Attachment H
Costing documentation for Australian Greens' election commitments

Reference No. *GRN001*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal:	**Fix the mining tax (previously *Improved mining tax*)**
Summary of proposal:	The proposal would expand the Minerals Resources Rent Tax (MRRT) to include: (i) a 40 per cent tax rate (including abolition of the 25 per cent extraction allowance, so that the effective tax rate is 40 per cent) (ii) royalties credited at rates in place at 1 July 2011 (iii) all minerals in the MRRT (iv) reducing the uplift rate to be the bond rate plus 2 percentage points, and (v) restricting the starting base for existing projects to the depreciated book value of what companies have actually spent on mining infrastructure. The intention of the proposal is for the MRRT to be more like that proposed by the Henry Tax Review and the first Rudd Government's proposed resource super profits tax (RSPT) and to increase the amount of tax paid by mining companies. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	19 August 2013
Date of public release of policy:	14 July 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is estimated to increase both the underlying cash and fiscal balances by around $20.8 billion over the period from 2013-14 to 2016-17. This impact is entirely due to increased revenue.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications for improved mining tax (outturn prices)[(a)]

Impact on:	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	5,000	7,000	8,800
Fiscal balance ($m)	-	5,000	7,000	8,800

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

A detailed breakdown of the elements of this costing is included at Attachment A.

The proposal would have an ongoing impact that extends beyond the forward estimates period.

Departmental expenses are not expected to be significant and have not been included in this costing.

This costing is considered to be of very low reliability.

- There is no direct tax information on which to base the estimates, which rely heavily on assumptions and there is no reliable information on likely taxpayer responses to the policy. The model relies on Australian Bureau of Statistics (ABS) data for much of the analysis.
- The model uses a 'tops down' approach which treats each commodity as a single entity, so variations in company circumstances are not taken into account.
- The estimates are extremely sensitive to factors such as changes in commodity prices and the exchange rate. These can result in very large variations in the expected revenue relative to the change in the Australian dollar value of commodities.

Key assumptions

Assumptions detailed in the costing request:

- This proposal would have effect from 1 July 2014.

The PBO has made the following assumptions regarding this advice.

General assumptions

- Over the projection period in the model, production costs are assumed to be proportional to the level of mining output, with the 'price' of non-labour production costs further increasing in line with the implicit price deflator of Gross Domestic Product (GDP) and unit labour costs further increasing in line with total average weekly earnings.
- Estimates have been rounded to the nearest $100 million.

Impact on company tax

- As the MRRT paid by a company is deductible for company tax purposes, changes to MRRT liabilities will change company tax collections. The magnitude of the change in company tax is 30 per cent of the change in the MRRT.

Timing assumptions

- The PBO has assumed that the MRRT is collected via a quarterly instalment system.

POLICY COSTING – ELECTION CARETAKER PERIOD

Methodology

The costing uses a 'tops down' commodity model, covering iron ore, metallurgical coal, thermal coal, gold, copper, nickel, alumina, refined copper and refined nickel. Each mineral is modelled as if it were a single entity under the MRRT, effectively assuming full transferability of unused project expenses within that commodity sector.

Crude oil and Liquefied Natural Gas (LNG) are assumed to remain subject to the Petroleum Resources Rent Tax (PRRT) and have not been included in the MRRT modelling.

The focus of the model is on export sales and volumes. The model excludes coal used in domestic electricity generation on the basis that the majority of such coal is sourced as part of vertically integrated production processes which overall do not generate the 'super profits' that are subject to the MRRT. For similar reasons, brown coal is not covered by the model.

The model starts from commodity prices and volumes to estimate the Australian dollar value of sales income for each commodity at the port. Following that:

- Operating costs are deducted (however, certain costs such as depreciation and interest expenses are not deductible).
  - Operating costs include an allowance for the profits on downstream capital in order to 'net back' the returns on capital to the run of mine (ROM) stockpile, which is the taxing point for the MRRT.
- Capital expenditure is immediately expensed (that is fully deductible in the year the capital concerned is installed ready for use).
- Royalties are grossed up by dividing by the MRRT effective tax rate and the grossed up amount is treated as a deductible expense.
- Starting base allowances are deducted by either:
  - a deduction equal to the assumed market value of starting assets, written off over the effective life of the relevant assets (assumed average of 17 years), or
  - a deduction equal to the book value of assets, written off over five years, with 36 per cent deducted in year one, 24 per cent in year two, 15 per cent in year three, 15 per cent in year four, and 10 per cent in year five with unused deductions uplifted at the 10 year bond rate.

  This depends on which provides the more favourable outcome to miners given that they can elect which method to apply. Base MRRT revenue is calculated assuming that miners will elect to deduct the market value of starting assets as this is more favourable.
- MRRT assessable income is calculated by deducting operating costs, capital expenditure, royalty deductions and starting base allowances from sales revenue.
- Where there is an MRRT loss, the loss is only attributed to starting base allowances, after deducting 'other' expenses. Losses attributable to 'other' expenses are uplifted at the 10 year bond rate plus an uplift factor. Note that no MRRT losses are expected under the current model parameters.
- Where there is positive MRRT assessable income, MRRT is assessed at the MRRT tax rate, discounted by the extraction allowance.

POLICY COSTING – ELECTION CARETAKER PERIOD

Policy parameters

The **base case** in the model assumes the following key policy parameters hold.

- The MRRT rate is 30 per cent, discounted by the 25 per cent extraction allowance to give an effective MRRT rate of 22.5 per cent.
- State royalties are levied at actual rates estimated to be applicable in each projection year:
  - the royalty rate used for iron ore is the Western Australian average ad valorem royalty rate, with the rate estimated from WA State Budget papers, and
  - the royalty rate used for metallurgical coal is the average of the ad valorem rates applicable in Queensland and New South Wales. The Queensland rates take account of the graduated value based royalty rates announced in the 2012-13 Queensland Budget. The New South Wales rates take account of the different rates that apply to open cut, shallow underground and deep underground mines but do not include the royalty increases foreshadowed in the 2011-12 NSW Budget (and reiterated in the 2012-13 Budget), for which a revenue target has been announced but no specific rates put forward.
- Undeducted MRRT operating costs, unused capital expense deduction and royalty deductions are carried forward at the 10 year bond rate plus 7 per cent 'uplift'.
- Starting base deductions are claimed under the market value method and deducted over the average effective life of the starting base assets (as opposed to the alternative option of using book values written off over five years).

Element (i) increases the MRRT effective rate to 40 per cent, by setting the headline rate to 40 per cent and the extraction allowance discount to zero.

Element (ii) sets the weighted average State royalty rate for each commodity to the average rate for the 2010-11 year (as a proxy for the rates applicable at 1 July 2011).

Element (iii) extends the MRRT to all minerals by adding LNG, gold, copper, nickel, crude oil, alumina, refined copper and refined nickel to those minerals modelled previously.

Element (iv) reduces the uplift factor for undeducted MRRT expenses from the 10 year bond rate plus 7 per cent to the 10 year bond rate plus 2 per cent.

Element (v) switches the basis for starting base allowance deductions from the market value deducted on a straight line basis over the lesser of 25 years or the market value of the assets, with no uplift, to the alternative deductions for book value of assets over five years (according to the 36/24/15/15/10 schedule) with uplift of unused deductions at the 10 year bond rate.

Data sources

- 2012-13 Mid-Year Economic and Fiscal Outlook
- ABS Cat. No. 8415.0, *Mining Operations Australia*, 2006-07
- ABS Cat. No. 8155.0, *Australian Industry*, 2010-11
- Reserve Bank of Australia, Index of commodity prices, exchange rates, bond rates

- Bureau of Resource and Energy Economics, Commodity Statistics, March 2013
- Coal Services Pty Limited, *Australian Black Coal Mining Summary* 2009-10
- New South Wales Treasury, State Budget papers (various)
- Queensland Treasury, State Budget papers (various)
- Western Australia, State Budget papers (various)
- Index Mundi, monthly commodity price indices http://www.indexmundi.com/commodities/?commodity=iron-ore&months=12

ATTACHMENT A: BASE REVENUE AND DETAILED RESULTS

This attachment includes the estimated revenue impact for each element of this costing using 2013 Pre-Election Economic and Fiscal Outlook report parameters. Base MRRT revenue, including PBO estimates of the different mineral compositions, is also provided.

Base MRRT revenue published in the 2013 Pre-Election Economic and Fiscal Outlook

Estimated MRRT as at the 2013 Pre-Election Economic and Fiscal Outlook

	2013-14	2014-15	2015-16	2016-17
Iron ore(a)	600	600	900	1,400
Metallurgical coal(a)	100	200	200	400
Thermal coal(a)	0	0	0	0
Total	**700**	**800**	**1,100**	**1,800**

(a) PBO estimates of the composition of MRRT revenue.

Detailed estimates for elements (i) to (v)

The impact of each of the costing elements is shown separately in the following sections. There are some interactions between these elements that means that they do not necessarily sum to the total of the policy costing.

Element (i) Impose an MRRT tax rate of 40 per cent (including abolition of the 25 per cent extraction allowance, so that the effective tax rate is 40 per cent)

This element is estimated to increase both the underlying cash and fiscal balances by around $11.6 billion over the period from 2013-14 to 2016-17. This impact is entirely due to increased revenue.

Element (i) - Increase MRRT rate to 40% (in isolation)

Revenue impact ($ million) (a)

	2013-14	2014-15	2015-16	2016-17
Iron ore	0	2,300	3,400	4,200
Metallurgical coal	0	400	600	700
Thermal coal	0	0	0	0
Total	**0**	**2,700**	**4,000**	**4,900**

MRRT revenue including the impact of Element (i) (b)

	2013-14	2014-15	2015-16	2016-17
Iron ore	600	2,900	4,300	5,600
Metallurgical coal	100	600	800	1,100
Thermal coal	0	0	0	0
Total	**700**	**3,500**	**5,100**	**6,700**

Footnotes:

(a) Impact relative to 2013 PEFO estimates.

(b) Revenue impact of MRRT net of company tax deduction and credits for State royalties.

POLICY COSTING – ELECTION CARETAKER PERIOD

Element (ii) Royalties credited at the royalty rates in place at 1 July 2011

This element is estimated to increase both the underlying cash and fiscal balances by around $1.7 billion over the period from 2013-14 to 2016-17. This impact is entirely due to increased revenue.

Element (ii) Royalties credited at rates in place as at 1 July 2011 (in isolation)

Revenue impact ($ million) [(a)]

	2013-14	2014-15	2015-16	2016-17
Iron ore	0	400	600	700
Metallurgical coal	0	0	0	0
Thermal coal	0	0	0	0
Total	**0**	**400**	**600**	**700**

MRRT revenue including the impact of Element (ii) [(b)]

	2013-14	2014-15	2015-16	2016-17
Iron ore	600	1,000	1,500	2,100
Metallurgical coal	100	200	200	400
Thermal coal	0	0	0	0
Total	**700**	**1,200**	**1,700**	**2,500**

Footnotes:

(a) Impact relative to 2013 PEFO estimates.

