5 in the Department of Veterans' Affairs' Portfolio Budget Statement was multiplied by 25 per cent, consistent with the costing request.

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits

The total cost for each element annually was derived by multiplying the cost per beneficiary by the estimated population, less the assumed benefit schemes offsets, with the application of the claims processing lag to differentiate between underlying cash and fiscal balance.

The estimated population for the WLA members is 220 in 2014-15 (declining to 143 in 2016-17), based on applying the Australian Bureau of Statistics survival and mortality rates to the peak number of WLA permanent and auxiliary members totalling 3421 (the 1943 enrolment figure from the Australian War Memorial).

Departmental costs for DVA to administer the activity are based on multiplying the average cost per beneficiary by the estimated population, less any overlap costs from existing White Card beneficiaries.

Ensuring injured service personnel are entitled to income tax exemptions while being treated

A member of the Defence Force is eligible for an income tax exemption under Section 23AD of the *Income Tax Assessment Act 1936* if, among other things, they are on eligible duty in a specified area outside of Australia. Eligible duty for the purposes of Section 23AD of the *Income Tax Assessment Act 1936* is defined by Regulation 7A of the *Income Tax Regulations 1936* (the Regulations).

The cost of the proposal to ensure that injured service personnel are entitled to the income tax exemption while being treated would be equal to the estimated personal income tax that would be payable on their salary and allowances if they were fully taxable, for the lesser of the period of treatment or, if they do not return to the deployment, the time remaining in their scheduled period of deployment. The expected cost of the exemption would in turn, be proportional to number of service personnel deployed, the expected casualty rate and the average recovery time.

This proposal could be expected to have a financial impact that ranges from zero to a very small but unquantifiable cost over the forward estimates period. This is because, with the scheduled

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drawdown of Australia's commitment to Afghanistan, there would only be two personnel who would be eligible to benefit from this proposal, should they be injured.¹

Should Regulation 7A of the *Income Tax Regulations 1936* be amended in the future to declare military operations to be eligible for an exemption, the cost of doing so would be increased as a result of this proposal.

Expanding eligibility to the VVCS

The number of children who are caring for veteran parents was derived by multiplying the recipient forecasts for the *Carers Allowance – Adult* payment by the percentage of the Australian population that are veterans.

The percentage of the population that are veterans was derived by dividing DVA's projected number of veterans by projections of the total Australian population published by the Australian Bureau of Statistics in their Population Projections Series B.

The percentages and costs outlined below all reflect the data and assumptions used by DVA in the costing of the 2013-14 Budget measure, *Mental health services – expansion*:

- assumed utilisation of VVCS services by these new eligible cohorts was established by accounting for the percentages of people who are likely to have experienced a mental health episode in the last 12 months and those likely to seek VVCS services
- a staggered implementation has been applied to this costing, which would see 100 per cent uptake of services by these new cohorts by 2016-17, and
- a reduction in administered expenses for the Department of Health and Ageing and the Department of Human Services (DHS) have been also included as a result of less people using services provided under the Medicare Benefits Scheme (MBS). These reductions in expenses were determined proportionally to the new client population.

The additional clients were estimated by adding the following:

- the number of children acting as a veteran parent's carer: derived by multiplying the number of children caring for a veteran parent by the percentage of people who have experienced a mental health condition in the past 12 months and then again by the percentage of these people likely to seek VVCS services, and
- siblings of veterans killed in service: derived by multiplying the total deceased servicemen and women since World War 2 by the average number of siblings published in the 2011 census.

Bereavement payments

Upon the death of a veteran, the bereavement payment would be made to the ex-partner of the veteran instead of being paid to the veteran's estate. As the costing is based on redirecting the same amount to the estate, the proposal would not impact the underlying cash or fiscal balances.

¹ On 5 August 2013 Regulation 7A of the Regulations was amended to extend the tax exemption for pay and allowances for Australian Defence Force members serving on Operation Palate II from 31 December 2013 to 31 December 2014. Under Operation Palate II, two Australian Army officers serve as military advisers within the United Nations Assistance Mission to Afghanistan Military Adviser Unit, based in Kabul and Kandahar. See <http://www.defence.gov.au/op/afghanistan/info/general.htm> for further details.

