



### COSTING – POST ELECTION REPORT

<b>Name of proposal costed:</b>	<b>Border security – withdraw taxpayer funded immigration assistance to illegal boat arrivals</b>
Summary of proposal:	<p>This proposal will reduce taxpayer funded immigration assistance under the Immigration Advice and Application Assistance Scheme (IAAAS) for those who arrive illegally by boat (or any other means) to prepare asylum claims and make appeals.</p> <p>The remaining funds will provide:</p> <ul style="list-style-type: none"> <li>• clear instructions in multiple languages setting out the application and assessment process</li> <li>• interpreters and staff of the Department of Immigration and Border Protection to answer any questions about the process, and</li> <li>• facilitated access to private and/or pro bono immigration advice.</li> </ul>
Party:	Coalition
Date of public release of policy:	31 August 2013
Agencies from which information was obtained:	Department of Immigration and Border Protection

#### Costing overview

This proposal is expected to increase the underlying cash and fiscal balances by \$100 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses.

This costing is considered to be of high reliability as it is based on a fixed funding reduction to an existing program.

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	28.0	35.0	20.0	17.0
Fiscal balance (\$m)	28.0	35.0	20.0	17.0

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

## POLICY COSTING – POST ELECTION REPORT

### **Key assumptions**

The PBO has confirmed with the Department of Immigration and Border Protection that there are sufficient uncommitted funds within the IAAAS to accommodate the reduced funding.

The PBO has made no assumptions as to the adequacy of remaining funds to provide:

- clear instructions in multiple languages setting out the application and assessment process
- interpreters and staff of the Department of Immigration and Border Protection to answer any questions about the process, and
- facilitated access to private and/or pro bono immigration advice.

### **Data sources**

- Forward estimates data for the IAAAS provided by the Department of Immigration and Border Protection.



## COSTING – POST ELECTION REPORT

<b>Name of proposal to be costed:</b>	<b>Border security - dividend from stopping the boats</b>
Summary of proposal:	<p>The Coalition Border Protection policies aim to achieve a reduction in Irregular Maritime Arrivals (IMAs) which would generate savings to the Budget.</p> <p>These savings are expected to arise from reduced IMA detention and processing costs in the on-shore detention network and from savings arising from the closure of several on-shore detention facilities that would no longer be needed.</p> <p>The proposal will have effect from 2013-14.</p>
Party:	Coalition
Date of public release of policy:	5 September 2013
Agencies from which information was obtained:	<ul style="list-style-type: none"> <li>• Department of Immigration and Border Protection (DIBP)</li> <li>• Department of Finance</li> </ul>

### Costing overview

The reduction in the number of IMAs specified by the Coalition would be expected to increase both the underlying cash balance and fiscal balance by \$1.2 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses.

Departmental savings have been included in this costing as they are built into the DIBP's *Demand Driven Model for Irregular Maritime Arrivals* (the Model) (see [Methodology](#)).

The costing is considered to be of low to medium reliability as it is based on an established departmental model and a reduction in IMA numbers specified by the Coalition. There is some uncertainty in the results due to the sensitivity of the Model to variations in actual parameter values from those specified in the simulations, including variations in relation to the number of IMAs in any given month, detainee placement across the detention network and in the community, and the number of people settled or returned to their country of origin. The estimated savings from the closure of onshore detention facilities included in this costing are considered to be of low to medium reliability as the order of closure of the facilities is based on assumptions inherent in the DIBP Model rather than any policy specification. These closures may also incur termination costs that have not been included in this costing.

The estimates in this costing differ from those presented in the Coalition's report due to the PBO's use of the Model, to which the Coalition did not have access at the time of their costing (see [Methodology](#)).

## POLICY COSTING – POST ELECTION REPORT

A reduced number of IMAs coupled with other aspects of the Coalition’s Border Protection policies such as processing in RPCs as a matter of priority, would reduce the demand on the current on-shore detention network and thereby make it possible to shut some of the centres down. This costing includes savings from reducing the capacity of the on-shore detention network by 40 per cent of its current total. The effect of these closures is shown at [Attachment A](#).

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	294.3	283.5	281.2	353.0
Fiscal balance (\$m)	294.3	283.5	281.2	353.0

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

### Key assumptions

The Coalition has assumed that the introduction of the *Coalition’s Plan for More Secure Borders* will lead to a reduction in IMAs over the 2013-14 Budget forward estimates period. The difference between the Coalition’s assumptions and the assumed arrival rate as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO) is outlined in Table 2.

Following policy clarification provided by the Coalition the PBO costing includes savings that may be realised from closing down on-shore detention centres (see [Attachment A](#)), commencing from 1 January 2014. These savings include the operating and maintenance costs of those centres.

Due to modelling methodology the impact that lower arrival rates would have on the use of Regional Processing Centres is contained in the costing minute for *Regional Cooperation to Combat People Smuggling* (see: COA150).

**Table 2: Estimated Irregular Maritime Arrivals (IMA) for former Department of Immigration and Citizenship’s Offshore Asylum Seeker Management Program**

	2013-14	2014-15	2015-16	2016-17	Total
PEFO Estimated Arrivals	15,600	8,826	4,452	4,452	33,330
PEFO Arrivals per Month (derived)	1,300	736	371	371	
Coalition Estimated Arrivals	13,181	4,625	1,452	663	19,921
Coalition Estimated Arrivals per Month (derived)	1,098	385	121	55	

### Methodology

The PBO used the Coalition’s projected IMAs to run a simulation using DIBP’s Demand Driven Model. To estimate savings from the closure of on-shore detention centres the PBO then altered the simulation to close centres in the order specified in the Model. The difference between the Model’s PEFO estimates and the model output following the changes to IMA arrival numbers and detention centre closures derived the financial impact of this proposal as shown in Table 1 (above).

## POLICY COSTING – POST ELECTION REPORT

### Data sources

- DIBP's *Demand Driven Model for Irregular Maritime Arrivals* was used to estimate the financial implications of this proposal.
- Estimated arrival numbers from the 2013 Pre-election Economic and Fiscal Outlook report.
- Information on projected arrivals was provided by the Coalition.

