Section 2: Overview of impacts of election commitments on the Commonwealth budget

The total combined financial impact of election commitments over the 2013-14 Budget forward estimates period for each designated Parliamentary party are set out below in **table 1**.

Table 1: Total financial impact of election commitments of designated Parliamentary parties

	Total combined financial impact ($m)				
Designated Parliamentary party	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**Total**
Australian Labor Party[1]					
Impact on underlying cash balance	61.1	-97.4	-73.0	118.9	**9.5**
Impact of fiscal balance	61.1	-91.2	-73.2	118.8	**15.4**
Coalition[1]					
Impact on underlying cash balance	702.3	4,100.7	1,660.5	681.8	**7,145.5**
Impact of fiscal balance	2,872.3	4,303.2	1,554.0	560.3	**9,290.0**
Australian Greens[1]					
Impact on underlying cash balance	-293.2	1,744.8	711.1	-100.0	**2,062.5**
Impact of fiscal balance	211.2	1,814.6	-1,537.8	-105.9	**381.8**

For the financial impact on the budget balances, a positive number indicates an improvement in the budget balance, a negative number indicates a deterioration in the budget balance.
Numbers may not add due to rounding.

1. For a complete list of election commitments for each designated Parliamentary party, and their financial impact over the 2013-14 Budget forward estimates period, refer to the following tables: Australian Labor Party – table 2 on pages 9-23; Coalition – table 3 on pages 29-44; and the Australian Greens – table 4 on pages 49-55.

Australian Labor Party (ALP)

The ALP's total combined election commitments are estimated to increase the underlying cash balance by $9.5 million over the 2013-14 Budget forward estimates period. This reflects a net decrease in receipts of $202.9 million and a net decrease in payments of $212.4 million.

The ALP's total combined election commitments are estimated to increase the fiscal balance by $15.4 million over the 2013-14 Budget forward estimates period. This reflects a net decrease in revenue of $202.9 million and a net decrease in expenses of $218.3 million.

The largest of the ALP election commitments is *Better Schools: Before and After*, involving $449.9 million in spending over the forward estimates on funding for schools to expand outside school hours care. The next largest ALP election commitment is the *South Australian River Murray Sustainability Program*, involving $230.5 million in spending on the River Murray over the same period. Both of these election commitments have a zero net impact on the budget over the forward estimates as they are fully offset by funding already accounted for at the time of the PEFO.

A number of the ALP election commitments could result in a significant financial impact beyond the forward estimates. The ALP election commitment *New Car Plan for the 2020s* would result in a significant decrease to the underlying cash balance and fiscal balance beyond the forward estimates. While having no impact over the forward estimates, this election commitment would increase capped funding under the Automotive Transformation Scheme by $500 million over four years from 2017-18.

The ALP election commitment *Establish a High Speed Rail Authority* could result in significant budget impacts beyond the forward estimates. This would depend on the final specification of any policy to construct high speed rail on the east coast of Australia.

Coalition

The Coalition's total combined election commitments are estimated to increase the underlying cash balance by $7.1 billion over the 2013-14 Budget forward estimates period. This reflects a net decrease in receipts of $7.7 billion and a net decrease in payments of $14.9 billion.

The Coalition's total combined election commitments are estimated to increase the fiscal balance by $9.3 billion over the 2013-14 Budget forward estimates period. This reflects a net decrease in revenue of $12.3 billion and a net decrease in expenses of $21.6 billion.

Coalition election commitments with a significant financial impact include the removal of the Minerals Resources Rent Tax (MRRT) and associated spending measures. While removing the MRRT leads to revenue forgone of $3.5 billion over the forward estimates, this is more than offset by abolishing associated spending measures, resulting in a net increase of $13.8 billion to the underlying cash balance and a net increase of $15.5 billion to the fiscal balance.

Other major contributions to the increases in the underlying cash and fiscal balances include the commitment to reduce the public service headcount by 12,000 through natural attrition, and the commitment to limit growth in foreign aid spending in line with inflation, which provide savings over the forward estimates of $5.2 billion and $4.5 billion respectively.

The Coalition's package of *Border Protection Policies* contributes to an increase in the underlying cash and fiscal balances of $985 million over the forward estimates. This reflects gross savings of $1.4 billion largely from lower anticipated arrivals rates, partially offset by costs of $441 million associated with a range of initiatives under the Coalition's policies for *A Regional deterrence framework to combat people smuggling* and *Operation Sovereign Borders.*

The *Paid Parental Leave Scheme Package* also contributes to an increase in the underlying cash balance by $805 million and an increase in the fiscal balance by $835 million over the forward estimates. The gross cost of the package ($9.9 billion on both an underlying cash and fiscal basis over the forward estimates) is largely offset by the 1.5 per cent levy on companies that would help fund this scheme, as well as the savings from the replacement of the previous Government's scheme and the existing Commonwealth and State public sector schemes.

These increases are substantially offset by Coalition commitments that decrease the underlying cash and fiscal balances, including the removal of the carbon tax. The net budget impact of the removal of the carbon tax package is to decrease the underlying cash balance by $7.3 billion and the fiscal balance by $6.1 billion over the forward estimates. This difference arises primarily from the different cash and accrual accounting treatments of free carbon permits and of investments made by the Clean Energy Finance Corporation.

