



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

Name of policy:	Australian Infrastructure Bank: Building the New Economy
Person requesting costing:	Senator Di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	1 July 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):	The Bank: http://greens.org.au/news/tas/greens-infrastructure-financing-policy-borrow-big-now-invest-projects-large-and-small Redirecting Investment: http://greens.org.au/public-transport
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	Borrow up to \$75 billion over the next ten years for infrastructure spending. http://greens.org.au/infrastructure-bank
What is the purpose or intention of the policy?	To build productive infrastructure at record-low borrowing rates in order to re-orient Australia towards a clean, efficient economy.
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.	Yes. Finance will be issued and managed by the Infrastructure Bank and partnered with several government agencies: <ol style="list-style-type: none">1. RenewAustralia Authority for the construction of clean energy assets to reach at least 90% clean energy by 2030.2. Infrastructure Australia, with an expanded role for attracting investment in modern, regular and efficient public transport and strategic public infrastructure.3. Affordable Housing Finance Corporation for the building of affordable housing, a key essential piece of public infrastructure.

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<p>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?</p>	<p>Demand driven, but with an upper cap.</p>
<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>	<p>Yes. States will be primary recipients of funding raised.</p>
<p>Are there associated savings, offsets or expenses? If yes, please provide details.</p>	<p>Yes. The proposal would abolish the following programs and projects and return all unallocated and/or uncommitted money (from these programs and projects) to general revenue:</p> <ul style="list-style-type: none"> - Asset Recycling - Northern Australia Infrastructure Facility - WestConnex concessional loan program - WestConnex grant - East-West Link grant (including projects subsequently funded with the \$1.5b from EWL in the 2016-17 Budget Paper 2 [page 131-132]) - Perth Freight Link grant - Ipswich Motorway grant - Western Sydney Airport – further preparatory works <p>See Appendix below for estimated fiscal and underlying cash balance savings to be reinvested into the Australia Infrastructure Bank.</p>
<p>Does the policy relate to a previous budget measure? If yes, which measure?</p>	<p>Yes. The policy ties into existing government debt funding.</p> <p>Further, 2016-17 Budget Paper 2 [page 131-132]</p> <ul style="list-style-type: none"> - Infrastructure Investment Programme – new investments (partial) Western Sydney Airport – further preparatory works

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<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>	<p>N/A.</p>																																														
<p>Will the funding/program cost require indexation? If yes, list factors to be used.</p>	<p>Yes. 75 billion over 10 years with the annual profile of this amount to reflect the annual change in the Consumer Price Index (CPI).</p>																																														
<p>Expected impacts of the proposal</p>																																															
<p>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?</p>																																															
<p>Estimated financial implications (outturn prices)^(a)</p>																																															
	<p>2016–17</p>	<p>2017–18</p>	<p>2018–19</p>	<p>2019–20</p>																																											
<p>Underlying cash balance (\$m)</p>																																															
<p>Fiscal balance (\$m)</p>	<p>1310</p>	<p>-388</p>	<p>-1406</p>	<p>-1676</p>																																											
<p>(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>																																															
<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>	<p>That spreading the \$75 billion over the ten years would equate to \$30 billion of capital infrastructure investment over the forward estimates (figures presented on a headline cash balance basis).</p> <table border="1" data-bbox="448 1361 1498 1675"> <thead> <tr> <th></th> <th>2016-17</th> <th>2017-18</th> <th>2018-19</th> <th>2019-20</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Infrastructure Bank</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>RenewAustralia Authority</td> <td>-2185</td> <td>-4071</td> <td>-5293</td> <td>-6985</td> <td>-18,534</td> </tr> <tr> <td>Infrastructure Australia</td> <td>-1690</td> <td>-3380</td> <td>-3420</td> <td>-3560</td> <td>-12,050</td> </tr> <tr> <td>Affordable Housing Finance Corp</td> <td>-2032</td> <td>-2018</td> <td>-2005</td> <td>-1991</td> <td>-8047</td> </tr> <tr> <td>Redirecting Polluting Infrastructure</td> <td>3964</td> <td>2990</td> <td>1876</td> <td>1251</td> <td>10,081</td> </tr> <tr> <td>Total</td> <td>-1943</td> <td>-6479</td> <td>-8842</td> <td>-11285</td> <td>-28,550</td> </tr> </tbody> </table>						2016-17	2017-18	2018-19	2019-20	Total	Infrastructure Bank						RenewAustralia Authority	-2185	-4071	-5293	-6985	-18,534	Infrastructure Australia	-1690	-3380	-3420	-3560	-12,050	Affordable Housing Finance Corp	-2032	-2018	-2005	-1991	-8047	Redirecting Polluting Infrastructure	3964	2990	1876	1251	10,081	Total	-1943	-6479	-8842	-11285	-28,550
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<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	<p>No.</p>																																														

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<p>What is the expected community impact of the policy? How many people will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions ?</p>	<p>Increased access to infrastructure funding, particularly by state and local governments. This should improve productivity and economic growth by virtue of project funding being contingent on a positive cost/benefit ratio.</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>Australian Government entity, the Australian Infrastructure Bank.</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>Involves grants, loans and concessional loans to the states.</p>
<p>Intended date of implementation:</p>	<p>1 September 2016</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>N/A</p>

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Are there any other assumptions that need to be considered?	<p>The Greens’ economic principles include a keeping net government debt below 25% of GDP.</p> <p>http://greens.org.au/budget-principles</p> <p>Also should be assumed that the legislative remit of Infrastructure Australia is expanded to invest and leverage private sector investment for public infrastructure.</p>
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NOTE:

Please note that:

The costing will be on the basis of information provided in this costing request.

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.

FISCAL BALANCE

Program	16-17	17-18	18-19	19-20	Total Forwards
Asset Recycling	1200	750	50		2000
NAIF	0	320	290	250	860
WestConnex Loan	150	150	90	-10	380
WestConnex Grant	300				300
Perth Freight Link Grant	208	341	336	291	1176
EastWest Grant	1500				1500
Ipswich Motorway Grant	50	150			200
Western Sydney Grant	66	49			115
Total***	3474	1760	766	531	6531

UNDERLYING CASH BALANCE

Program	16-17	17-18	18-19	19-20	Total Forwards
Asset Recycling	1200	750	50		2000
NAIF		10	10	10	30
WestConnex Loan	??	??	??	??	
WestConnex Grant	300				300
Perth Freight Link Grant	208	341	336	291	1176
EastWest Grant	1500				1500
Ipswich Motorway Grant	50	150			200
Western Sydney Grant	66	49			115
Total***	3324	1300	396	301	5321

*** does not include Public Debt Interest