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A

Table A1: Estimated financial impact of Dividend from Stopping the Boats by component<sup>(a)(b)</sup>

	2013-14	2014-15	2015-16	2016-17	Total
Fewer IMAs (\$m)	112.2	181.1	205.9	276.9	776.2
Closing on-shore detention centres (\$m)	182.1	102.5	75.3	76.0	435.8
Total impact (\$m)	294.3	283.5	281.2	353.0	1,212.0

(a) A positive number indicates a decrease in expenses in both accrual and cash terms

(b) Totals may not sum due to rounding.



## COSTING – POST ELECTION REPORT

Name of proposal costed:	Reverse change to FBT arrangements for cars
Summary of proposal:	The proposal is not to proceed with the abolition of the statutory formula method for calculating Fringe Benefits Tax (FBT) on motor vehicles that was announced in the 2013 Economic Statement.
Party:	Coalition
Date of public release of policy:	5 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 around \$1.8 billion over the 2013-14 Budget forward estimates period. This impact reflects a decrease in expenses of around \$400 million and a decrease in revenue of around \$2.2 billion over this period. A disaggregation of this costing into its costing components is provided at [Attachment A](#).

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-75	-330.9	-617.2	-771.8
Fiscal balance (\$m)	-75	-330.9	-617.2	-771.8

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

### Key assumptions

The PBO assumes that any change in economic activity as a result of the announcement of the measure *Fringe benefits tax – better targeting actual business use for car fringe benefits* in the 2013 Economic Statement does not have a significant impact on overall economic activity for the 2013-14 financial year or FBT year.

### Methodology

The estimates in this costing were derived by reversing the estimates of the measure *Fringe benefits tax – better targeting actual business use for car fringe benefits* in the 2013 Economic Statement, which were current as at the 2013 Pre-Election Economic and Fiscal Outlook report.

**POLICY COSTING – POST ELECTION REPORT**

**ATTACHMENT A: DISAGGREGATION OF COSTING COMPONENTS**

Table A1 provides a disaggregation of the costing components of this proposal.

**Table A1. Disaggregation of financial impact**

	2013-14	2014-15	2015-16	2016-17	Total
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Impact on					
Receipts (a)	-75.0	-410.0	-750.0	-960.0	-2,195.0
Payments (a)	-	-79.1	-132.8	-188.2	-400.1
<b>Underlying cash balance (b)</b>	<b>-75.0</b>	<b>-330.9</b>	<b>-617.2</b>	<b>-771.8</b>	<b>-1,794.9</b>
Impact on					
Revenue (a)	-75.0	-410.0	-750.0	-960.0	-2,195.0
Expense (a)	-	-79.1	-132.8	-188.2	-400.1
<b>Fiscal balance (b)</b>	<b>-75.0</b>	<b>-330.9</b>	<b>-617.2</b>	<b>-771.8</b>	<b>-1,794.9</b>

**Notes:**

(a) A minus sign before the estimate indicates a reduction in expenses, payments, receipts or revenue.

(b) 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.





## COSTING – POST ELECTION REPORT

Name of proposal costed:	The Coalition's policy for fair indexation of military super
Summary of proposal:	<p>The proposal is to change the indexation arrangements for pensions payable under the Defence Forces Retirement Benefit (DFRB) and Defence Force Retirement and Death Benefits (DFRDB) to be the same as the indexation method applying to the maximum basic rate of the Age Pension for superannuants aged 55 and over.</p> <p>The <i>2013 Economic Statement</i> announced changes to the indexation of these pensions. Currently they are indexed by the Consumer Price Index (CPI) and from 1 July 2014 will be indexed by the higher of the CPI or the Pensioner and Beneficiary Living Cost Index (PBLCI) for superannuants aged 65 and over.</p> <p>The proposal will have effect from 1 July 2014.</p>
Party:	Coalition
Date of public release of policy:	2 September 2013
Agencies from which information was obtained:	<ul style="list-style-type: none"> <li>• Department of Defence, and</li> <li>• Australian Government Actuary</li> </ul>

### Costing overview

This proposal will significantly increase the Government's unfunded superannuation liabilities, with effect from 1 July 2014. As a result, the Government's net worth will be reduced by around \$4 billion in 2014-15, with this reduction reaching around \$4.4 billion by the end of the forward estimates period in 2016-17. The impact on net worth reflects a revaluation of the stock of unfunded future superannuation liabilities as at 1 July 2014 as a result of the proposed change to the indexation arrangements for DFRB and DFRDB superannuants aged 55 and over. The proposal will continue to reduce the Government's net worth well beyond the forward estimates period due to the continuing accumulation of superannuation liabilities and notional interest on accrued liabilities, with the reduction in net worth peaking at around \$7 billion in 2035-36<sup>1</sup>.

There is a significant difference between the underlying cash balance and fiscal balance impact of this proposal. This proposal is expected to decrease the underlying cash balance by \$58.1 million and decrease the fiscal balance by around \$780.1 million over the 2013-14 Budget forward estimates period. Departmental expenses are not expected to be significant and have not been included in this costing.

<sup>1</sup> Projections beyond the forward estimates should be treated as broadly indicative only, as they are predicated on assumptions and point-in-time data.

## POLICY COSTING – POST ELECTION REPORT

The underlying cash balance impact reflects the increase in pension payments when they are paid. This means that the annual impact of this proposal on the underlying cash balance peaks well beyond the forward estimates at around a \$460 million reduction in 2046-47, as the difference between the current indexation arrangements and those under the proposal compound over time.

The fiscal balance impact of this proposal reflects the expense incurred as a result of the increase in the net present value of estimated future unfunded superannuation benefit payments. The proposal will have an ongoing impact on the fiscal balance, with the annual impact peaking beyond the forward estimates at around a \$360 million reduction in 2031-32, mainly associated with the accruing superannuation entitlements of scheme members who have not retired, which then begins to decline as these members reach retirement.

The personal tax and transfer system impacts of these proposals affect both the fiscal and underlying cash balances at around the same time, when benefits are paid or when tax is collected.

**Table 1: Financial implications (outturn prices)<sup>(a)(b)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-8.0	-19.7	-30.4
Fiscal balance (\$m)	-	-249.0	-260.7	-270.4
Net worth (\$m)	-	-3,954.0	-4,189.0	-4,421.0

- (a) 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.  
 (b) Changes in unfunded superannuation liabilities affect the Commonwealth's net worth. A negative number for net worth indicates a reduction in net worth. For instance, the proposal is expected to decrease net worth by around \$4.4 billion by 2016-17.