(b) Revenue impact of MRRT net of company tax deduction and credits for State royalties.

POLICY COSTING – ELECTION CARETAKER PERIOD

Element (iii) Include all minerals in the MRRT

This element is estimated to increase both the underlying cash and fiscal balances by around $1.7 billion over the period from 2013-14 to 2016-17. This impact is entirely due to increased revenue.

Element (iii) Expand MRRT coverage to include all minerals (in isolation)

Revenue impact ($ million) [(a)]

	2013-14	2014-15	2015-16	2016-17
Iron ore	0	0	0	0
Metallurgical coal	0	0	0	0
Thermal coal	0	0	0	0
Gold	0	600	600	500
Copper	0	0	0	0
Nickel	0	0	0	0
Alumina	0	0	0	0
Refined Copper	0	0	0	0
Refined Nickel	0	0	0	0
Total	**0**	**600**	**600**	**500**

MRRT revenue including the impact of Element (iii) [(b)]

	2013-14	2014-15	2015-16	2016-17
Iron ore	600	600	900	1,400
Metallurgical coal	100	200	200	400
Thermal coal	0	0	0	0
Gold	0	600	600	500
Copper	0	0	0	0
Nickel	0	0	0	0
Alumina	0	0	0	0
Refined Copper	0	0	0	0
Refined Nickel	0	0	0	0
Total	**700**	**1,400**	**1,700**	**2,300**

Footnotes:

(a) Impact relative to 2013 PEFO estimates.

(b) Revenue impact of MRRT net of company tax deduction and credits for State royalties.

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Element (iv) Reduce the uplift rate from the bond rate plus 7 percentage points to the bond rate plus 2 percentage points.

This element is not estimated to have an impact on either the underlying cash or fiscal balances over the period from 2013-14 to 2016-17.

Element (iv) Uplift rate at 10 year bond rate plus 2%

Revenue impact ($ million) [(a)]

	2013-14	2014-15	2015-16	2016-17
Iron ore	0	0	0	0
Metallurgical coal	0	0	0	0
Thermal coal	0	0	0	0
Total	**0**	**0**	**0**	**0**

MRRT revenue including the impact of Element (iv) [(b)]

	2013-14	2014-15	2015-16	2016-17
Iron ore	600	600	900	1,400
Metallurgical coal	100	200	200	400
Thermal coal	0	0	0	0
Total	**700**	**800**	**1,100**	**1,800**

Footnotes:

(a) Impact relative to 2013 PEFO estimates.

(b) Revenue impact of MRRT net of company tax deduction and credits for State royalties.

Element (v) Restrict the starting base for existing projects to the depreciated book value of what companies have actually spent on mining infrastructure.

This element is estimated to increase both the underlying cash and fiscal balances by around $4.0 billion over the period from 2013-14 to 2016-17. This impact is entirely due to increased revenue.

Element (v) Starting base deduction set to book value - depreciated over 5 years

Revenue impact ($ million) [(a)]

	2013-14	2014-15	2015-16	2016-17
Iron ore	0	900	1,300	1,500
Metallurgical coal	0	0	100	200
Thermal coal	0	0	0	0
Total	**0**	**900**	**1,400**	**1,700**

MRRT revenue including the impact of Element (v) [(b)]

	2013-14	2014-15	2015-16	2016-17
Iron ore	600	1,500	2,200	2,900
Metallurgical coal	100	200	300	600
Thermal coal	0	0	0	0
Total	**700**	**1,700**	**2,500**	**3,500**

Footnotes:

(a) Impact relative to 2013 PEFO estimates.

(b) Revenue impact of MRRT net of company tax deduction and credits for State royalties.

Reference No. *GRN002*

Parliament of Australia
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COSTING – ELECTION CARETAKER PERIOD

Name of proposal:	**Abolishing fossil fuel subsidies**
Summary of proposal:	The proposal would abolish: • fuel tax credits (FTCs) for the mining industry (FTCs replaced the diesel fuel rebate from 1 July 2006), • accelerated depreciation tax concessions for aircraft, the oil and gas industry and vehicles (except those used for agricultural purposes), and • immediate deductions in the mining industry relating to exploration and prospecting. The intention of the proposal is to remove a distortion in the tax system favouring some industries over others and raise revenue to be invested in the industries of the future. The proposal would have effect from 1 January 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	21 August 2013
Date of public release of policy:	14 July 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to increase the underlying cash balance by $10.50 billion and increase the fiscal balance by $10.85 billion over the 2013-14 forward estimates period. This impact reflects: an increase in revenue from abolishing accelerated depreciation and exploration tax concessions for the mining industry, a reduction in expenditure from abolishing fuel tax credits (FTCs) for mining companies and an offsetting decrease in company tax and minerals resource rent tax (MRRT) arising from increased fuel costs associated with abolishing FTCs.

This costing includes a number of components. A detailed breakdown of the components of this costing is included at Attachment A.

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of the difference between the timing of accrual and cash expenses related to the FTC component of the costing.

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POLICY COSTING – ELECTION CARETAKER PERIOD

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental expenses are not expected to be significant and have not been included in this costing.

This costing is considered to be of low reliability as it is based on a number of assumptions and projected aggregate data.

Table 1: Financial implications (outturn prices)[(a)]

Impact on:	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	1,000	2,850	3,250	3,400
Fiscal balance ($m)	1,350	2,850	3,250	3,400

(a) A positive number for the fiscal balance indicates a decrease in expense and an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenditure and an increase in revenue receipts in cash terms.

Key assumptions

General assumptions

- The proposal would have effect from 1 January 2014.
- Estimates have been rounded to the nearest $50 million.

Assumptions relating to the abolition of fuel tax credits for the mining industry

- Currently entities in the mining industry are able to claim FTCs for fuel they use, as follows:
  - an FTC equal to the full excise paid on eligible fuel is available for fuel used in off road applications, and
  - a part FTC, equal to the excise paid less a road user charge (RUC) is payable in respect of fuel used on road in transport vehicles with greater than 4.5 tonnes gross vehicle mass (GVM).
- From 1 July 2012, FTCs for off road use of fuel used (inter alia) in the mining industry have been reduced by an amount equal to the charge imposed by the carbon pricing mechanism (CPM) on the fuel concerned. Companies are able to elect to receive a full fuel tax credit and to pay their CPM liabilities relating to eligible fuel use through the CPM. Similar arrangements will apply to the heavy on road transport sector from 1 July 2014, including heavy on road transport used in the mining sector.
  - The costing assumes that, if eligibility for FTCs is removed from the mining industry, mining companies will lose FTCs equal to the full excise of 38.143 cents per litre (cpl) (or 38.143cpl less the RUC for fuel used on road after 1 July 2014).
- FTCs currently reduce the expenses entities are able to claim for their fuel for both company tax and the minerals resource rent tax (MRRT). Abolishing FTCs for mining entities would increase the deductions claimed by mining companies for both these taxes. As the MRRT is a deductible expense for company tax purposes, this impact compounds over both taxes.
  - This costing uses the current company tax rate of 30 per cent and the current effective MRRT rate of 22.5 per cent.
  - The modelling takes account of the FTCs being deductible for both MRRT and company tax purposes.

- The costing assumes that there would be no behavioural change in response to the proposal, with the result that the level of mining activity and fuel consumption remains unchanged as a result of the proposal.

Assumptions relating to the abolition of accelerated asset depreciation and abolition of immediate deductions for exploration and prospecting

The costing assumes that there is no behavioural response to removing the accelerated depreciation provisions, for instance through reducing expenditure on the assets concerned.

The PBO has made the following assumptions in calculating the estimated impact of removing the accelerated depreciation tax concessions:

- Where there are varying safe harbour effective lives for the same category of asset, an average was taken to arrive at the safe harbour asset life.
- The average marginal tax rate for individual taxpayers is 33 per cent.
- Assets are assumed to be purchased throughout the year.
- Taxpayers are assumed to utilise deductions associated with aircraft, the oil and gas industry and vehicles according to the following profile:
  - 75 per cent are taxable in the year they purchase the depreciable assets
  - 15 per cent become taxable in the year after they purchased the asset, and
  - 5 per cent become taxable two years after they purchased the asset.
- Some of the increase in tax from companies arising from the proposal is clawed back through increased imputation credits being available in relation to dividends paid to shareholders.
- Estimates have been rounded to the nearest $50 million.
- Approximately 10 per cent of vehicles were considered to be used for agricultural purposes and were not included in the costing.
- Taxpayers are assumed to utilise deductions associated with exploration and prospecting according to their taxable/non-taxable status. In aggregate, 50 per cent of affected taxpayers are taxable each year.
- Exploration and prospecting assets are assumed to have a 15 year effective life under the proposal.

Methodology

Methodology for costing the abolition of fuel tax credits for the mining industry

The costing has been performed using an aggregate analysis, based on total FTCs paid to the mining industry. This is a “tops down” approach, using actual payment data and will include the effect of factors such as the take up rates for FTCs that were applicable in the period from which the data are drawn. The impact of the proposal was calculated as follows:

- Total FTCs payable in 2011-12 to the mining industry were obtained from the Australian Taxation Office (ATO) taxation statistics and projected out over the forward estimates using the growth rate in the budget data for diesel fuel excise.
- The FTC data was decomposed into 'on road' and 'off road' components using historical data from the Energy Grants Credit Scheme.
- The impact of FTCs on the MRRT and company tax payable by mining companies was estimated by calculating the combined change in the value of deductions for fuel for that part of the mining industry estimated to be subject to MRRT, and the change in the value of company tax deductions for the remainder of the mining industry.
- Timing assumptions on the frequency of FTC payments through the Business Activity Statement (BAS) system were made to determine the impact of the proposal on an underlying cash balance basis.

Growth rates in the model are based on the growth rates for diesel fuel excise reported in *2013 Pre-Election Economic and Fiscal Outlook* report. The road user charge (RUC) used to calculate 'on road' FTCs was grown in the projection period at the average of annual growth rates for the period 2008-09 to 2013-14.

Timing assumptions on the frequency of FTC payments through the BAS system were made to determine the impact of the proposal on an underlying cash balance basis.

Methodology for modelling the abolition of accelerated asset depreciation and the abolition of immediate deductions for exploration and prospecting

The abolition of immediate deductibility of exploration and prospecting has been modelled in the same manner as the removal of accelerated asset depreciation.

The impact of this proposal was estimated by calculating the impact of total depreciation deductions expected under the proposal over the forward estimates period less the impact of total depreciation deductions currently expected over the forward estimates period.

Company tax timing assumptions which allow for the impact of companies with substituted accounting periods were used in this costing.