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Funeral benefits

The estimates in this costing are derived from doubling the current forward estimates for funeral benefits, given that the benefit per claimant would double from \$2,000 to \$4,000 as per costing request. For example, in the first year, the current 2014-15 estimate of \$13.1 million for this program was doubled to arrive at a total estimated cost of \$26.2 million. The current estimate was then subtracted to arrive at a net cost to budget of \$13.1 million.

Carer allowance assessment – DVA

The PBO has estimated that a one-off \$1 million cost would be incurred by DVA to change the IT system to accommodate the new arrangements. This cost, including the expenditure profile, is based on estimates to create a similar IT system for DVA in a 2010-11 Budget measure, 'Veterans' Pharmaceutical Reimbursement Scheme – establishment'.

Carer allowance – no longer cancelled after hospitalisation

No additional funding has been allocated to this proposal because the workload of the Department of Human Services remains unchanged and the current IT system has the capacity to implement this proposal.

Carer Supplement Review

The PBO has estimated that the internal review could be conducted by three staff over six months at a cost of \$0.2 million in 2014-15.

Increase Veterans' Home Care respite services

The estimates in this costing are derived from multiplying the additional hours of respite care, by the number of clients affected and by the cost of the care funded by DVA. The information is based on 2012-13 client data and costs.

Departmental expenses for three staff to undertake claims processing at a total cost of \$0.3 million has been included.

Establish and maintain a 'Jobs for Defence Families' website

A detailed breakdown of the establishment cost for the AJS website was obtained from DEEWR. Any expenditure related to specific DEEWR programs other than the job matching function of the website has been excluded. The resulting proportional decrease in establishment cost is also applied to the operating cost of the AJS to arrive at the estimated operating cost of the proposed website.

In 2013-14, funding of \$1.1 million represents the upfront cost of establishing the website.

Provide enhanced induction and support seminars for defence families

The costing is based on a similar program as identified in the request.

Vietnam Veterans' Family Study

The current funding of \$0.9 million in the final year (2014-15) has been brought forward to the 2013-14 Budget year.

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Data sources

Research into the specific needs of female veterans

Department of Veterans' Affairs 2013-14 Portfolio Budget Statement

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits

Australian Bureau of Statistics - Life Tables, States, Territories and Australia, 2009-2011:

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3302.0.55.001Explanatory%20Notes12009-2011?OpenDocument>

Australian War Memorial: http://www.awm.gov.au/encyclopedia/homefront/land_army/

Expanding eligibility to the VVCS

2011 Census QuickStats, Australian Bureau of Statistics,

http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/0

Department of Veterans' Affairs, *Veterans' Entitlements Act 1986* population projections

<http://www.dva.gov.au/aboutDVA/Statistics/Documents/ExecutiveSummaryDecember2012.pdf>

3222.0 - Population Projections, Australia, 2006 to 2101, Australian Bureau of Statistics,

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3222.0>

Funeral Benefit

Department of Veterans' Affairs - Portfolio Budget Statements 2013-14

<http://www.dva.gov.au/aboutDVA/publications/corporate/budget/2013-2014/Documents/dvapbs.pdf>

Department of Veterans' Affairs Annual Report 2011-12

<http://www.dva.gov.au/aboutDVA/publications/corporate/annualreport/2011-12/Documents/annrep.pdf>

Increase Veterans' Home Care respite services

Department of Veterans' Affairs

- Cost and client numbers of respite services
- 2013-14 Portfolio Budget Statement (in-home respite care budget and forward estimates)

Establish and maintain a 'Jobs for Defence Families' website

Department of Education, Employment and Workplace Relations

Cost of establishing and operating the Australian JobSearch website

Provide enhanced induction and support seminars for defence families

Department of Defence

- Cost of establishing and operating the Defence Transition Seminars

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Vietnam Veterans' Family Study

