



Policy costing request—during the caretaker period for a general election

Name of policy:	Defence Spending
Person requesting costing:	Senator Di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	23 June 2016
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	Senator Di Natale National Press Club Address, 23 June 2016
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	To reduce the amount of expenditure on defence to 75% of the total Defence expenditure projected for 2020-21, and as set out in the Defence White Paper. N.B. The 2020-21 amount is notionally 2% of GDP, but appears to have been decoupled from any year-on-year variation in economic growth. The effect of the new policy would be to set the target, notionally, at 1.5% of GDP.
What is the purpose or intention of the policy?	To maintain a light, readily deployable, and highly mobile defence force; and to be an exponent of disarmament.
What are the key assumptions that have been made in the policy, including:	
Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.	No
Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?	Capped at 75% of current estimated expenditure.

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<p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p>	No			
<p>Are there associated savings, offsets or expenses? If yes, please provide details.</p>	Savings to the procurement bureaucracy will, in part, be achieved through the reduction in the rate of procurement programs. Once the procurement bureaucracy has been reduced to the target level, this remaining cost would need to be indexed.			
<p>Does the policy relate to a previous budget measure? If yes, which measure?</p>	The government’s defence policy			
<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>	Savings to the procurement bureaucracy will, in part, be achieved through the reduction in the rate of procurement programs. Once the procurement bureaucracy has been reduced to the target level, this remaining cost would need to be indexed.			
<p>Will the funding/program cost require indexation? If yes, list factors to be used.</p>	Yes, see above			
Expected impacts of the proposal				
If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?				
Estimated financial implications (outturn prices)^(a)				
	2016–17	2017–18	2018–19	2019–20
Underlying cash balance (\$m)	-	2159	4597	7355
Fiscal balance (\$m)	-	2159	4597	7355
(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 positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.				
<p>What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?</p>	N/A			
<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	No			

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<p>What is the expected community impact of the policy?</p> <p>How many people will be affected by the policy?</p> <p>What is the likely take up?</p> <p>What is the basis for these impact assessments/assumptions?</p>	<p>Impossible to quantify</p>
<p>Administration of policy:</p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?</p>	<p>Department of Defence</p>
<p>Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).</p>	<p>None</p>
<p>Intended date of implementation:</p>	<p>1 July 2017</p>
<p>Intended duration of policy:</p>	<p>Ongoing</p>
<p>Are there transitional arrangements associated with policy implementation?</p>	<p>No</p>
<p>List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).</p>	
<p>Are there any other assumptions that need to be considered?</p>	<p>No</p>
<p>NOTE:</p> <p><i>Please note that:</i></p> <p><i>The costing will be on the basis of information provided in this costing request.</i></p> <p><i>The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i></p>	