Data sources

- ATO Taxation Statistics 2011-12, detailed tables from the ATO website www.ato.gov.au.
- Fuel excise data from the *2013 Pre-Election Economic and Fiscal Outlook* report.
- FTC estimates from the 2013-14 Budget Paper No. 1.
- ATO data on business depreciating asset expenditure was obtained from the Treasury.

ATTACHMENT A: DETAILED BREAKDOWN OF THE COSTING

This attachment provides a breakdown of the financial implications of the proposal.

Table A1: Financial implications – Fiscal balance ($ million)

	2013-14	2014-15	2015-16	2016-17
Revenue impact				
Remove accelerated depreciation for mining companies[a]	..	250	700	800
Remove immediate deduction for exploration and prospecting[a]	100	650	1050	900
Company tax and MRRT impact from abolishing FTCs for mining companies[a]	-	-550	-1050	-950
Total	***100***	***350***	***700***	***750***
Expense impact				
Abolish FTCs for mining companies[a]	1,250	2,500	2,550	2,650
Total	**1,350**	**2,850**	**3,250**	**3,400**

a) A positive number for the fiscal balance represents an increase in revenue or a decrease in expenses. A negative number for the fiscal balance represents a decrease in revenue or an increase in expenses.

".." means not zero but rounded to zero.

Table A2: Financial implications – Underlying cash balance ($ million)

	2013-14	2014-15	2015-16	2016-17
Revenue impact				
Remove accelerated depreciation for mining companies[a]	..	250	700	800
Remove immediate deduction for exploration and prospecting[a]	100	650	1,050	900
Company tax and MRRT impacts from abolishing FTCs for mining companies[a]	-	-550	-1050	-950
Total	***100***	***350***	***700***	***750***
Expense impact				
Abolish FTCs for mining companies[a]	900	2,500	2,550	2,650
Total	**1,000**	**2,850**	**3,250**	**3,400**

a) A positive number for the fiscal balance represents an increase in receipts or a decrease in outlays. A negative number for the underlying cash balance represents a decrease in receipts or an increase in outlays.

".." means not zero but rounded to zero.

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COSTING – ELECTION CARETAKER PERIOD

Name of proposal:	**Bank Public Support Levy (previously *Public Support Levy*)**
Summary of proposal:	The proposal would introduce a 20 basis point levy on bank assets in excess of $100 billion, as suggested in the International Monetary Fund Report "A fair and substantial contribution from the financial sector: Final Report for the G-20." This would replace the Financial Stability Fund measure announced by the Government in the August 2013 Economic Statement. The IMF estimates that banks which are perceived as "too big to fail" receive a 20 basis point advantage over small banks due to the implicit Government guarantee underwriting their activities. The proposal is intended to make major banks pay a fair charge for the public support they receive. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	16 August 2013
Date of public release of policy	14 July 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to increase both the underlying cash and fiscal balances by $7.9 billion over the 2013-14 Budget forward estimates period. This impact reflects an increase in revenue of $11.5 billion from the levy and a decrease in company tax receipts of $3.6 billion over this period.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental costs are expected to be minimal and have not been included in this costing. Administration of the policy should not be a significant cost given that the Australian Prudential Regulation Authority (APRA) already collects data on bank assets and that the levy would only apply to four taxpayers at present.

This costing is considered to be of high reliability. It is based on high quality, up to date information and current growth forecasts. No data assumptions have been made.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	2,700	2,500	2,700
Fiscal balance ($m)	-	2,700	2,500	2,700

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

Key assumptions

Assumptions detailed in the costing request:

- The Public Support Levy would replace the Financial Stability Fund measure that the Government announced in the August 2013 Economic Statement.
- The levy is treated as a deductible expense for company tax purposes.
- The levy is 20 basis points (0.2 per cent) of the value of total resident assets of each bank in excess of the $100 billion threshold.
- The proposal would start from 1 July 2014.

The PBO has made the following assumptions regarding this proposal.

General assumptions

- The levy would be payable in a single instalment within the financial year based on the estimated value of assets as at 1 July each year.
- The value of bank assets is assumed to grow each year by the growth rate in GDP.

Behavioural assumptions

- The costing assumes that the cost of the proposed levy is not passed on to bank customers.
  - This assumption is reasonable given that, based on the APRA data, only the 4 major banks would be subject to the levy and competition from other approved deposit taking institutions would limit their ability to pass the impact through to customers, with the result that the levy would impact on profit and taxable income (as costed).
  - The impact of varying this assumption mainly impacts on the rate at which the levy is assumed to be deducted from assessable incomes. If banks were to pass the levy through to consumers in the form of increased fees or reduced interest, that pass through would increase the assessable income of the banks for tax purposes, offsetting the deduction they receive for the levy, but would be matched by reductions in the taxable income of (resident) bank customers. In this case, the impact of reduced income/tax deductions on tax revenue would depend upon the marginal tax rates of bank customers.
- The costing also assumes that the imposition of the levy does not change the behaviour of Australian banks or their customers, for instance by moving business offshore, restructuring banking businesses to get under the asset threshold or shifting business away from banks subject to the levy to those that are not subject to the levy.

- According to APRA data, the total profit of the four major Australian banks in the year ended December 2012 was $32.6 billion and tax paid was $10.2 billion. The levy proposed is equivalent to more than a quarter of the income tax currently paid by the banks. Such an increase in tax liability is likely to result in a behavioural response.
- The PBO cannot reliably estimate what the nature or magnitude of any behavioural change would be in response to the proposal. The actual behaviour of the major banks in response to the levy could materially affect the costing.

Methodology

Total resident assets of Australian banks were obtained from the APRA *Monthly Banking Statistics* for each licensed bank. Total resident assets are defined as "all assets on the banks' domestic books that are due from residents". The bank assets were then tested against the proposed $100 billion threshold. Only assets of banks that were in excess of the threshold were assessed for the levy.

Data sources

- APRA *Monthly Banking Statistics, June 2013*
- APRA *Quarterly Authorised Deposit-taking Institution Performance, March 2013*
- *2013 Economic Statement*
- *Pre-Election Economic and Fiscal Outlook 2013*

Reference No. *GRN004*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Millionaires tax
Summary of proposal:	The proposal would introduce an additional 5 per cent tax on incomes over $1 million. Income for the purpose of the additional tax would be defined as taxable income plus reportable fringe benefits. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	20 August 2013
Date of public release of policy	14 July 2013
Agencies from which information was obtained:	Australian Taxation Office (ATO)

Costing overview

This proposal is expected to increase both the underlying cash and fiscal balances by $526.9 million over the 2013-14 Budget forward estimates period. This impact reflects an increase in expenses of $3.1 million and an increase in revenue of $530 million over this period. A detailed breakdown of the components of the costing is included at Attachment A.

The costing profile matures in 2016-17 and the proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental expenses associated with this proposal have been estimated in consultation with the ATO. These estimates have been included in the costing.

This costing is considered to be of medium reliability. It was estimated using a model based on a de-identified sample of 2010-11 personal income tax and superannuation data from the ATO.

The estimates in this costing include allowances for behavioural responses. The modelling includes an allowance for high income individuals to bring forward a small amount of income in excess of $1 million from 2014-15 to 2013-14 to take advantage of lower tax rates before the new tax takes effect. In addition, the modelling assumes that individuals will reduce their taxable incomes from 2014-15 in response to the additional tax.

The estimates in this costing differ from those in the applicant's costing request due to the PBO using more recent personal income tax and superannuation data. In addition, the PBO was able to access de-identified taxpayer information from the ATO as a result of recent amendments to the *Taxation Administration Act 1953,* which allowed the PBO to refine its assumptions surrounding the timing of personal income tax receipts for very high income earners.

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POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	119.0	-51.4	149.6	309.7
Fiscal balance ($m)	119.0	-51.4	149.6	309.7

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

Key assumptions

- The costing assumes that high income individuals have a taxable income elasticity of 0.35, in line with estimates used in the United Kingdom.
- Affected individuals bring forward a small amount of income from the 2014-15 income year to the 2013-14 income year to avoid the additional tax.
- The additional tax revenue is collected via a levy in quarterly instalments.

Methodology

The costing was estimated using a microsimulation model based on a de-identified 16 per cent sample of 2010-11 personal income tax and superannuation data from the ATO.

A small proportion of taxable income in excess of $1 million in 2014-15 is assumed to be brought forward to 2013-14 to account for individuals rearranging their income in the short-term to avoid the levy. This results in an increase in tax collections in 2013-14 as the income brought forward is subject to income tax withholding and the Pay As You Go instalment system, with a reduction in taxable income, mainly in 2014-15.

A taxable income elasticity of 0.35 was applied to individuals with incomes in excess of $1 million from 2014-15 to account for longer-term responses by individuals to the introduction of the levy. This resulted in decreased personal income tax and Medicare Levy revenue.

The levy revenue was calculated by multiplying the sum of taxable income and reportable fringe benefits in excess of $1 million, after incorporating behavioural impacts, by the rate of the levy.

Data sources

- *The Exchequer effect of the 50 per cent additional rate of income tax*, HM Revenue and Customs.
- 16 per cent samples of de-identified personal income tax and superannuation records from 2006-07 to 2010-11, ATO.
- Taxation Statistics – 2005-06 to 2010-11, ATO.

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A: DETAILED FINANCIAL IMPLICATIONS

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

Table A1: Impact on underlying cash and fiscal balances[a]

	2013-14 ($m)	2014-15 ($m)	2015-16 ($m)	2016-17 ($m)	**Total ($m)**
Levy revenue impact (b)	-	300	680	840	**1,820**
Individual tax revenue impact (c)	120	-350	-530	-530	**-1,290**
Departmental expense impact (d)	1.0	1.4	0.4	0.3	**3.1**
Net impact (e)	**119.0**	**-51.4**	**149.6**	**309.7**	**526.9**

Notes

(a) Revenue estimates are rounded to the nearest $10 million. Expense and capital estimates are rounded to the nearest $100,000.

(b) The levy revenue impact refers to the impact of the additional 5 per cent tax on incomes over $1 million.

(c) The individual tax revenue impact refers to the change in ordinary income tax collections as a result of behavioural responses altering incomes.

(d) A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(e) The net impact is equal to the levy revenue impact, plus the individual tax revenue impact, minus the departmental expense impact, minus the departmental capital impact.

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Reference No. *GRN005*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Abolish income quarantining (previously *Abolition of income management*)**
Summary of proposal:	The proposal would abolish income management programs across Australia. The proposal would have effect from 1 January 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	20 August 2013
Date of public release of policy:	29 July 2013
Agencies from which information was obtained:	• Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) • Department of Human Services (DHS)

Costing overview

This proposal is expected to increase the underlying cash balance by $91.0 million and increase the fiscal balance by $92.2 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a reduction in expenses.

The underlying cash balance impact of this proposal differs slightly from the fiscal balance impact because of minor differences in the timing of when departmental expenses are incurred and paid.