The financial impact of this proposal includes revenue, expense and net worth impacts. A detailed breakdown of the components of the costing is included at [Attachment A](#).

This costing is considered to be of low to medium reliability.

### Key assumptions

In 2011, the Australian Government Actuary (AGA) estimated the financial impacts of a similar proposal for each scheme, for a 1 July 2011 start date. The PBO has assumed those estimates remain representative of the impact of the proposals and has used a rule of thumb approach to update those financial impacts for the change in start date and changes in membership data and to include the interactions with the personal tax transfer system. A budget standard costing would require a full actuarial investigation; as such the rule of thumb estimates are of a lower reliability.

The PBO has assumed that the costing of the measure entitled, *Military Superannuation – higher indexation for DFRB and DFRDB pensioners over 65 years of age*, within the 2013 Economic Statement (and reconfirmed in the *2013 Pre-Election Economic and Fiscal Outlook (PEFO)* report) has been prepared on a comparable basis, allowing the impact of that measure to be netted off from the PBO estimates.

## POLICY COSTING – POST ELECTION REPORT

### Methodology

The PBO has updated the financial impacts for each scheme, consistent with the Budget accounting framework published by the then Department of Finance and Deregulation<sup>2</sup>, for changes in membership data and the change in start dates based on AGA modelling from 2011<sup>3</sup>. These estimates were reduced for the measure entitled, *Military Superannuation – higher indexation for DFRB and DFRDB pensioners over 65 years of age*, within the 2013 Economic Statement. Additionally, the PBO has estimated some of the interactions with the personal tax and transfer system.

The interactions with the personal tax and transfer system were estimated using a combination of aggregate and microsimulation modelling approaches.

### Data

- 2013 Economic Statement
- 2013 PEFO report
- Unpublished AGA modelling results for the measure entitled, *Military Superannuation – higher indexation for DFRB and DFRDB pensioners over 65 years of age*
- Unpublished AGA modelling results for a proposal to provide indexation by Male Total Average Weekly Earnings for DFRB and DFRDB pensions from age 55

---

<sup>2</sup> *Updated Estimates of the Costs of Alternative Indexation Arrangements for Commonwealth Superannuation Pensions*, accessed online on 2 October 2012.

<sup>3</sup> AGA modelling results included the increases in pension payments, the unfunded liability, notional interest and service costs.

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: DISAGGREGATION OF COSTINGS

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

Table A1: Financial implications<sup>(a)(b)</sup>

	2013-14	2014-15	2015-16	2016-17	Total
	\$m	\$m	\$m	\$m	\$m
Underlying Cash Balance	-	-8.0	-19.7	-30.4	-58.1
Unfunded superannuation benefit payments <sup>(c)</sup>	-	9.0	22.0	35.0	66.0
Reduction in other Government payments <sup>(d)</sup>	-	-1.0	-2.0	-4.0	-7.0
Superannuation payments <sup>(e)</sup>	-	-	-	-	-
Receipts <sup>(f)</sup>	-	-	0.3	0.6	0.9
<b>Fiscal Balance</b>	<b>-</b>	<b>-249.0</b>	<b>-260.7</b>	<b>-270.4</b>	<b>-780.1</b>
Unfunded superannuation benefit payments <sup>(c)</sup>	-	-	-	-	-
Reduction in other Government payments <sup>(d)</sup>	-	-1.0	-2.0	-4.0	-7.0
Superannuation expenses <sup>(e)</sup>	-	250.0	263.0	275.0	788.0
Revenue <sup>(f)</sup>	-	-	0.3	0.6	0.9
<b>Net Worth<sup>(g)</sup></b>	<b>-</b>	<b>-3,954.0</b>	<b>-4,189.0</b>	<b>-4,421.0</b>	<b>-4,421.0</b>

(a) Estimates less than \$1 million are rounded to the nearest \$100,000, otherwise estimates are rounded to the nearest \$1 million.

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

(c) Changes in superannuation pension and lump sum payments impact the underlying cash balance. This liability is also accounted for in changes in the Government's net worth and the fiscal balance as a result of notional interest that will be payable on the increased unfunded liabilities. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(d) Reductions in the Government payments (such as the Service pension) are a result of higher assessable Commonwealth military superannuation pension payments for DFRB and DFRDB superannuants aged 55 and over and impact both the underlying cash and fiscal balances. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(e) The Commonwealth's superannuation expenses only impact the fiscal balance. These expenses comprise service costs (superannuation entitlements accrued from further service or employment) and notional interest that will be payable on the increased unfunded superannuation liabilities. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(f) Revenue impact relates to the impact of higher income tax associated with higher taxable Commonwealth military superannuation pensions for DFRB and DFRDB superannuants aged 55 and over. A minus sign before the estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(g) Changes in unfunded superannuation liabilities affect the Commonwealth's net worth. A negative number for net worth indicates a reduction in net worth. For instance, the proposal is expected to decrease net worth by around \$4.4 billion by 2016-17.



## COSTING – POST ELECTION REPORT

<b>Name of proposal to be costed:</b>	<b>Reduce Public Service headcount by 12,000 through natural attrition</b>
Summary of proposal:	The proposal will reduce the Commonwealth public service headcount by a net additional 12,000 through natural attrition by the end of two years.  The proposal will have effect from 1 October 2013.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained.	Former Department of Finance and Deregulation (Finance)

### Costing overview

This proposal is expected to increase the underlying cash and fiscal balances by \$5.2 billion over the 2013-14 Budget forward estimates period.

This proposal is expected to generate savings beyond the forward estimates period similar to those achieved in 2016-17, indexed for wages growth.

A tight constraint on both the engagement of new ongoing staff and re-engagement of non-ongoing staff will be required for this policy to be implemented through natural attrition without recourse to additional redundancy payments.

The savings in this proposal are entirely due to a decrease in departmental expenses across the APS.

This costing is considered to be of low to medium reliability as the PBO faces data limitations as staffing forecasts are only provided for the 2013-14 financial year and agency estimates for employee expenses are yet to reflect key public service efficiency saving measures from the 2013-14 Budget and the 2013 Economic Statement.

