



Re-establish the Communications Fund

Party:

Australian Greens

Summary of proposal:

The proposal would re-establish the Communications Fund (the fund) which was abolished in the 2008-09 Budget. The fund would have a mandate to invest its assets commercially and use the proceeds to fund essential communications programs with a focus on regional Australia.

The fund would initially be capitalised with a \$3 billion investment from the Australian Government.

This proposal would have effect from 1 July 2022.

Costing overview

The proposal would be expected to decrease the fiscal balance by up to \$33.7 million, the underlying cash balance by up to \$26.6 million and the headline cash balance by up to \$3,027 million over the 2022-23 Budget forward estimates period.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period.

A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The financial implications are uncertain and particularly sensitive to assumptions on the speed at which capital is deployed and the rate of return on the fund. The risk of capital loss of the Communications Fund is estimated at 10% of the portfolio over the medium term, considering the risk of capital loss of other Future Funds over the next three years and longer-term period. The net earnings from the fund's investments are highly sensitive to this risk.

Consistent with *Parliamentary Budget Office (PBO) Guidance 02/2015*, PDI expense impacts have been included in this costing because the equity injections provided under this proposal involve the transaction of financial asset.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of investment gains, PDI and equity amounts. In particular, only the headline cash balance includes transactions related to equity injections. The impact on net debt will be broadly consistent with movements in the headline cash balance.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	22.9	-0.8	-17.7	-38.1	-33.7
Underlying cash balance	23.9	1.2	-15.7	-36.0	-26.6
Headline cash balance	-726.1	-748.8	-765.7	-786.0	-3,026.6

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- All enabling legislation would be passed before the policy start date.
- As the Department of Infrastructure, Transport, Regional Development and Communications were unable to provide the funding model of the original Communications Fund, it was assumed the return in investments over time would be consistent with the investment gain for another Government Fund investment. The Medical Futures Fund was selected, and its investment gain in 2018-19 was used to approximate similar gains for the re-established Communications Fund. The 2019-20 investment gain was not used due to the financial impacts of COVID-19.
- Investments would be committed evenly over four years from 2022-23. This is consistent with the time needed to assess eligibility, the average length of investment projects, and provides staged funding to projects.
- The fund's annual rate of return would be 2% above the consumer price index.
 - The assumed rate of return is also broadly consistent with other Government Funds investment performance from 1 April 2020. For example, Emergency Response Fund has a nominal rate of return of around 3.5%.
- Interest payments and dividend earnings on investments would be returned to consolidated revenue and repaid capital would be reinvested in the fund.
- The proportion of non-performing investment over the medium term would be 10% of total capital fund, as this proposal would involve high-risk early-stage enterprises and innovations.
- The fund management fee would be approximately 0.05% of the invested fund each year.
- The departmental costs (including management fees) would be broadly consistent with the departmental costs of the Medical Research Future Fund relative to the amount of funding administered.
- All proceeds of the fund would be used to fund essential communications programs with a focus on regional Australia. The amount of funding available for distribution of grants would lag the fund earnings by one year and would all be spent in the year in which it becomes available.
- A set up cost of \$1.5 million would be required.

Methodology

The equity deployment profile, investment gains, grants for essential programs and departmental costs were modelled as discussed in *Key assumptions* above.

- The net earnings were calculated taking into account the treatments around departmental and PDI costs specified by the requestor.
- Equity deployments were estimated using information from the Medical Research Future Fund provided by the Department of Finance.
- Grants for essential programs were calculated by net earnings less fund management fees.
- Departmental expenses have been estimated by scaling the additional administered expenses by a ratio from similar proposals.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

Australian National Audit Office (ANAO) [Establishment and Management of the Communications Fund](#), ANAO, 2008, accessed 16 June 2022.

Department of Health provided the funding model of Medical Research Future Fund as at 2021-22 Budget.

Department of Finance, [Emergency Response Fund](#), Department of Finance, Australian Government, 2022, accessed 16 June 2022.

The Department of Finance and the Treasury provided economic parameters as at the *Pre-election Economic and Fiscal Outlook 2022-23*.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Re-establish the Communications Fund – financial implications