Current funding for income management in the Northern Territory ceases in 2014-15, whilst funding for income management in other jurisdictions continues until 2015-16. DHS has advised that there will be costs of around $11 million associated with winding up the scheme which will reduce the savings that can be recovered relative to the amount in the 2013-14 Budget forward estimates. These wind up costs are taken into account in the costing.

The costing is considered to be of medium reliability. While the gross savings are based on Pre-election Economic and Fiscal Outlook (PEFO) estimates currently allocated to FaHCSIA and DHS, DHS has noted some uncertainty regarding the estimated costs for winding up income management.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	43.3	25.6	22.1	-
Fiscal balance ($m)	43.8	26.0	22.4	-

(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

Methodology

The estimates in this costing are based on reversing funding currently allocated to FaHCSIA and DHS for income management net of the estimated costs associated with winding up the scheme. The estimate for 2013-14 includes a half-year impact for the income management savings as the costing assumes a 1 January 2014 commencement date as per costing request.

Data sources

The estimates for income management programs across Australia were obtained from FaHCSIA and DHS. DHS also provided estimates for costs associated with ceasing income management.

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Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Cancel the Joint Strike Fighter Program
Summary of proposal:	The intention of the proposal is to cancel the purchase of Joint Strike Fighters. The proposal will have effect from October 2013.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	20 August 2013
Date of public release of policy:	28 February 2013
Agencies from which information was obtained:	Department of Defence (Defence)

Costing overview

This proposal is expected to increase both the underlying cash balance and fiscal balance by $805 million over the 2013-14 Budget forward estimates period. This is entirely due to a decrease to expenses.

This proposal will have an impact that extends beyond the forward estimates period. Total savings are estimated to be approximately USD $13 billion, based on the ANAO audit report (see Data section) estimate of the full cost of the Joint Strike Fighter project.

This costing reflects the Pre-Election Economic and Fiscal Outlook 2013 (PEFO) and a start date of October 2013. The costing has been undertaken consistent with exchange rates used in PEFO 2013.

This costing is considered to be of high reliability as it is based on updated expense amounts for the Joint Strike Fighter program over the 2013-14 Budget forward estimates period.

The estimates in this costing differ from those presented in the applicant's costing request because of changes to the estimated costs over the 2013-14 Budget forward estimates period, principally the change between the 2013-14 Budget and PEFO in the AUD to USD exchange rate assumption.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	7.8	140.9	205.5	451.2
Fiscal balance ($m)	7.8	140.9	205.5	451.2

(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.

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POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

The expense profile is as specified in the information provided by Defence for the 2013-14 Budget forward estimates period, which also includes commitments requiring repayment in the event of contract terminations.

Methodology

The estimates are those provided by Defence for the 2013-14 Budget forward estimates period.

Data sources

ANAO audit report, No. 6, 2012-13, Management of Australia's Air Combat Capacity – F-35A Joint Strike Fighter Acquisition, available:
http://www.anao.gov.au/~/media/Files/Audit%20Reports/2012%202013/Audit%20Report%206/201213%20Audit%20Report%20No%206%20OCRed.pdf

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Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Clean Energy Roadmap**
Summary of proposal:	The proposal would increase the Renewable Energy Target (RET) to 90 per cent by 2030 and increase appropriations to the Clean Energy Finance Corporation (CEFC) to $3 billion a year for ten years. The intention of the proposal is to increase investment in renewable energy. The increased RET would apply from 2020 to 2030. The increased appropriations to the CEFC would apply from the 2013-14 financial year.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	21 August 2013
Date of public release of policy:	1 July 2013
Additional information requested:	On 15 August 2013, clarification was sought on whether the existing 20 per cent RET by 2020 would be retained under this proposal.
Additional information received:	On 15 August 2013, the Office of Senator Milne confirmed that the current RET would be maintained.
Agencies from which information was obtained:	Clean Energy Finance Corporation

Costing overview

The proposal is expected to increase the underlying cash balance by $98.5 million and decrease the fiscal balance by $293.0 million over the 2013-14 Budget forward estimates period.

This costing has two elements:

1) Increased RET

The proposal to increase the RET to 90 per cent by 2030 would not have a material impact on the underlying cash and fiscal balances over the 2013-14 Budget forward estimates period as the current 20 per cent target for 2020 would be retained.

Increasing the RET would have financial impacts beyond the 2013-14 Budget forward estimates period that would occur upon transition from the 20 per cent target to the 90 per cent target.

2) Expanded CEFC

The impact of expanding the CEFC on the underlying cash balance reflects an increase in the receipt of interest and dividends of $142.5 million, partially offset by an increase in payments of $44.0 million, comprising cash payments of operating and capital expenditure.

The impact on the fiscal balance reflects an increase in expenses of $579.5 million, comprising operating and capital expenses and a concessional loan charge. The CEFC provides loans with interest rates that are lower than commercial lending rates and the concessional loan charge reflects this difference in interest rates. The decrease in the fiscal balance is partially offset by an increase in revenue of $286.5 million consisting of interest and dividends received, including capitalised interest.

The proposal would reduce the headline cash balance by $2.9 billion over the 2013-14 Budget forward estimates period. The impact on the headline cash balance reflects cash outflows from Government loans and equity investments to project proponents (this does not impact on the underlying cash balance) as well as the operating costs of the CEFC. These cash outflows are partially offset by the interest, dividends and principal repayments from project proponents.

The proposal would provide an additional $3 billion per year to the CEFC for five years from 2018-19. Expanding the CEFC would have financial impacts beyond the 2013-14 Budget forward estimates period that would continue until its loans have been discharged and its investments are wound up. Due to the variable nature of interest rates and investment returns, the proposal's fiscal and underlying cash balance impacts beyond the forward estimates would be difficult to estimate.

A detailed breakdown of the financial impacts of expanding the CEFC is included at Attachment A.

This element of the costing is considered to be of medium reliability and is based on information provided by the CEFC on the assumptions underlying its estimates as reflected in the 2013 Pre-election Economic and Fiscal Outlook (PEFO), including assumptions on the amount of interest and dividends received and the market rates used to calculate the concessional loan charge.

The PBO has not undertaken any analysis on the availability and quality of the additional loans and investments that would be made by the CEFC as a result of the proposal.

The figures in this costing differ from those referred to in the costing request due to CEFC estimates being updated at the 2013 PEFO.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	4.8	17.9	30.2	45.6
Fiscal balance ($m)	-82.3	-121.1	-77.2	-12.5
Headline cash balance ($m)	-553.7	-572.4	-841.5	-963.3

(a) A positive number for the underlying cash balance indicates an increase to the budget bottom line in cash terms. A negative number for the fiscal balance indicates a decrease to the budget bottom line in accrual terms. A negative number for the headline cash balance indicates a net cash outflow associated with Government investments in financial assets for policy purposes. Amounts may not sum due to rounding.

POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

Based on the costing request, the current RET of 20 per cent by 2020 is retained with the proposed changes to the RET applying from 2020 onwards.

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

1) Increased RET

- The only change to the RET under this proposal is to set a new 90 per cent target by 2030. The existing elements of the RET including the split into the large and small scale components, the shortfall charge and the certificate fees would be retained.

2) Expanded CEFC

- The CEFC's expenditure, concessional loan charge, interest and dividends would increase in proportion with the increased appropriations provided to the CEFC
- The CEFC's additional outlays would be made in line with the current estimated ratio between loans and equity investments
- There are sufficient clean energy technology projects currently in the pipeline for an additional $1.0 billion of loans and investments to be made by the CEFC before 30 June 2014, and
- The CEFC Investment Mandate's $300 million limit on concessionality would be increased in line with the increased appropriations provided to the CEFC and the qualitative requirements of the Investment Mandate would be unchanged.

Consistent with the treatment reflected in CEFC's current estimates, the provision for doubtful debts (estimated to be around an additional $12 million per year over the forward estimates period) is excluded from fiscal and underlying cash balance impacts as per the Australian Accounting Standards Board's accounting standard 1049. The doubtful debt provision would decrease the Government's net worth.

Methodology

The estimated financial impacts of expanding the CEFC are based on information obtained from the CEFC on the assumptions underlying its estimates as reflected in the 2013 PEFO. The additional $1.0 billion per year to be provided to the CEFC over the 2013-14 Budget forward estimates period would represent a 50 per cent increase to the $2.0 billion per year it currently receives over this period.

Data sources

Information on the underlying cash and fiscal balance impacts of the CEFC and relevant underlying assumptions were obtained from the CEFC.

ATTACHMENT A: EXPANDING THE CEFC
DETAILED BREAKDOWN OF FINANCIAL IMPACTS

Table A1: Breakdown of Underlying Cash Balance (UCB) Impacts[(a)]

UCB impacts ($m)	2013-14	2014-15	2015-16	2016-17
Interest and Dividends[(b)]	14.3	28.7	41.7	57.8
Operating and Capital	-9.5	-10.7	-11.5	-12.2
Net UCB impact	**4.8**	**17.9**	**30.2**	**45.6**

(a) A positive number for the underlying cash balance indicates a net increase in revenue in cash terms. A negative number for the underlying cash balance indicates a net increase in expenses or net capital investment in cash terms.
(b) These figures include a reduction to interest received associated with the net effect of capitalised interest.

Note: Amounts may not sum due to rounding.

Table A2: Breakdown of Fiscal Balance (FB) Impacts[(a)]

FB impacts ($m)	2013-14	2014-15	2015-16	2016-17
Interest and Dividends[(b)]	13.2	39.5	84.2	149.6
Concessional Loan Charge[(c)]	-85.2	-149.5	-149.5	-149.5
Operating and Capital	-10.3	-11.1	-11.9	-12.6
Net FB impact	**-82.3**	**-121.1**	**-77.2**	**-12.5**

(a) A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A negative number for the fiscal balance indicates an increase in expenses or net capital investment in accrual terms.
(b) The presentation of this component is as per CEFC's published financial statements, which includes the positive impact of unwinding of the concessional loan charge (i.e. reversing the loan discount component).
(c) The concessional loan charges would be entirely reversed over the term of the underlying loans. Amounts associated with unwinding the concessional loan charges are included in the Interest and Dividends line (see note above).

Note: Amounts may not sum due to rounding.

Table A3: Breakdown of Headline Cash Impacts[(a)]

Headline cash impacts ($m)	2013-14	2014-15	2015-16	2016-17
Loans and equity investments[(b)]	-560.1	-618.2	-935.2	-1,116.2
Repayments of loan principal	1.7	27.9	63.5	107.3
Interest and Dividends[(c)]	14.3	28.7	41.7	57.8
Operating and Capital[(c)]	-9.5	-10.7	-11.5	-12.2
Net headline cash impact	**-553.7**	**-572.4**	**-841.5**	**-963.3**

(a) A positive number for the headline cash balance indicates a cash inflow. A negative number for the headline cash balance indicates a cash outflow.
(b) The annual cash outflows associated with providing loans differ from the amount of loans committed each year due to the loans being advanced to project proponents over a period of up to 36 months following the loan commitment.
(c) These figures are the same as those reflected in the underlying cash balance impacts (Table A1).