**Table 1: Net additional 12,000 head count reduction over two years<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	303.1	1,198.4	1,790.3	1,919.9
Fiscal balance (\$m)	303.1	1,198.4	1,790.3	1,919.9

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

## POLICY COSTING – POST ELECTION REPORT

### Key assumptions

Consistent with advice provided by the Coalition, the following agencies were exempt in costing this proposal:

- Australian Customs and Border Protection Services
- Australian Federal Police
- Australian Security Intelligence Organisation
- Department of Defence – Military and Reserves, and
- Australian Secret Intelligence Service.

Consistent with advice provided by the Coalition:

- the APS headcount reduction commences on 1 October 2013 and is completed by September 2015, and
- in the first nine months (1 October 2013 – 30 June 2014) the APS headcount is reduced by 6,000, by a further 4,800 in 2014-15, and by a further 1,200 in the first three months of 2015-16.

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

- wages will grow approximately 5.9 per cent per annum, consistent with the average growth in total remuneration packages for non-SES staff observed in 2012, as reported by the Australian Public Service Commission
- higher separation rates already inherent in the 2013-14 Budget forward estimates are facilitated by higher levels of redundancy payments
- separations due to natural attrition will continue to average approximately 5 per cent per annum (the average of the past three years' total separations of 6 per cent, less retrenchments of 1 per cent), resulting in average annual separations by natural attrition of 8,200 in 2013-14 declining to 7,500 in 2015-16.
- the costing does not take account of any potential impact this proposal may have on service delivery or revenue collection.

### Methodology

Using standard calculations for the costing of public service staff, benchmarked against information provided by Finance, the PBO has determined that the average annual cost per staff member (including on-costs and ongoing corporate support) across APS agencies that are in scope of the proposal is \$134,716 in 2013-14.

For each financial year the current average salary (grown by the historical growth in total remuneration) across all non-exempt APS agencies has been multiplied by the respective cumulative number of reduced positions. These calculations have been made on a monthly basis.

## POLICY COSTING – POST ELECTION REPORT

### Data sources

- 2013-14 Budget Paper No. 1 - Statement 6: Table C3: Estimates of average staffing level (ASL) of agencies in the Australian Government general government sector.
- Australian Public Service Commission
  - APS Statistical Bulletin – 2011-12  
<http://www.apsc.gov/about-th-apsc/parliamentary/aps-statistical-bulletin/2011-12>
  - 2012 Remuneration Report – Total Remuneration Package  
<http://www.apsc.gov.au/publications-and-media/current-publications/remuneration-surveys/remuneration-report-2012/background#f2>



## COSTING – POST ELECTION REPORT

<b>Name of proposal to be costed:</b>	<b>Restore humanitarian immigration intake to 13,750 per annum</b>
Summary of proposal:	The proposal will reverse the 2012-13 MYEFO measure <i>Response to the expert panel – Humanitarian migration program – additional places from 2012-13</i> to increase the humanitarian program level from 13,750 to 20,000 places per year.  The proposal will have effect from 1 October 2013.
Party:	Coalition
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	Department of Resources, Energy and Tourism (RET)

### Costing overview

This proposal is expected to increase the underlying cash and fiscal balances by \$1.3 billion over the 2013-14 Budget forward estimates period.

This proposal will have an ongoing impact that extends beyond the forward estimates period and is similar to that in 2016-17 and growing at around two to three per cent per year.

The savings in this costing reflect both the direct costs published in the 2012-13 MYEFO measure *Response to the expert panel – Humanitarian migration program – additional places from 2012-13* and the consequential impacts of lower refugee settlements on other Government programs.

This costing is considered to be of medium reliability. The saving arising from the Department of Immigration and Citizenship is consistent with the previous treatment of an increase in the Humanitarian Program (2011-12 Budget) which was subsequently rescinded (2011-12 MYEFO). It has been assumed that this same treatment applies to the savings that will be generated from other Government programs from lower recipient numbers.

The underlying cash and fiscal balance impacts of this proposal vary slightly due to timing differences in income support payments between when the expense is recorded and the cash is received by recipients.



## POLICY COSTING – POST ELECTION REPORT

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	141.1	267.2	371.6	488.7
Fiscal balance (\$m)	141.3	267.3	371.7	488.7

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

### Key assumptions

Consistent with advice provided by the Coalition the PBO has assumed that the humanitarian intake for the 2013-14 financial year will still be capped at 13,750 and the intake following 1 October 2013 will be limited to meet the 13,750 cap.

### Methodology

The estimates in this costing assume the removal of funding currently reflected in the 2013-14 Budget forward estimates period based on the cost of the 2012-13 MYEFO measure, with an allowance made for the cost of the additional intake of persons in 2012-13.

Based on advice provided by the Department of Immigration and Citizenship a pro-rata reduction to the savings from this proposal has also been made due to the *Humanitarian Settlement Services - reduction of support for those already in the community* measure published in the 2 August 2013 Economic Statement.

### Data sources

- 2012-13 MYEFO - Response to the expert panel — Humanitarian migration program — additional places from 2012-13  
[http://www.budget.gov.au/2012-13/content/myefo/html/09\\_appendix\\_a\\_expense-12.htm](http://www.budget.gov.au/2012-13/content/myefo/html/09_appendix_a_expense-12.htm)
- Department of Immigration and Citizenship – Agency Supplementary Estimates Statement  
[http://www.immi.gov.au/about/reports/budget/budget12/\\_pses-pdf/agency-measures-table.pdf](http://www.immi.gov.au/about/reports/budget/budget12/_pses-pdf/agency-measures-table.pdf)
- 2011-12 Budget Paper No. 2 - Humanitarian Migration Program — increase of 4,000 places  
[http://www.budget.gov.au/2011-12/content/bp2/html/bp2\\_expense-14.htm](http://www.budget.gov.au/2011-12/content/bp2/html/bp2_expense-14.htm)
- 2011-12 MYEFO - Humanitarian Migration Program — decrease of 4,000 places  
[http://www.budget.gov.au/2011-12/content/myefo/html/09\\_appendix\\_a\\_expense-12.htm](http://www.budget.gov.au/2011-12/content/myefo/html/09_appendix_a_expense-12.htm)



### COSTING – POST ELECTION REPORT

<b>Name of proposal costed:</b>	<b>Redirect National Crime Prevention Fund to the Coalition's Safer Streets Program</b> <b>Safer Streets – Protecting Communities from Crime</b>
<b>Summary of proposal:</b>	The proposal would redirect funding from the National Crime Prevention Fund (NCPF) to the Safer Streets Program (SSP).  This proposal will commence in 2013-14.
<b>Party:</b>	Coalition
<b>Date of public release of policy:</b>	19 August 2013
<b>Agencies from which information was obtained:</b>	Attorney-General's Department

#### Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by \$14.2 million over the 2013-14 Budget and forward estimates. This is due to an increase in expenses of \$50 million for the SSP, offset partly by the reallocation of uncommitted funding already included in the Budget for the NCPF (\$35.8 million).