Department of Veterans' Affairs Vietnam Veterans' Family Study webpage

http://www.dva.gov.au/health_and_wellbeing/research/FamilyStudyProgram/vietnam_vets_family_study/Pages/index.aspx

2007-08 Mid-Year Economic and Fiscal Outlook – Appendix A – Policy decisions taken since the 2007-08 Budget

http://budget.gov.au/2007-08/myefo/download/11_appendix_a.pdf

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ATTACHMENT A: BREAKDOWN OF COSTS BY COMPONENT

Table A1: Financial implications (outturn prices)^{(a) (b)}

Underlying cash and fiscal balance impacts	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	Total (\$m)
<i>Develop mental health support^(c)</i>					
Underlying Cash Balance	-	-2.0	-2.0	-2.0	-6.0
Fiscal Balance	-	-2.0	-2.0	-2.0	-6.0
<i>Research into the specific needs of female veterans^(d)</i>					
Underlying Cash Balance	-	-0.9	-0.9	-0.9	-2.7
Fiscal Balance	-	-0.9	-0.9	-0.9	-2.7
<i>Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits^(d)</i>					
Underlying Cash Balance	-	-14.3	-14.1	-13.0	-41.4
Fiscal Balance	-	-15.5	-14.0	-12.9	-42.4
<i>Ensuring injured service personnel are entitled to income tax exemptions while being treated</i>					
Underlying Cash Balance	-	*	-	-	*
Fiscal Balance	-	*	-	-	*
<i>Expanding eligibility to the VVCS^(d)</i>					
Underlying Cash Balance	-	-0.2	-0.3	-0.5	-1.0
Fiscal Balance	-	-0.2	-0.3	-0.5	-1.0
<i>Grant bereavement payment to separated partners due to 'Special Domestic Circumstances'</i>					
Underlying Cash Balance	-	-	-	-	-
Fiscal Balance	-	-	-	-	-
<i>Funeral Benefit^(d)</i>					
Underlying Cash Balance	-	-13.1	-12.7	-12.3	-38.1
Fiscal Balance	-	-13.1	-12.7	-12.3	-38.1
<i>Carer allowance assessment^(e)</i>					
Underlying Cash Balance	-	-0.8	-0.2	-	-1.0
Fiscal Balance	-	-0.8	-0.2	-	-1.0

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Underlying cash and fiscal balance impacts	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	Total (\$m)
<i>Carer allowance – no longer cancelled after hospitalisation</i>					
Underlying Cash Balance	-	-	-	-	-
Fiscal Balance	-	-	-	-	-
<i>Carer Supplement Review^(d)</i>					
Underlying Cash Balance	-	-0.2	-	-	-0.2
Fiscal Balance	-	-0.2	-	-	-0.2
<i>Increase Veterans' Home Care respite services^(d)</i>					
Underlying Cash Balance	-	-4.8	-5.0	-5.1	-14.9
Fiscal Balance	-	-4.8	-5.0	-5.1	-14.9
<i>Establish and maintain a 'Jobs for Defence Families' website^(d)</i>					
Underlying Cash Balance	-1.1	-0.2	-0.2	-0.2	-1.7
Fiscal Balance	-1.1	-0.2	-0.2	-0.2	-1.7
<i>Provide enhanced induction and support seminars for defence families^(d)</i>					
Underlying Cash Balance	-	-0.3	-0.4	-0.4	-1.1
Fiscal Balance	-	-0.3	-0.4	-0.4	-1.1
<i>Vietnam Veterans' Family Study</i>					
Underlying Cash Balance	-0.9	0.9	-	-	0.0
Fiscal Balance	-0.9	0.9	-	-	0.0
NET TOTAL					
Underlying Cash Balance	-2.0	-35.7	-35.6	-34.2	-108.1
Fiscal Balance	-2.0	-36.9	-35.4	-34.1	-109.1

(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 "*" indicates that the nature of this proposal is such that a reliable estimate cannot be provided.

(b) Totals may not sum due to rounding.

(c) Terminating on 30 June 2017.

(d) Ongoing policy.

(e) Terminating on 30 June 2016.