Note: Amounts may not sum due to rounding.

Reference No. *GRN010*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Reverse university cuts and lift base funding (previously *Investing in universities*)**
Summary of proposal:	The proposal would reverse the $2.3 billion in higher education budget cuts made in the 2013-14 Budget and provide a 10 per cent increase in base funding for universities, phased in from 1 January 2014 to 1 January 2017. The aim of the proposal is to boost higher education funding.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	15 August 2013
Date of public release of policy	9 July 2013
Additional information requested (including date):	15 August 2013 – The PBO sought clarification as to what base the 10 per cent increase should be applied.
Additional information received (including date):	15 August 2013 – Senator Milne's Office advised that the 10 per cent increase should be applied to the pre-2013-14 Budget cut funding base.
Agencies from which information was obtained:	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE) Department of Finance and Deregulation (Finance)

Costing overview

This proposal is expected to decrease both the underlying cash balance and fiscal balance by $3.8 billion over the 2013-14 Budget forward estimates period. This is entirely due to an increase to expenses. This proposal will have an ongoing impact that extends beyond the forward estimates period.

The costing includes departmental and administered estimates.

This costing is considered to be of high reliability because it is based on 2013-14 Budget estimates provided by DIICCSRTE, 2013-14 Budget estimates data provided by Finance and a limited number of assumptions.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-231.8	-792.4	-1,256.9	-1,546.4
Fiscal balance ($m)	-230.4	-788.7	-1,258.3	-1,563.4

(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.

Key assumptions

In costing this proposal the PBO has assumed that:

- as per the additional information received, the 10 per cent increase is applied to pre-2013-14 Budget cut funding levels, and
- no additional departmental funding is required to manage the 10 per cent increase in funding to existing programs.

Methodology

The costs were derived by adding the following costs:

- reversing the three 2013-14 Budget measures related to higher education budget cuts (see Attachment A Tables 1 to 3 for costs by measure), and
- applying a 10 per cent increase to the base funding estimates prior to cuts to higher education funding in the 2013-14 Budget. The 10 per cent increase was applied to the estimates in a phased approach at a rate of 2.5 per cent per calendar year from 1 January 2014 increasing to 10 per cent by 1 January 2017 (see Attachment 1 Tables 4 for costs).

Data sources

The measures used for base funding are consistent with the measures used in the *Review of Australian Higher Education – Final report*, December 2008, and include:

- Commonwealth Grant Scheme
- Indigenous Support Program
- Higher Education Disability Support Program, and
- National Institutes program.

Program estimates prior to cuts to higher education funding in the 2013-14 Budget obtained from DIICCSRTE.

Estimates for the 2013-14 Budget cuts obtained from Finance.

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A:

Higher Education Support Act 2003 – efficiency dividend: 2013-14 Budget Paper 2 (page 217)

Table 1: Financial implications (outturn prices)(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-84.9	-227.6	-290.4	-299.8
Fiscal balance ($m)	-84.9	-227.6	-290.4	-299.8

(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.

Student Start-up Scholarships – conversion to Income Contingent Loans: 2013-14 Budget Paper 2 (page 220)

Table 2: Financial implications (outturn prices)(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-35.2	-242.1	-442.5	-502.4
Fiscal balance ($m)	-33.2	-233.2	-428.4	-492.5

(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.

HECS-HELP Discount and Voluntary HELP Repayment Bonus – ending discounting: 2013-14 Budget Paper 2 (page 216)

Table 3: Financial implications (outturn prices)(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-29.6	-62.3	-65.8	-70.6
Fiscal balance ($m)	-30.2	-67.5	-81.3	-97.6

(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.

POLICY COSTING – ELECTION CARETAKER PERIOD

Application of 10 per cent increase to base funding prior to the 2013-14 Budget cuts

Table 4: Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-82.0	-260.4	-458.1	-673.5
Fiscal balance ($m)	-82.0	-260.4	-458.1	-673.5

(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.

(b) Due to the calendar year application of the 10 per cent increase, the additional cost for this component would plateau in 2017-18, at an estimated additional expense of $811 million.

Reference No. GRN012

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Medicare funding boost (previously *Securing Medicare*)**
Summary of proposal:	The proposal would move indexation of Medicare Benefits Schedule (MBS) fees from 1 July each year to 1 November each year, effectively reversing the 2013-14 Budget measure *Medicare Benefit Schedule – realigning indexation with the financial year* decision to move indexation from 1 November each year to 1 July. The proposal will have effect from 1 November 2013.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	16 August 2013
Date of public release of policy	27 July 2013
Additional information requested (including date):	Clarification was sought from Senator Christine Milne's office 15 August 2013 as to whether the policy would be capped or demand driven.
Additional information received	On 15 August Senator Christine Milne's office advised that the policy would not be capped.
Agencies from which information was obtained:	Department of Health and Ageing (DHA)

Costing overview

This proposal is expected to decrease the underlying cash balance by $662.2 million and decrease the fiscal balance by $663.6 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses over this period.

The proposal will have an ongoing impact that extends beyond the forward estimates period. This ongoing impact would be in the order of $163.0 million per annum plus the effect of any underlying trends (service growth, average rebate growth, new or revised listings) in Medicare expenditure

The underlying cash impact of this proposal differs from the fiscal balance impact because of the time lag between the treatment sessions occurring (at which time the payment from the Government is owing) and the actual payment of the fee to the provider once the claim through Medicare has been processed.

A detailed breakdown of the costs by Agency is included at Attachment A.

POLICY COSTING – ELECTION CARETAKER PERIOD

This costing is considered to be of high reliability, given the net impact of utilisation rates and indexation parameters since the measure was announced in the 2013-14 Budget has been minimal.

Table 1: Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-159.6	-152.8	-172.9	-176.8
Fiscal balance ($m)	-159.9	-153.1	-173.4	-177.3

(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.

Key assumptions

This costing utilises information provided by DHA.

The PBO has assumed that departmental funding associated with the original 2013-14 Budget measure would no longer be required.

Methodology

The savings announced in the original 2013-14 Budget measure have been reduced in line with the reduction in estimated overall Medicare expenditure between the 2013-14 Budget and the 2013 Pre-Election Economic and Fiscal Outlook.

Savings associated with Departmental funding for the original measure are then taken into account.

Data sources

- 2013-14 Budget Paper no.2 page 177.
- Program level forward estimates.

ATTACHMENT A: AGENCY BREAKDOWN OF COSTS

The following table provides an agency breakdown of administered and departmental costs.

Table A1: Agency breakdown – financial implications (outturn prices)[(b)(c)]

Agency	2013-14	2014-15	2015-16	2016-17
Department of Health and Ageing - Administered ($m)	-152.2	-146.2	-162.6	-163.0
Department of Health and Ageing - Departmental ($m)	0.06	-	-	-
Department of Human Services ($m)	0.05	0.05	-	-
Department of Veterans' Affairs ($m)	-7.7	-6.9	-10.8	-14.3
TOTAL ($m)	-159.9	-153.1	-173.4	-177.3

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

Reference No. GRN020

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Extreme weather/Coal levy (previously *Preparing for extreme weather*)**
Summary of proposal:	The proposal would help prepare for extreme weather by raising funds for natural disaster mitigation from a $2 per tonne levy on thermal coal exports that would be deductible for company tax purposes. Funds raised would be used to expand the existing National Disaster Resilience Program and maintain the National Climate Change Adaptation Facility. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	20 August 2013
Date of public release of policy:	25 July 2013

Costing overview

The proposal will not impact on either the underlying cash or fiscal balance since the funding is capped at the level of funding raised by the thermal coal exports levy.

The levy is estimated to raise net revenue of $301.2 million in 2014-15, $306.7 million in 2015-16 and $321.4 million in 2016-17. $416.3 million of net revenue is estimated to be raised in 2017-18.

This costing is considered to be high reliability as it is assumed any revenue raised will be spent on disaster mitigation.

Table 1: Financial implications of the coal levy and natural disaster mitigation expenditure (outturn prices)

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

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POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

As per costing request:

- Funding for natural disaster mitigation is capped at the amount of net revenue raised by the levy and expenditure will occur in line with net revenue raised.
- Any departmental costs associated with the proposal are covered by the revenue generated by the levy.

The PBO has made the following assumptions:

- The levy is paid via quarterly instalments paid following the completion of a quarter such that in the first financial year of the proposal only three quarters of payment is received.
- The levy does not impact the level of coal exports over the forward estimates period as any behavioural response is assumed negligible over this timeframe.
- All companies subject to the levy have taxable incomes greater than or equal to their levy liabilities, resulting in 100 per cent utilisation of company tax deductions related to the levy.
- Companies do not vary their company tax instalments from the tax commissioner's determined rate and the impact of the change in tax deduction each year is subject to the normal variation in instalments.

Methodology

The PBO estimated the amount of the levy revenue by applying a $2 per tonne levy on the latest Bureau of Resources and Energy Economics (BREE) thermal coal export forecasts.

The impact of company tax deductions on levy revenue was estimated by multiplying the levy revenue by the statutory company tax rate (30 per cent) and then adjusting the result for the timing of company tax receipts.

Details are at Attachment A.

Data sources

- Bureau of Resources and Energy Economics, *Resources and Energy Quarterly*, March 2013
- Online: http://www.bree.gov.au/publications/req.html

ATTACHMENT A: COSTING DETAIL

Table A1: Thermal coal exports (volume)

Million tonnes (Mt) per annum	2013-14	2014-15	2015-16	2016-17
Australian thermal coal exports subject to the levy	-	213.6	237.2	268

Table A2: Estimated thermal coal export levy ($2 per tonne)

$ millions per annum	2013-14	2014-15	2015-16	2016-17
Levy revenue	-	320.4	462.6	520.6
Company tax	-	-19.2	-155.9	-199.2
Net levy revenue	-	301.2	306.7	321.4

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Dollar bets**
Summary of proposal:	The proposal will require all poker machines in Australia to have the following limitations: • a maximum bet limit of $1 per spin • a load up limit of $20, and • jackpots of no more than $500. The proposal will require all new poker machines to support bet and jackpot limits by 2015, with the limits to be enforced on all machines from 1 July 2017.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	15 August 2013
Date of public release of policy:	26 July 2013
Additional information requested (including date):	On 15 August 2013, additional information was sought from the applicant on the commencement date of the enforcement of the limitations on all poker machines.
Additional information received (including date):	On 15 August 2013, Director of Policy, Office of Senator Christine Milne advised that the enforcement of the proposed limitations on all machines would commence on 1 July 2017.
Agencies from which information was obtained:	Not applicable

Costing overview

The proposal will require all new poker machines to support the outlined bet and jackpot limits by 2015, with enforcement of these limitations on all poker machines to begin on 1 July 2017. The cost in the lead up to commencement of the enforcement is likely to be limited. As a result the cost across the budget and forward years is expected to be negligible.