Item 9.7 of the *Fiscal Budget Impact of Federal Coalition Policies* document showed that \$20 million in 2014-15, \$20 million in 2015-16 and a small amount of funding in 2016-17 would be redirected from the NCPF to the new SSP. However, the actual profile of the funding for the NCPF is one year earlier than this with \$20.3 million in 2013-14, \$20.2 million in 2014-15 and \$300,000 in 2015-16.

The Attorney-General's Department has advised that the existing funding under the NCPF includes contractual commitments of \$2.5 million in 2013-14 and \$2.5 million in 2014-15.

The impact of redirecting funding from the NCPF is considered to be of high reliability as it is based on the 2013-14 Budget measure and recent advice from the Attorney-General's Department. The cost of the SSP is considered of high reliability as it is based on the capped amounts in the party's policy.

**Table 1: Financial implications (outturn prices)<sup>(a)(b)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	17.8	-2.3	-14.7	-15.0
Fiscal balance (\$m)	17.8	-2.3	-14.7	-15.0

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

(b) Differences in totals due to rounding.

## POLICY COSTING – POST ELECTION REPORT

Details of the components of this costing are provided in the table below.

**Table 2: Elements of the costing assuming existing commitment under NCPF is not redirected**

Element (\$m)	2013-14	2014-15	2015-16	2016-17	Total
NCPF uncommitted funding	17.8	17.7	0.3	-	35.8
SSP	-	-20.0	-15.0	-15.0	-50.0
Total	17.8	-2.3	-14.7	-15.0	-14.2



### COSTING – POST ELECTION REPORT

Name of proposal costed:	Revert to pre-2010 election personal staffing ratios
Summary of proposal:	The proposal will reduce the number of parliamentarians' staff by a total of 10 positions.  The proposal will take effect from 1 January 2014.
Party:	Coalition
Date of public release of policy:	5 September 2013
Additional information requested (including date):	On 20 September 2013, clarification was sought on the number of staff being reduced by this proposal.
Additional information received (including date):	On 7 October 2013, the Office of the Prime Minister advised that the proposal will reduce the number of staff by a total of 10 positions.

#### Costing overview

This proposal is expected to increase both the underlying cash and fiscal balances by \$6.5 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses. The proposal will have an ongoing impact that extends beyond the forward estimates period at a level similar to the estimate in 2016-17.

This costing is considered to be of high reliability as it is based on a capped reduction of staff and the average cost of personal staff of parliamentarians used in previous measures.

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	0.9	1.8	1.9	1.9
Fiscal balance (\$m)	0.9	1.8	1.9	1.9

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

#### Key assumptions

The PBO has assumed that the average annual cost per personal staff position is \$180,700 in 2013-14, which is an average of previous similar expense measures introduced in the 2010-11 Mid-Year Economic and Fiscal Outlook and 2011-12 Budget.

## POLICY COSTING – POST ELECTION REPORT

### **Methodology**

The annual savings from this proposal are calculated by multiplying the number of staff reduced by the average cost per staff position. The savings for each year across the forward estimates period is then indexed to arrive at the total savings of the proposal over the period.

### **Data sources**

- 2010-11 Mid-Year Economic and Fiscal Outlook, p. 173
  - Government and non-Government personal employees – additional positions
- 2011-12 Budget Paper No. 2, p. 199
  - Government and non-Government Parliamentary staff – additional positions



## COSTING – POST ELECTION REPORT

<b>Name of proposal to be costed:</b>	<b>Further 0.25 per cent per annum efficiency dividend – reduced advertising, consultancy and travel costs and by achieving deregulation efficiencies</b>
Summary of proposal:	The proposal will increase the efficiency dividend by 0.25 per cent per annum for the majority of Commonwealth Government agencies. The proposal will target reduced advertising, consultancy and travel costs, and deregulation efficiencies.  The proposal will have effect for three years from 1 July 2014.
Party:	Coalition
Date of public release of policy:	5 September 2013
Agencies from which information was obtained:	Department of Finance and Deregulation

### Costing overview

This proposal is expected to increase the underlying cash and fiscal balances by \$428.5 million over the 2013-14 Budget forward estimates period. The proposal will also have an ongoing impact that extends beyond the forward estimates period, with the impact per year being in the order of the 2016-17 estimated saving. This impact is entirely due to a decrease in departmental expenses.

The costing is considered to be of medium reliability as it is based on agency-level information on departmental funding as at the 2013-14 Budget, adjusted to account for the *Efficiency Dividend – temporary increase in the rate*, announced in the 2 August 2013 Economic Statement.

**Table 1: Financial implications (outturn prices)<sup>(a) (b)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	69.3	138.8	220.3
Fiscal balance (\$m)	-	69.3	138.8	220.3

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

(b) Figures in the table may not add to totals quoted elsewhere in the costing minute due to rounding.

## POLICY COSTING – POST ELECTION REPORT

### **Key assumptions**

#### Exemptions

Consistent with advice provided by the Coalition, it is assumed that the following agencies would be exempt from the increase in the efficiency dividend:

- Family Court
- Federal Court
- Federal Magistrates Court
- High Court
- Administrative Appeals Tribunal
- Social Security Appeals Tribunal
- National Native Title Tribunal
- Migration Review Tribunal – Refugee Review Tribunal
- Australian National Maritime Museum
- National Gallery of Australia
- National Museum of Australia
- Australia Council
- Australian Film, Television and Radio School
- Australian Sports Commission
- National Film and Sound Archive
- National Archives
- Old Parliament House
- Screen Australia
- Australian Institute of Aboriginal and Torres Strait Islander Studies
- Australian War Memorial
- Torres Strait Regional Authority
- Aboriginal Hostels Limited
- Indigenous Business Australia
- Indigenous Land Corporation, and
- Australian Communications and Media Authority.