Table A1: Re-establish the Communications Fund – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>The Fund: Administered receipts^(b)</i>	33.0	59.0	85.0	108.0	100.0	99.0	101.0	104.0	105.0	104.0	104.0	285.0	1,002.0
Total – revenue	33.0	59.0	85.0	108.0	100.0	99.0	101.0	104.0	105.0	104.0	104.0	285.0	1,002.0
Expenses													
Administered													
<i>Fund Management Fees</i>	-0.4	-0.8	-1.1	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-3.8	-14.3
<i>Grants for essential communications programs</i>	-	-33.0	-59.0	-85.0	-108.0	-100.0	-99.0	-101.0	-104.0	-105.0	-104.0	-177.0	-898.0
Total – administered	-0.4	-33.8	-60.1	-86.5	-109.5	-101.5	-100.5	-102.5	-105.5	-106.5	-105.5	-180.8	-912.3
Departmental													
<i>Departmental</i>	-1.5	-1.3	-0.9	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-4.1	-7.6
Total – departmental	-1.5	-1.3	-0.9	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-4.1	-7.6
Total – expenses	-1.9	-35.1	-61.0	-86.9	-110.0	-102.0	-101.0	-103.0	-106.0	-107.0	-106.0	-184.9	-919.9
Total (excluding PDI)	31.1	23.9	24.0	21.1	-10.0	-3.0	-	1.0	-1.0	-3.0	-2.0	100.1	82.1
PDI impacts	-8.2	-24.7	-41.7	-59.2	-69.0	-71.0	-73.1	-75.3	-77.8	-80.5	-88.5	-133.8	-669.0
Total (including PDI)	22.9	-0.8	-17.7	-38.1	-79.0	-74.0	-73.1	-74.3	-78.8	-83.5	-90.5	-33.7	-586.9

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

(b) Represents the net earnings of the fund.

- Indicates nil.

Table A2: Re-establish the Communications Fund – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>The Fund: Administered receipts ^(b)</i>	33.0	59.0	85.0	108.0	100.0	99.0	101.0	104.0	105.0	104.0	104.0	285.0	1,002.0
Total – receipts	33.0	59.0	85.0	108.0	100.0	99.0	101.0	104.0	105.0	104.0	104.0	285.0	1,002.0
Payments													
Administered													
<i>Fund Management Fees</i>	-0.4	-0.8	-1.1	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-3.8	-14.3
<i>Grants for essential communications programs</i>	-	-33.0	-59.0	-85.0	-108.0	-100.0	-99.0	-101.0	-104.0	-105.0	-104.0	-177.0	-898.0
Total – administered	-0.4	-33.8	-60.1	-86.5	-109.5	-101.5	-100.5	-102.5	-105.5	-106.5	-105.5	-180.8	-912.3
Departmental													
<i>Departmental</i>	-1.5	-1.3	-0.9	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-4.1	-7.6
Total – departmental	-1.5	-1.3	-0.9	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-4.1	-7.6
Total – payments	-1.9	-35.1	-61.0	-86.9	-110.0	-102.0	-101.0	-103.0	-106.0	-107.0	-106.0	-184.9	-919.9
Total (excluding PDI)	31.1	23.9	24.0	21.1	-10.0	-3.0	-	1.0	-1.0	-3.0	-2.0	100.1	82.1
PDI impacts	-7.2	-22.7	-39.7	-57.1	-67.8	-70.8	-72.8	-75.0	-77.5	-80.2	-87.5	-126.7	-658.3
Total (including PDI)	23.9	1.2	-15.7	-36.0	-77.8	-73.8	-72.8	-74.0	-78.5	-83.2	-89.5	-26.6	-576.2

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

(b) Represents the net earnings of the fund.

- Indicates nil.

Table A3: Re-establish the Communications Fund – Headline cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>The Fund: Administered receipts^(b)</i>	33.0	59.0	85.0	108.0	100.0	99.0	101.0	104.0	105.0	104.0	104.0	285.0	1,002.0
Total – receipts	33.0	59.0	85.0	108.0	100.0	99.0	101.0	104.0	105.0	104.0	104.0	285.0	1,002.0
Payments													
Administered													
<i>Initial outlay</i>	-750.0	-750.0	-750.0	-750.0	-	-	-	-	-	-	-	-3,000.0	-3,000.0
<i>Fund Management Fees</i>	-0.4	-0.8	-1.1	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-3.8	-14.3
<i>Grants for essential communications programs</i>	-	-33.0	-59.0	-85.0	-108.0	-100.0	-99.0	-101.0	-104.0	-105.0	-104.0	-177.0	-898.0
Total – administered	-750.4	-783.8	-810.1	-836.5	-109.5	-101.5	-100.5	-102.5	-105.5	-106.5	-105.5	-3,180.8	-3,912.3
Departmental													
<i>Departmental</i>	-1.5	-1.3	-0.9	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-4.1	-7.6
Total – departmental	-1.5	-1.3	-0.9	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-4.1	-7.6
Total – payments	-751.9	-785.1	-811.0	-836.9	-110.0	-102.0	-101.0	-103.0	-106.0	-107.0	-106.0	-3,184.9	-3,919.9
Total (excluding PDI)	-718.9	-726.1	-726.0	-728.9	-10.0	-3.0	-	1.0	-1.0	-3.0	-2.0	-2,899.9	-2,917.9
PDI impacts	-7.2	-22.7	-39.7	-57.1	-67.8	-70.8	-72.8	-75.0	-77.5	-80.2	-87.5	-126.7	-658.3
Total (including PDI)	-726.1	-748.8	-765.7	-786.0	-77.8	-73.8	-72.8	-74.0	-78.5	-83.2	-89.5	-3,026.6	-3,576.2

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Represents the net earnings of the fund.

- Indicates nil.