There may be an increase in the costs to the Department of Families, Housing, Community Services and Indigenous Affairs in the lead up to enforcement of the proposal, including those involved in the setup of the regulatory body and dissemination of information. However, these are likely to be limited and are not quantifiable with the information available.

POLICY COSTING – ELECTION CARETAKER PERIOD

There are anticipated costs beyond the forward estimates due to regulation, however, these costs will depend on the approach adopted to monitor and enforce compliance with the proposed policy. As a result, these costs have not been quantified.

The impact on State government revenues has not been quantified.

This costing is considered to be of high reliability based on the information available.

Table 1: Financial implications (outturn prices)

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

Key assumptions

The proposal assumes the main impact on the Commonwealth Government would be the cost of regulation. It also assumes a transition period whereby the limits would be enforceable from 1 July 2017. Hence in this costing, it is assumed that there would be no enforcement costs and very limited other costs to the Commonwealth Government during the 2013-14 Budget forward estimates period.

Beyond the forward estimates period, the costs will depend on whether the regulator is established within an existing Commonwealth agency or as an independent public statutory authority, as well as the approach and scope of the regulatory requirements. In many cases, regulators operate on a cost-neutral basis with costs offset by imposing a levy on the regulated entities.

Reference No. *GRN029*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Housing Supply Bonds (previously *Safe as Houses*)**
Summary of proposal:	The proposal would raise finance for non-profit housing organisations to construct a maximum of 7,200 new homes a year. The required funds will be raised through three kinds of bonds: • 10 per cent from 'zero interest social housing growth bonds' issued to and held by the Government • 20 per cent from 'tax smart housing supply bonds', which are long-term fixed interest bonds offering tax-free interest issued to retail investors, and • 70 per cent from 'AAA housing supply bonds' guaranteed by the Government and issued to wholesale investors. An independent financial intermediary, the Australian Affordable Housing Finance Corporation (AAHFC), would have responsibility for issuing the bonds and loans as part of the scheme. The proposal will have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	22 August 2013
Date of public release of policy:	27 July 2013
Additional information requested (including date):	On 16 August 2013, additional information was sought from the applicant on whether the funding for the AAHFC is capped. On 22 August 2013, additional information was sought on the intended recipient of the finance provided by the zero interest social housing growth bonds.
Additional information received (including date):	On 17 August 2013, Director of Policy, Office of Senator Christine Milne advised that the funding for the AAHFC is capped. On 22 August 2013, Director of Policy, Office of Senator Christine Milne advised that it was intended that the zero interest finance would be provided to non-profit housing organisations.
Agencies from which information was obtained:	Not applicable

POLICY COSTING – ELECTION CARETAKER PERIOD

Costing overview

This proposal is expected to decrease the underlying cash balance by $59 million and decrease the fiscal balance by $330 million over the 2013-14 Budget forward estimates period. The impact on the underlying cash balance reflects an increase in payments of $30 million and a decrease in receipts of $29 million over this period. The impact on the fiscal balance reflects an increase in expenses of $300 million and a decrease in revenue of $30 million over this period.

This proposal will have an ongoing impact that extends beyond the forward estimates period. The decrease to revenue in the forward estimates period continues to grow beyond the forward estimates by an additional $10 million a year on the previous year's impact due to the tax concessions that continue to apply to the tax smart housing supply bonds issued in previous years.

The proposal would reduce the headline cash balance by $1.3 billion in total over the 2013-14 Budget forward estimates period. The reduction in the headline cash balance reflects the $204 million worth of zero interest social housing growth bonds acquired by the Government each year.

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of the loan discount component of the concessional (zero interest) social housing growth bonds, which is an accrual expense but does not impact on the underlying cash balance.

The departmental expenses of the AAHFC of $10 million a year are capped as specified by the requestor.

A detailed breakdown of the components of the costing's financial impact is included at Attachment A.

The costing is considered to be of medium reliability because the housing supply bonds are costed using data mainly from sources other than actual tax or expenditure data.

The impact on the underlying cash balance is $115 million lower over the forward estimates period than those presented in the costing request. The impact on a fiscal balance basis is $155 million higher over the forward estimates period than those presented in the costing request. These differences arise because of a revision in the costing methodology used by the PBO.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-10	-20	-30
Fiscal balance ($m)	-	-100	-110	-120
Headline cash balance ($m)	-	-214	-428	-642

(a) A negative number for the fiscal balance indicates a decrease to the budget bottom line in accrual terms. A negative number for the underlying cash balance indicates a decrease to the budget bottom line in cash terms. Amounts may not sum due to rounding.

POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

The PBO has made the following assumptions regarding the raising of funds through three kinds of bonds:

- A total of $2.04 billion of housing supply bonds would be required to finance the construction of 7,200 homes per annum. This is based on a third of the homes being built from prefabricated material, at $150,000 each and two thirds being standard housing, at $350,000 each.
- The AAHFC is assumed to be part of the general government sector.
- The discount rate used to calculate the loan discount for the zero interest social housing growth bonds is 6 per cent. This is an estimate of the market rate for loans to housing associations and is 100 basis points above the rates charged to large businesses as reported in Lawson et al. (2012).
  - The loan discount of the zero interest bonds is based on a maturity of 10 years.
- For the tax smart housing supply bonds, investors in these bonds are assumed to have an average marginal tax rate of 40 per cent. These bonds are assumed to earn 6 per cent per annum on a pre-tax basis, based on the assumptions in Lawson et al. (2012).
- The interest rate on the AAA housing supply bonds is assumed to be equal to the government long term bond rate of 3.75 per cent (RBA, 2013).
- It is assumed that the AAHFC does not charge a margin on the finance provided to community housing organisations.
- The costing assumes that funds are raised by the AAHFC are on-lent during the same periods that the funds are raised.

Methodology

The costing sums the revenue and expenditure impacts associated with each of the initiatives under the proposal.

For the zero interest social housing growth bonds, the expense cost is calculated as the fair value of the interest forgone in providing the bond at a zero interest rate (or the 'loan discount'). This loan discount is calculated as the present value of the forgone interest and is recognised in the fiscal balance at the time of the loan.

In relation to the relation to the AAA housing supply bonds, expenses and revenue are calculated on the basis of the AAHFC issuing bonds and on-lending to non-profit housing organisations. The provision of a government guarantee is a contingent liability that does not impact on the underlying cash or fiscal balances.

For the tax smart housing supply bonds, the cost is the revenue forgone due to the tax exemption in the hands of the investor. The timing of each year's tax revenue implications will occur when income tax returns are lodged, that is, in the next financial year.

The departmental expenses of the AAHFC are capped.

Data sources

- Estimates are mostly based on the information and assumptions provided in Australian Greens, *'Safe as houses' introducing housing supply bonds*, released on 27 July 2013.

POLICY COSTING – ELECTION CARETAKER PERIOD

- Assumptions for the housing supply bonds were based on those contained in Lawson, J. et al. (2012) *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?* AHURI Final Report No. 188. Melbourne: Australian Housing and Urban Research Institute.

- Long term bond rate based on 10 year Australian Government bond rate in Reserve Bank of Australia (2013) 'Statistical Tables: Capital Market Yields – Government Bonds – Monthly', August 2013.

ATTACHMENT A: COMPONENTS OF COSTING

Table A1: Breakdown of underlying cash balance impacts ($m)[(a)]

Component	Cost type	2013-14	2014-15	2015-16	2016-17
Zero interest social housing bonds	Payments	-	-	-	-
	Receipts	-	-	-	-
Tax smart housing supply bonds	Payments	-	-12	-37	-61
	Receipts	-	12	27	41
AAA housing supply bond	Payments	-	-27	-80	-134
	Receipts	-	27	80	134
Departmental	Payments	-	-10	-10	-10
	Receipts	-	-	-	-
Total		-	**-10**	**-20**	**-30**

Table A2: Breakdown of fiscal balance impacts ($m)[(a)]

Component	Cost type	2013-14	2014-15	2015-16	2016-17
Zero interest social housing bonds	Expense	-	-90	-90	-90
	Revenue	-	-	-	-
Tax smart housing supply bonds	Expense	-	-12	-37	-61
	Revenue	-	12	27	41
AAA housing supply bond	Expense	-	-27	-80	-134
	Revenue	-	27	80	134
Departmental	Expense	-	-10	-10	-10
	Revenue	-	-	-	-
Total		-	**-100**	**-110**	**-120**

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

Note: Amounts may not sum due to rounding. Rounding is to the nearest million.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table A3: Breakdown of headline cash balance impact ($m)[(b)]

Component	Cost type	2013-14	2014-15	2015-16	2016-17
Zero interest social housing bonds	Payments	-	-204	-408	-612
	Receipts	-	-	-	-
Tax smart housing supply bonds	Payments	-	-12	-37	-61
	Receipts	-	12	27	41
AAA housing supply bond	Payments	-	-27	-80	-134
	Receipts	-	27	80	134
Departmental	Payments	-	-10	-10	-10
	Receipts	-	-	-	-
Total		-	**-214**	**-428**	**-642**

(b) A positive number for the headline cash balance indicates a net increase in receipts. A negative number for the headline cash balance indicates a net increase in payments including investment in financial assets for policy purposes.

Note: Amounts may not sum due to rounding. Rounding is to the nearest million.

Reference No. *GRN032*

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**High Speed Rail (previously *Fast-tracking High Speed Rail*)**
Summary of proposal:	The proposal would implement the preliminary requirement section of the High Speed Rail Study Phase 2 Report ('the report') (outlined in Figure 12.1 on page 500), within the 2013-14 Budget forward estimates period. The proposal will have effect from 1 October 2013
Person/party requesting costing:	Senator Christine Milne, The Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	15 August 2013
Date of public release of policy:	5 August 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to decrease both the underlying cash balance and fiscal balance by $664 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase in expenses.

This costing only addresses the costs associated with implementing the preliminary requirements of High Speed Rail as outlined in Figure 12.1 of the report up until 2021-22 (items 3 - 25).

This costing does not address subsequent phases of the project.

This costing is considered to be of low reliability because of the uncertainty surrounding Commonwealth/State funding arrangements for the project and the final implementation plan. Any changes to implementation timeframes, policy design or funding arrangements have the potential to significantly alter overall costs.

The costing provides for the High Speed Rail Development Authority (HSRDA) to be established within the 2013-14 Budget forward estimates as set out in the accelerated timetable in the report. The PBO has not made any assessment on the feasibility of accelerating certain items in the preliminary requirements of High Speed Rail, including the establishment of the HSRDA within the forward estimates period.