In addition, the PBO has assumed the following ongoing exemptions to departmental appropriations, which apply under the current efficiency dividend policy, would be maintained under this proposal:

- 100 per cent of the Australian Broadcasting Corporation, Special Broadcasting Service Corporation and Safe Work Australia
- 100 per cent of the Coastwatch contract held by the Australian Customs and Border Protection

## POLICY COSTING – POST ELECTION REPORT

- 88 per cent of the Australian Institute of Marine Science
- 85 per cent of Australian Nuclear Science and Technology Organisation
- 81 per cent of the Department of Defence
- 70 per cent of the Commonwealth Scientific Industrial Research Organisation, and
- 55 per cent of the Australia Council.

### Variations

The PBO has assumed the following ongoing variations to departmental appropriations, which apply under the current efficiency dividend policy, would be maintained under this proposal:

- services for People with Disability, Community Investment and Homelessness Prevention programs run by the Department of Families, Housing, Community Services and Indigenous Affairs are subject to the efficiency dividend, and
- 1.25 per cent of the Department of Education, Employment and Workplace Relations Employment Assistance and Other Services program is subject to the efficiency dividend.

### **Methodology**

Using the estimates of departmental appropriations prior to any efficiency dividend application, the higher rate of 2.5 per cent for the period 2014-15 to 2016-17 is applied to in-scope agencies, taking into account the cumulative impact of the efficiency dividend. The difference between these savings and those estimated under the current efficiency dividend rates (2.25 per cent for the three years to 2016-17) is equal to the savings estimated in this costing.

### **Data sources**

Departmental appropriations as at the 2013-14 Budget provided by the Department of Finance and Deregulation.

Other information sourced from the 2013 Economic Statement.





### COSTING – POST ELECTION REPORT

Name of proposal costed:	Operation Sovereign Borders Joint Agency Taskforce
Summary of proposal:	The proposal will provide \$10.0 million for the establishment of an Operation Sovereign Borders Joint Agency Taskforce (OSBJAT). This funding will provide for the establishment of a headquarters for the OSBJAT and provide a reserve of funding for urgent requirements.  This proposal will commence in 2013-14.
Party:	Coalition
Date of public release of policy:	25 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 \$10.0 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase to expenses.

This costing is considered to be of high reliability as it is based on a capped amount and profile as specified by the Coalition. No departmental expenses above those reflected in the table below have been included as the Coalition has specified that seconded officers from Commonwealth agencies will be compensated by the deployed officer's home agency.

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-5.5	-1.5	-1.5	-1.5
Fiscal balance (\$m)	-5.5	-1.5	-1.5	-1.5

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

## POLICY COSTING – POST ELECTION REPORT

Details regarding the allocation of funding are provided in the table below.

**Table 2: Elements of the OSBJAT Policy** <sup>(a)</sup>

Element (\$m)	2013-14	2014-15	2015-16	2016-17	Total
Headquarters establishment	-1.5	-0.1	-	-	-1.6
Reserve for urgent requirements	-4.0	-1.4	-1.5	-1.5	-8.4
Total	-5.5	-1.5	-1.5	-1.5	-10.0

(a) Impacts are the same on both a fiscal balance and underlying cash balance basis. 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:	Regional Cooperation to Combat People Smuggling
Summary of proposal:	<p>The package will fund a suite of eight proposals in an effort to combat people smuggling through greater regional cooperation. The Coalition's Regional Deterrence Framework comprises:</p> <ol style="list-style-type: none"> <li>i. joint operations with Indonesia, Sri Lanka and Malaysia to disrupt people smuggling, including the international deployment of Australian Federal Police personnel</li> <li>ii. a program managed through the International Organisation for Migration to engage and enlist local villages within Indonesia to assist information gathering</li> <li>iii. tighter border controls and improved identity management in the region</li> <li>iv. appointing a special envoy to facilitate operational cooperation within the region to implement the Framework</li> <li>v. enhancing air surveillance in the region</li> <li>vi. supporting the search and rescue response capability of Indonesia</li> <li>vii. subject to the agreement of Australia's regional partners, enhancing capabilities for the interception of suspected irregular entry vessels and the transfer of irregular maritime arrivals (IMAs) to offshore processing facilities via agreed transit ports in the region, and</li> <li>viii. increasing the offshore processing capacity on Nauru by 2,000 additional places offset by discontinuing construction of the Singleton detention centre.</li> </ol> <p>The package will have effect from 2013-14.</p>
Policy of party:	Coalition
Date of public release of policy:	31 August 2013
Agencies from which information was obtained:	Department of Immigration and Border Protection (DIBP)

#### Costing overview

The package of proposals is expected to decrease both the underlying cash and fiscal balances by \$357.3 million over the 2013-14 Budget forward estimates period.

## POLICY COSTING – POST ELECTION REPORT

Apart from the capped components of the package the costing is considered to be of low reliability.

- The PBO has been able to obtain broad confirmation from DIBP relating to the cost of a number of measures relating to the acquisition of sophisticated IT and other capital equipment. However, the costs of some measures could not be validated due to the detailed nature of the proposals and limited time to undertake the costing.
- There is also some uncertainty around capital and occupancy costs relating to the expansion of offshore processing capacity. These costs were based on limited historic data provided by DIBP.
- Finally, the estimates are sensitive to changes in key variables impacting costs, including the actual number of IMAs in any given month, detainee placement across the detention network, and the actual number of people settled or returned to their country of origin.

The estimated savings in this costing are greater by \$65.5 million over the 2013-14 Budget forward estimates than those estimated by the Coalition. The variance is due to a combination of:

- lower costs for enhanced air surveillance (\$11 million over four years)
- higher costs for enhanced search and rescue capability (\$20 million over four years), and
- a net save from item (viii), increasing offshore processing capacity at Nauru, where the Coalition assumed no net impact on the budget (\$73.9 million over four years).

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-381.4	-153.7	61.4	116.4
Fiscal balance (\$m)	-381.4	-153.7	61.4	116.4

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

A breakdown of the financial impact of each proposal in the package is included at [Attachment A](#).

### Key assumptions

In relation to components (i) to (vii), the PBO has made use of *The Coalitions Policy for a Regional Deterrence Framework to Combat People Smuggling*, low level policy detail from the Coalition and advice provided by DIPB to arrive at estimated costs. Some of this information has commercial and other sensitivities associated with it and for that reason has not been disclosed.