Other significant decreases to the underlying cash and fiscal balances over the forward estimates come from the reduction of the company tax rate to 28.5 per cent and the net impact of the Coalition's Infrastructure Package. These initiatives reduce the underlying cash and fiscal balances by $4.9 billion and $4.7 billion respectively over the forward estimates.

The Coalition's total combined election commitments would increase the headline cash balance by $15.1 billion over the forward estimates. This represents an increase of $7.9 billion relative to the underlying cash balance impact, which reflects the reduction in loans and equity investments from abolishing the Clean Energy Finance Corporation of $5.6 billion, reduced equity investments into NBN Co of $4.2 billion, and the loans provided through *Better Apprentice Support* which requires additional financing of $1.9 billion.

In addition, the commitment *Fair Indexation of Military Super* would decrease the Commonwealth's net worth by $4.4 billion by 2016-17. This arises from a revaluation of the stock of unfunded future superannuation liabilities.

The overall impact of Coalition election commitments beyond 2016-17 will not necessarily reflect their impact on the underlying cash and fiscal balances over the forward estimates. This is the result of some commitments reaching their full impact outside the forward estimates and some commitments that are likely to have a more limited impact beyond 2016-17.

The underlying cash balance impact of the commitment to change indexation arrangements for military superannuation[1] occurs when (higher) pension payments are made and is significantly larger beyond the forward estimates, increasing from $30 million in 2016-17 to peak at an estimated $460 million in 2046-47[2]. The fiscal balance impact of this commitment will grow in line with the accruing superannuation entitlements of scheme members, before declining as these members reach retirement. The commitment will also continue to reduce the Government's net worth well beyond the forward estimates peaking at around $7 billion in 2035-36[2].

The saving from the proposal to pause the increase in the rate of the Superannuation Guarantee (SG) by two years from 1 July 2014 will continue to grow from $875 million in 2016-17 to peak in 2019-20 at around $1.15 billion, before falling sharply as the SG rate reaches 12 per cent in 2021-212, to be around $80 million per annum from 2023-24.

Cutting the company tax rate to 28.5 per cent is estimated to have a mature cost in the order of $3.7 billion in 2018-19 ($4.2 billion in 2016-17) and the company levy is estimated to have a mature saving in the order of $3.3 billion in 2018-19 ($3.7 billion in 2016-17), the difference arising due to timing of company tax payments. The annual estimates for both proposals will grow in line with the underlying growth in the company tax base from 2018-19.

The proposed abolition of the carbon pricing mechanism and the MRRT will continue to result in reduced revenue beyond the forward estimates, although these taxes are likely to be highly volatile and the amount of revenue forgone is very difficult to estimate.

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[1] The proposal is for pensions payable under the Defence Forces Retirement Benefit (DFRB) and Defence Force Retirement and Death Benefits (DFRDB) to be indexed by the same indexation method applying to the maximum basic rate of the Age Pension for superannuants aged 55 and over.

[2] Considerable uncertainty is attached to long-term projections and should therefore be treated as broadly indicative only.

Australian Greens

The Australian Greens' total combined election commitments are estimated to increase the underlying cash balance by $2.1 billion over the 2013-14 Budget forward estimates period. This reflects net increases in receipts of $45.8 billion and payments of $43.7 billion.

The combined impact of election commitments for the Australian Greens are estimated to increase the fiscal balance by $0.4 billion over the 2013-14 Budget forward estimates period, reflecting net increases in revenue of $43.8 billion and expenses of $43.4 billion.

Significant spending commitments are raising Newstart and payments for single parents, introducing universal dental care, expanding the Paid Parental Leave (PPL) scheme and providing additional childcare assistance. These commitments would decrease the underlying cash balance by $18.8 billion and the fiscal balance by $18.9 billion over the forward estimates.

The effect of these commitments is offset by the *Resourcing a Caring Society* package that would increase the underlying cash balance by $40.0 billion and the fiscal balance by $40.3 billion over the forward estimates. This package includes increasing the MRRT, introducing a levy on bank assets, increasing taxes on personal incomes over $1 million and abolishing fuel and coal subsidies.

Relative to the underlying cash balance the total combined election commitments of the Australian Greens would decrease the headline cash balance by $4.3 billion. The decrease in the headline cash balance is mainly due to the commitment to increase loans and equity investments by the Clean Energy Finance Corporation. The commitment to introduce zero interest social housing growth bonds also contributes to the decrease in the headline cash balance.

The overall impact of the election commitments of the Australian Greens beyond 2016-17 will not necessarily reflect their impact on the underlying cash and fiscal balances over the forward estimates. This is the result of some commitments reaching their full cost outside of the forward estimates and some commitments that are likely to have a more limited impact beyond 2016-17.

The commitment to increase international aid is estimated to decrease the underlying cash and fiscal balances by $1.9 billion in 2015-16, rising to $4.6 billion in 2020-21 to achieve the international aid target of 0.7 per cent of Gross National Income in that year.

Reversing decisions to move to a floating carbon price from 1 July 2014, would increase the underlying cash balance by $5.2 billion and the fiscal balance by $3.5 billion over the forward estimates. No net additional revenue would be expected beyond the forward estimates as the commitment converges with the PEFO position.