The PBO estimates the Environmental Impact Statement would cost approximately $570 million and would be conducted in 2018-19 and 2019-20, as outlined in Figure 12.1 on page 500 of the report. This equates to 0.5 per cent of the total capital costs of the High Speed Rail project. While this percentage is on the higher end of international averages, the PBO considers this to be a reasonable estimate due to the size and scope of this project.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)[(a)] [(b)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-135.0	-149.0	-157.0	-223.0
Fiscal balance ($m)	-135.0	-149.0	-157.0	-223.0

(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.

(b) High Speed Rail Development Authority established in the 2016-17 financial year.

Key assumptions

The PBO has made the following assumptions:

- 100 per cent of these costs would be funded by the Commonwealth Government, without any assistance or cost-sharing with State-Governments or private enterprise.

Methodology

This costing draws heavily on the High Speed Rail Study Phase 2 Report. It is the most comprehensive study into the technical, timing and costs aspects of High Speed Rail in Australia, drawing on a wide range of expertise and experience.

Section 4.2 of Appendix 4B of the report outlines the non-construction development costs associated with the development of the high speed rail network proposed in the report. These non-construction development costs have been benchmarked against a selection of European High Speed Rail lines.

The cost of implementing the Preliminary Requirements was derived by multiplying the assumed non-capital development cost (based on a percentage of indicative capital expenditure) for the pre-phase and preliminaries[1] in Table 29 of Appendix 4B of the report (1.7 per cent) by the total capital costs for the entire project ($114 billion).

This figure ($1.9 billion) was profiled across 9 years until 2021-22, when the report indicates these preliminary requirements would finish (Attachment A refers), with the profile across these years reflecting the expected level of activity each year informed by the details in the report and as reflected in Figure 12.1 of the report.

Data sources

- High Speed Rail Study Phase 2 Report.

[1] The pre-phase and preliminaries development costs comprise those costs that are incurred before the detailed planning and design of the HSR network, including the establishment of the HSRDA. Components include legal and political aspects, feasibility studies, environmental impact assessment and other studies, urban development studies, acquisition of property and utilisation rights for property (exclusive of land acquisition costs), land development, consultation, and Insurances and warranties.

ATTACHMENT A: BREAKDOWN OF COSTS

Table A1: Breakdown of costs (outturn prices)[a] [b] [c]

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Pre-phase and Preliminaries	-135.0	-149.0	-157.0	-223.0	-234.0	-286.0	-286.0	-234.0	-234.0

(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.

(b) High Speed Rail Development Authority established in the 2016-17 financial year

(c) Environmental Impact Statement activity in 2018-19 and 2019-20.

Reference No. *GRN033*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal:	**Small business (previously *Caring for small business*)**
Summary of proposal:	The proposal would: Part 1: reduce the company tax rate to 28 per cent for small companies with turnover less than $2 million, Part 2: increase the instant asset write-off threshold for small business from $6,500 to $10,000, and Part 3: establish a stronger and better resourced Small Business Commissioner. The intention of the proposal is to provide better support for Australia's small business owners. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	19 August 2013
Date of public release of policy:	8 August 2013
Additional information requested (including date):	On 19 August 2013 the PBO sought clarification of what franking rate would apply to small businesses under this proposal.
Additional information received (including date):	On 19 August 2013 the Director of Policy indicated that the company tax cut for small business is not intended to alter the rate that small businesses frank their dividends.
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is estimated to decrease both the underlying cash and fiscal balances by $2.49 billion over the 2013-14 Budget forward estimates period. This impact is largely due to decreased revenue. The impact includes some relatively small departmental and administrative expenses. Detailed financial implications for this proposal are at Table 1 of Attachment A.

This proposal would have an ongoing impact that extends beyond the forward estimates period. Part 1 of the proposal is estimated to cost around $750 million per annum just beyond the forward estimates period and grow in line with general company tax growth rates from this time. Part 2 of the proposal would have an ongoing cost of approximately $50 million per annum beyond the forward estimates period. Part 3 would also have an ongoing cost of $10 million per annum beyond the forward estimates period.

The PBO has estimated departmental expenses associated with part 1 of this proposal to be around $2.5 million per annum, with total expenditure being $10 million over 4 years. This estimate is based on the costings of similar proposals that have recently been estimated by the Australian Taxation Office (ATO), such as the *early start to the company tax rate cut for small business companies* measure on page 39 of the *2010-11 Budget Paper No. 2*. Part 3 of this costing includes around $4.3 million in departmental funding over the 2013-14 forward estimates period. Departmental cost estimates are included at Table 2 of Attachment A.

Part 1 of this costing is considered to be of medium reliability as modelling is based on historical tax data and several assumptions. Possible behavioural responses to the proposal are uncertain. Part 2 of this costing is considered to be of low reliability as it is heavily reliant on assumptions regarding growth in investment by small businesses and the proportion of assets valued between the current threshold and the proposed threshold. Part 3 of this costing is considered to be of high reliability as funding for this part is a capped amount.

The estimated impact for part 1 of this costing differs from those presented in the applicant's costing request because of the use of a more detailed approach to costing the impact of the company rate cut since the previous estimates were provided. For all parts of this costing, base data has been updated to reflect the *2013 Pre-Election Economic and Fiscal Outlook* report parameters.

Table 1: Financial implications of parts 1 to 3 of this proposal (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-52.5	-162.5	-1062.5	-1212.5
Fiscal balance ($m)	-52.5	-162.5	-1062.5	-1212.5

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

Key assumptions

Assumptions detailed in the costing request:

- All parts of this proposal would apply from 1 July 2014.

The PBO has made the following assumptions regarding part 1 of this costing:

General assumptions

- Superannuation funds and the superannuation business of life insurance companies continue to be taxed at the 15 per cent rate.
- Growth rates are based on company gross operating surplus (GOS), adjusted to take into account the effects of many companies having substituted accounting periods.
- Estimates have been rounded to the nearest $50 million.

POLICY COSTING – ELECTION CARETAKER PERIOD

Behavioural 'bring forward' assumption

- Given the start date of 1 July 2014 and announcement of this proposal during the 2013 election campaign, the PBO considers that there is sufficient time for companies to take steps to change the timing of their deductions and income in the financial year prior to the start date in order to benefit from the changes in the company rate. Having a long lead time increases the likelihood of a behavioural response that would increase the cost of transition to the proposal and decrease revenue.

Impact of the imputation system

- As the cut in the company tax rate under this proposal reduces the company tax rate applicable to small companies, there would be an ongoing impact on the rate at which dividends paid to shareholders of these companies are franked. As requested by the applicant, the following assumption has been adopted in this costing.
  - The rate at which dividends paid to shareholders of small companies are franked remains at 30 per cent in order to simplify the system. Under this assumption, franking credits continue to attach at a rate of $3/7^{th}$s of the fully franked cash dividend paid regardless of the change in the company tax rate for small companies.

Timing assumptions

- This costing assumes that the ATO will not vary company instalment calculations in response to the change in company tax rates. Company tax instalment rates are calculated by the ATO based on the amount of tax paid by a company in the previous year and are not based on the statutory company rate. The assumption in relation to instalments mainly impacts on the profile of company tax collections as instalments adjust to the new company rate and does not affect the cost of the proposal once instalments assimilate the new company rate. If the ATO were to vary instalments to take account of the impact of the new company rate, the cost of the proposal would be larger in the first year following the date of effect than in this costing, with this difference expected to be unwound over the next three years.

The PBO has made the following assumptions regarding part 2 of this costing:

- Assets valued between $6,500 and $10,000 are currently depreciated using the diminishing value method and are assumed to have an effective life of five years.
- All eligible businesses will opt-in to using the instant asset write-off.
- Companies do not vary their instalment amounts from those specified by the ATO in response to this part of the proposal.

Methodology

Part 1 of this proposal was estimated by calculating company and shareholder tax revenue using the proposed tax structure and various assumptions over the 2013-14 Budget forward estimates period and subtracting the amount of base company and shareholder tax revenue that is expected to be collected over the same period.

For part 2 of this proposal, the PBO estimated the value of small business investment in assets valued between $6,500 and $10,000 over the forward estimates period using data from the ATO and the Australian Bureau of Statistics (ABS). The cost of the proposal was estimated by calculating the

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aggregate value of depreciation for assets valued between $6,500 and $10,000 under the immediate write-off and subtracting the depreciation value under the base case (using the diminishing value method of depreciation). The resulting cost estimates were then adjusted to reflect the estimated timing of company tax collections.

For part 3, the cost is capped at $10 million per annum from 2014-15 to establish a stronger and better Small Business Commissioner.

Data sources

- Data sources include ATO tax return data for companies, individuals and the superannuation business of life insurance companies up to the 2009-10 financial year. The data includes entities that are taxed as companies.
- ATO, *Taxation Statistics 2009-10*
- ABS, *5204.0 Australian System of National Accounts*

ATTACHMENT A: DETAILED FINANCIAL IMPLICATIONS

This attachment includes detailed financial impacts for each part of the costing.

Costing Part	Revenue	2013-14	2014-15	2015-16	2016-17	Total
1 Reduce the company rate from 30.0 per cent to 28.0 per cent (for companies with turnover less than $2 million)	*Companies*	-50	-100	-750	-950	-1,850
	Individuals	-	-	-	-	-
	Total	**-50**	**-100**	**-750**	**-950**	**-1,850**
2 Increase the instant asset write-off threshold from $6,500 to $10,000.	*Companies*	-	-50	-300	-250	-600
	Total	**-**	**-50**	**-300**	**-250**	**-600**

Note: A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue receipts in cash terms.

Table 2: Expense impacts - fiscal balance and underlying cash basis ($m)

Costing Part	Expense	2013-14	2014-15	2015-16	2016-17	Total
1 Reduce the company rate from 30.0 per cent to 28.0 per cent (for companies with turnover less than $2 million) - Departmental expense	*Departmental*	-2.5	-2.5	-2.5	-2.5	-10.0
	Total	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-10.0**
3 Small Business Commissioner	*Expense*	-	-10.0	-10.0	-10.0	-30.0
	Total	**-**	**-10.0**	**-10.0**	**-10.0**	**-30.0**

Note: 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 expenditure in cash terms. Totals may not add due to rounding.

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COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Junk food advertising and Safer advertising to children (previously *Protecting kids from junk food advertising*)**
Summary of proposal:	The proposal would restrict advertising of junk food to children by: • setting enforceable national standard times that would ban junk food ads on commercial television (TV) between 6am and 9am, and 4pm and 9pm on weekdays; between 6am and 12pm and 4pm and 9pm on weekends; and during school holidays, • banning junk food advertising at any time on pay television channels dedicated to children's programming, and • preventing companies sending material promoting unhealthy foods to underage consumers using smartphones and emails. The intent of this policy is to improve the health of children by stopping them being bombarded with advertising for unhealthy food when they watch television. The proposal will have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	15 August 2013
Date of public release of policy	8 August 2013
Additional information requested (including date):	15 August 2013 – Clarification sought as to whether the costs of regulatory development should be included.
Additional information received (including date):	15 August 2013 – Senator Milne's office advised that these costs should be included.
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to decrease the underlying cash and fiscal balances by $1.8 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. Funding for this proposal would be ongoing.