#### *i. Improved regional intelligence and joint policing operations*

The Coalition policy document specified:

- the deployment of personnel from the Australian Federal Police to countries in the region
- funding for information technology equipment and software to facilitate greater information exchange and coordination on people smuggling operations between Australia and Indonesia, and
- funding for special operations in the region.

## POLICY COSTING – POST ELECTION REPORT

The greater majority of the costs included in this component were specified by the Coalition as capped funding.

### *ii. Engage with local communities in Indonesia*

The Coalition policy document specified funding for a community engagement programme including:

- communications campaigns to raise awareness within local villages that people smuggling is a criminal activity
- a capped boat buy-back scheme
- support for wardens in local communities, and
- the option, in exceptional circumstances, for bounty payments for the provision of information resulting in significant disruption or arrests leading to convictions.

These activities are to be implemented in up to 100 villages and managed by the International Organisation for Migration (IOM). The PBO has included project management funding for the IOM.

The costing takes account of the capped funding on a per village or scheme basis for each element set out above.

### *iii. Tighten regional border controls and improve identity management*

The Coalition policy document specified funding for:

- the acquisition and ongoing licensing of advanced Passenger Information (API) system equipment. Specified amounts provided to the PBO by the Coalition were confirmed by DIBP who confirmed that the proposed funding would be sufficient for one API system
- improved capacity for biometric matching through the acquisition and ongoing licensing of biometrics computer software. Due to a lack of specificity around the scale and sophistication of this technology, DIBP was unable to confirm cost estimates provided to the PBO by the Coalition. The PBO has been similarly unable to validate these costs but has included them as they are relatively immaterial to the overall costing, and
- provision of document matching equipment and training.

The Coalition specified that any departmental costs arising from this element would be absorbed by the relevant departments.

### *iv. Appoint special envoy for Operation Sovereign Borders*

This element will fund the appointment of one senior officer plus associated on-costs for a two-year period of employment.

### *v. Enhanced air surveillance*

The Coalition document specified funding for increased air surveillance effort.

Based on advice from the Coalition and DIBP, the PBO has assumed:

- costs of \$4 million in each of 2013-14 and 2014-15 and \$2 million in each of 2015-16 and 2016-17 for aircraft, and

## POLICY COSTING – POST ELECTION REPORT

- an additional \$2 million in each of 2013-14 and 2014-15 and \$1 million in each of 2015-16 and 2016-17 for the cost of basing aircraft on Christmas Island, from which additional flights will originate.

### *vi. Enhanced Indonesian search and rescue capability*

The Coalition policy document specified funding for Australia to assist Indonesia in rapid response search and rescue capability through the provision of fast transfer vessels, with appropriately trained crew and onboard security. The PBO costed this policy based on advice from the Coalition and DIBP on the associated costs.

The Coalition advised that any departmental costs arising from this proposal would be absorbed by the relevant departments.

### *vii. Interception and transfer of asylum seekers*

The Coalition specified:

- the establishment of agreed transit ports within the region
- navy and custom vessels to be used for interception of boats
- provision for a fleet of fast transfer vessels to be commercially leased to take asylum seekers directly to transit ports following interception
- chartered aircraft to take asylum seekers directly to Manus Island or Nauru

The PBO costed this policy based on supplier-quoted costs provided by the Coalition. While DIBP was unable to confirm these costs, the PBO has completed the costing based on the quotes provided.

### *viii. Increasing offshore processing capacity*

The Coalition specified:

- IMAs will be processed on Regional Processing Centres (RPCs) as a matter of priority, and only when RPCs are full would they be moved onshore for processing
- on average, 50 per cent of IMAs will be found to be genuine refugees and granted a Temporary Protection Visa (TPV); the remaining IMAs will be returned to their country of origin or a third country (see COA045 – *Clearing the 30,000 border backlog* for further detail)
- costs of increasing the offshore processing capacity on Nauru by 2,000 will be offset by discontinuing construction of the Singleton detention centre, and
- asylum seekers processed and given a TPV on RPCs will be transferred onshore to reside in the community with work rights until they are settled on a PV, or if circumstances change in their home country, returned home.

In addition, the PBO has assumed:

- processing time for a TPV will be three months, in line with DIBP's *Demand Driven Model for Irregular Maritime Arrivals*
- time to removal will reduce from the current 75 days to 49 days due to the proposed Fast Track Removal Process (see COA045 – *Clearing the 30,000 border backlog* for further detail)
- the per-person cost of installing tents is based on equivalent costs at Manus Island for 2013-14 (\$82,667 per person) obtained from DIBP

## POLICY COSTING – POST ELECTION REPORT

- per-person occupancy costs on Nauru and Manus Island of \$0.19 million in 2013-14 indexed by the Consumer Price Index in the forward years, based on current program estimates, and
- an additional cost of 17 per cent on top of operational costs per annum for departmental costs, based on the current split of departmental to administered in the program estimates.

### Methodology

For capped components of these proposals the specified amounts were used to calculate costs.

For components (i) to (vii) the PBO multiplied unit cost information by information relating to the size and scope of the individual policies.

For component (viii), *Increasing offshore processing capacity*, the capital costs associated with the proposal were calculated by multiplying the proposed additional 2,000 places by the average per-person cost of installing tents, less the savings from discontinuing construction of the Singleton detention centre (\$58.0 million in 2013-14, as reflected on pages 60 and 66 of the 2013 Economic Statement). Administered occupancy costs were calculated as projected monthly occupancy on Nauru and Manus Island multiplied by the average per person occupancy cost. On top of this was added an additional 17 per cent per annum in departmental expenses.

Net savings for Manus Island were calculated by taking the difference between occupancy numbers at the Pre-election Economic Fiscal Outlook (PEFO) and lower occupancy numbers under this proposal (noting that occupancy levels are based on the arrival rates reflected in the costing minute COA047 – *Dividend from stopping the boats*).

DIBP and Finance advised that funding for the costs of operating the Nauru RPC beyond 2013-14 in the period 2014-15 to 2016-17 have not been included in the program forward estimates.

Statements by the former Government indicate that provision for the cost of operating the processing facilities on Nauru beyond 2013-14 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). As the PBO has been unable to verify the magnitude of that provision, the PBO has not included any savings from reduced costs of operating the Nauru RPC beyond 2013-14.

This costing includes the impacts directly associated with increasing offshore processing capacity on RPCs. Downstream impacts of the proposal on the detention network costs and general society costs are included in COA045 – *Clearing the 30,000 border backlog*.

### Data sources

- Supplier cost information provided by the Coalition
- Department of Immigration and Border Protection
- The Economic Statement, August 2013

POLICY COSTING – POST ELECTION REPORT

**ATTACHMENT A: BREAKDOWN OF COSTS BY PROPOSAL**

Underlying cash/fiscal balance impacts	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	Total (\$m)
<b>Improved regional intelligence and joint policing operations</b>	-14.80	-17.40	-17.40	-17.40	-67.00
<b>Engage with local communities in Indonesia</b>	-6.80	-6.23	-3.38	-3.38	-19.78
<b>Tighten regional border controls and improve identity management</b>	-20.00	-6.50	-5.50	-5.50	-37.50
<b>Special Operation Sovereign Borders Envoy</b>	-0.36	-0.54	-0.23	-	-1.13
<b>Enhanced air surveillance capability</b>	-4.00	-6.00	-3.00	-3.00	-16.00
<b>Enhanced Indonesian search and rescue capability</b>	-22.87	-34.31	-17.16	-17.16	-91.49
<b>Interception and transfer of asylum seekers</b>	-68.94	-88.74	-26.50	-14.08	-198.25
<b>Increasing offshore processing capacity</b>	-243.62	6.03	134.58	176.91	73.89
<b>GRAND TOTAL</b>	<b>-381.39</b>	<b>-153.68</b>	<b>61.43</b>	<b>116.40</b>	<b>-357.25</b>

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

(b) Totals may not sum due to rounding.





## COSTING – POST ELECTION REPORT

<b>Name of proposal to be costed:</b>	<b>Re-build ADF Gap Year programme</b>
Summary of proposal:	The proposal will re-introduce the Australian Defence Force (ADF) Gap Year Program (the Program) at a capped intake of 250 places in 2014-15, 500 places in 2015-16, 750 places in 2016-17 and 1,000 places in 2017-18.  The proposal will have effect from 1 July 2014 and is ongoing.
Party:	Coalition
Date of public release of policy:	2 September 2013
Agencies from which information was obtained:	Department of Defence

### Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by \$113.3 million over the 2013-14 Budget forward estimates period. The proposal will also decrease the underlying cash and fiscal balances by \$78.5 million in 2017-18. This impact is entirely due to an increase in expenses.

Departmental costs of \$14.2 million over four years have been included based on staffing support funds allocated to the first iteration of the Program in 2007. The ADF Gap Year Program was originally implemented in 2006-07 and ceased in 2012-13.

The costing is considered to be of medium reliability because it assumes that transfer rates into the regular and reserve forces from the first iteration of the Program will continue into the future, where actual transfer rates may differ. There is also some uncertainty around the timing of bonus payments that may impact on the profile of funding.

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-	-18.3	-37.5	-57.5
Fiscal balance (\$m)	-	-18.3	-37.5	-57.5

(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.

Attachment A provides a break up of major costs under the proposal.

## POLICY COSTING – POST ELECTION REPORT

### Key assumptions

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

- the average program cost per participant is \$63,461, calculated as total costs divided by the number of participants per annum on average for the period 2008-09 to 2011-12. This was indexed by the Consumer Price Index to obtain forward year costs
- funding splits between support staffing, participants' salary and overheads, contribution to education costs and operating costs were based on funds allocated to the first iteration of the Program in 2007 (refer Table 1 of the Evaluation of the ADF Gap Year Program (2010), page 24)
- around 54 per cent of participants per annum would transfer to an ongoing form of service upon completion of the Program, based on actual transfers from the Program into permanent and reserve forces on average over the period 2008-09 to 2011-12
- the bonus payment of \$10,000 would be paid to each transferee at the end of the one-year Program, and
- the proposal to provide 1,000 places under the Program 'by 2017-18' intends that the Program would be made ongoing.

The estimates in this costing do not include recruitment savings from transfers from the Program into an ongoing form of ADF service, as identified in the costing request. Based on advice from Defence, transferees from the Program to the ADF will still have to go through the normal recruitment process such as medical examinations and tests, the costs for which Defence will continue to bear.

### Methodology

Based on the above assumptions, the capped number of participants per annum was multiplied by the estimated cost per participant to estimate program running costs. These are made up of staffing support costs, participants' salary and overheads, contribution to education costs and operating costs. To the program running costs were added bonus payments to estimate total costs under the proposal, calculated as 54 per cent of the capped number of participants in any given year, multiplied by the payment of \$10,000.

### Data sources

- The Department of Defence provided the following data:
  - Annual cost and average number of participants for the period 2008-09 to 2011-12
  - Information about bonus payments
  - Percentage of Program participants that transferred to an ongoing form of ADF service for the years 2009-10 to 2011-12, and
  - Average recruitment costs per ordinary ADF placement.
- Additional information on planned funding and funding sources was extracted from: Evaluation of ADF Gap Year Program (2010), prepared by Noetic Solutions Pty Ltd for the Department of Defence, accessed on 2/08/13: <http://resources.news.com.au/files/2011/05/31/1226066/086682-parnell-foi.pdf>
- Indexation factors sourced from Treasury Parameters as at the Pre-Election Fiscal Outlook.

## POLICY COSTING – POST ELECTION REPORT

### ATTACHMENT A: DETAILED BREAKDOWN OF COSTS

The following table provide a detailed breakdown of the major cost items under this proposal.

**Table A1: ADF Gap Year Program – costs** <sup>(a) (b)</sup>

Impact on (\$ million)	2013-14	2014-15	2015-16	2016-17	2017-18
Participants' salary and overheads	-	-14.2	-29.1	-44.7	-61.1
Support staffing	-	-1.4	-2.8	-4.3	-5.8
Bonus payments	-	-1.3	-2.7	-4.0	-5.4
Operating costs	-	-0.9	-1.7	-2.7	-3.7
Contribution to education costs	-	-0.6	-1.2	-1.8	-2.5
<b>Total</b>	-	<b>-18.3</b>	<b>-37.5</b>	<b>-57.5</b>	<b>-78.5</b>

(a) A negative number indicates an increase in expenses.

(b) Totals may not sum due to rounding.