POLICY COSTING – ELECTION CARETAKER PERIOD

Departmental costs of $1.3 million have been included in this costing for the Australian Communications Media Authority (ACMA) for the additional work that would be involved in receiving, responding to, and investigating complaints regarding licence conditions, program standards and industry codes.

A breakdown of the components of this costing are included at Attachment A.

This costing is considered to be of medium reliability as the estimates are based on a previous measure published in the 2008-09 Budget and staffing costs were costed in line with workforce data from the ACMA 2011-12 Annual Report.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-1.1	-0.4	-0.3
Fiscal balance ($m)	-	-1.1	-0.4	-0.3

(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

Key assumptions

The PBO assumes the additional workload for the ACMA would be at its peak in the first year (2014-15) of the policy. Staffing costs for four additional full time equivalent (FTE) positions have been included in that year. This would be reduced by one FTE position per year to reflect both the development of corporate knowledge and best practice, and a gradual reduction in complaints. One FTE position per year would be ongoing from 2017-18 onwards.

In line with additional information provided on 15 August 2013, funding for the Australian National Preventative Health Agency (ANPHA) has been included to develop the definition of 'junk food' for regulatory purposes.

Methodology

The estimate of departmental costs was calculated by distributing the number of FTEs in each year across relevant public service remuneration bands based on the profile of current staff at the ACMA.

The funding for ANPHA has been based on the measure *Health and Hospitals Reform – Preventative Health – National Preventative Health Strategy* from the 2008-09 Budget.

Data sources

- ACMA Annual Report 2011-12.
- Budget Paper No. 2, 2008-09 Budget.

ATTACHMENT A: BREAKDOWN OF COSTS

Table 1: Financial implications (outturn prices)[a] [b]

Impact on	2013-14	2014-15	2015-16	2016-17
ACMA	-	-0.6	-0.4	-0.3
ANPHA	-	-0.5	-	-
Total	-	-1.1	-0.4	-0.3

(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

(b) There is no difference between underlying cash and fiscal balance.

Reference No. *GRN035*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Research and development (R&D) in agriculture (previously *Increasing R&D in agriculture*)**
Summary of proposal:	The proposal would: • increase Commonwealth funding for agricultural research and development by 7 per cent per year • create a new Centre for Sustainable Agriculture, and • fund a national network of 180 agricultural extension officers. This proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	21 August 2013
Date of public release of policy:	8 August 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is expected to decrease both the underlying cash balance and fiscal balance by $360.5 million over the 2013-14 Budget forward estimates period. This impact is entirely due to increased expenses. This proposal would have an ongoing impact that extends beyond the forward estimates period.

The estimates in the costing differ from those presented in the costing request because parameters and data have been updated for the *Pre-Election Economic and Fiscal Outlook* report.

This costing includes the following components:

- increase overall Commonwealth funding by 7 per cent per year, and
- fund an additional 180 agricultural R&D agricultural extension officers.

In addition, the costing includes the estimated cost of an uncapped contribution of 20 cents for each dollar committed by an RDC, consistent with the policy statement Agricultural R&D Initiative released on 8 August 2013, and referred to in the costing request.

The financial implications of these components are included at Attachment A.

POLICY COSTING – ELECTION CARETAKER PERIOD

The PBO does not expect departmental expenses associated with this proposal to be significant. The costing assumes departmental expenses are to be accommodated within existing departmental resources except for an amount of administrative expenses associated with providing the extension officer network component of this costing request as detailed at Attachment A.

This costing is considered to be of medium reliability as it is based on several assumptions and aggregate data.

Table 1: Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-116.0	-122.0	-122.5
Fiscal balance ($m)	-	-116.0	-122.0	-122.5

(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 expenditure in cash terms.

Key assumptions

The PBO has made the following assumptions in calculating the estimated impact of this proposal:

- Commonwealth agricultural R&D spending is assumed to grow over the 2013-14 Budget forward estimates period in line with the average historical growth rate observed over the period 2000-01 to 2008-09. This includes the most up to date information from ABS catalogue no. 8112, *Research and Experimental Development,* as the last outcome published is for 2008-09.
- It is assumed that around 55 per cent of RDC contributions would be from private sector agricultural levies, based on a *2009 Evaluation Report* published on the Rural R&D corporation's website (http://www.ruralrdc.com.au/Page/Home.aspx).
- Total annual spending by RDCs is assumed to grow in line with the economy over the 2013-14 Budget forward estimates period.

Methodology

The increased funding for Commonwealth agricultural R&D was calculated by estimating the level of agricultural R&D over the 2013-14 forward estimates period including the 7 per cent per annum increased funding and subtracting the amounts that are currently expected to be spent over this period.

The provision of an uncapped contribution of 20 cents for each dollar committed by an RDC that was raised from agricultural levies was costed by multiplying the estimated amount of RDC contributions from levies each year by 20 per cent.

Data sources

- ABS catalogue no. 8112 - Gross expenditure on R&D, by sector–by field of research
- http://www.daff.gov.au/agriculture-food/innovation/research_and_development_corporations_and_companies
- http://www.ruralrdc.com.au/Page/Home.aspx

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A: DETAILED BREAKDOWN OF THE COSTING

Increasing overall Commonwealth funding for agricultural R&D by 7 per cent per year

This proposal is estimated to have the following financial implications.

Impact on (outturn prices)[(a)]	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-30.0	-30.0	-30.0
Fiscal balance ($m)	-	-30.0	-30.0	-30.0

(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 expenditure in cash terms. Estimates have been rounded to $5 million.

Create a new Centre for Sustainable Agriculture as part of the new funding

This proposal is estimated to be revenue neutral over the Budget 2013-14 forward estimates period because the current Commonwealth contribution to RDCs would be redirected to a new Centre for Sustainable Agriculture as outlined in the policy statement Agriculture R&D Initiative released on 8 August 2013.

Providing an uncapped contribution of 20 cents for each dollar committed by a RDC

This proposal is estimated to have the following financial implications.

Impact on (outturn prices)[(a)]	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-60.0	-65.0	-65.0
Fiscal balance ($m)	-	-60.0	-65.0	-65.0

(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 expenditure in cash terms. Estimates have been rounded to $5 million.

Funding an additional 180 agricultural extension officers

The PBO assumes that the 180 practitioners would be full-time equivalent employees which would cost around $24.0 million in 2014-15, $25.0 million in 2015-16 and $25.5 million in 2016-17. Administrative costs of $2 million per annum were included from 2014-15 to provide for the cost of the extension officer network.

Impact on (outturn prices)[(a)]	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-26.0	-27.0	-27.5
Fiscal balance ($m)	-	-26.0	-27.0	-27.5

(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 expenditure in cash terms. Estimates have been rounded to $0.5 million.

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Parliament of Australia
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COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Denticare**
Summary of proposal:	The proposal would, in a staged approach, introduce a dental benefits schedule, accessible to all Australians covering up to $1,000 over two years for routine and therapeutically necessary dental care. It would absorb the Child Dental Benefits scheme which provides basic dental care for children aged 2-17 in families receiving Family Tax Benefit Part A. The first year would provide subsidies for dental care to 18 year olds, all recipients of the aged pension and other individuals receiving full benefit income support payments. In the second year, 19 year olds and all concession card holders would also be eligible, with 20 year olds and children not eligible for the Child Dental Benefits scheme covered in the third year. In the fourth year, subsidies for routine dental care would become universally available to all Australians. The proposal will have effect from 1 January 2015, with coverage for all Australians from 1 January 2018.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	19 August 2013
Date of public release of policy	13 August 2013
Additional information requested (including date):	Clarification was sought from Senator Christine Milne's office on 16 August 2013 as to what indexation would be applied to the capped benefits, arrangements for providing benefits for therapeutically necessary dental care, and the profiling of the incremental offsetting savings.
Additional information received	On 16 August Senator Christine Milne's office provided advice that the capped benefits would be indexed by CPI, and confirmed the arrangements for providing benefits for therapeutically necessary dental care and the profiling of the incremental offsetting savings, as outlined in the key assumptions below.

POLICY COSTING – ELECTION CARETAKER PERIOD

Agencies from which information was obtained:	• Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) • Department of Health and Ageing • Department of Human Services • Department of Education, Employment and Workplace Relations

Costing overview

This proposal is expected to decrease the underlying cash balance by $4.7 billion and decrease the fiscal balance by $4.9 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses over this period.

This proposal will have a financial impact that grows significantly beyond the forward estimates period as the proposal is phased in. In the first full financial year of the universal dental scheme in 2018-19, the proposal is expected to decrease the fiscal balance by $8.5 billion, with the proposal having a growing impact beyond that year that is in line with the annual increases in cost driven by population growth, demographic changes and growth in fees for dental services. These estimates exclude the costs of children covered under the Child Dental Benefits scheme as these estimates are already factored into the budget bottom line.

Departmental expenses are expected to be approximately $250 million over the forward estimates period and have been included in the costing. It is anticipated that some costs will be incurred prior to the start date of 1 January 2015 as system upgrades will be required and individual eligibility will need to be determined.

The underlying cash balance impact of this proposal differs from the fiscal balance impact due to claims processing lags which see a proportion of Medicare claims processed in different years to which the service is provided and the expense recorded.

A detailed breakdown of the administered, departmental and offset components of the costing is included at Attachment A.

This costing is considered to be of medium reliability. This is due to a large number of assumptions and the limited availability of current data on dental attendance and service patterns. In particular the estimates in this costing will be affected by changes in major variables including the expected take up rate and growth in the number of dental services provided at each visit.

Table 1: Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-14.8	-769.0	-1,754.3	-2,195.4
Fiscal balance ($m)	-14.8	-794.6	-1,847.4	-2,249.2

(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.

POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

The costing request specified that the $1,000 cap over two years (indexed by CPI) could only be used for routine dental care services. The PBO costing has assumed that the routine services outlined in Attachment B are covered. This list is based on 20 common dental services (excluding crowns) provided by the Australian Dental Association as published by the Private Health Insurance Ombudsman (see data sources).

In line with additional information provided 16 August, once the scheme is fully implemented from 1 January 2018 a treating dentist would have the option of seeking authorization to access an additional benefit of up to $2,000 over a 24 month period to treat patients with complex needs that make a crown or bridge therapeutically necessary.

Also in line with additional information provided on 16 August, the profile of offsetting savings from the National Partnership with the states and territories to expand public dental services for low income earners would match the coverage profile under Denticare. Accordingly once low income earners were fully covered under the Denticare scheme the National Partnership would be ceased and used as an offsetting saving for Denticare (see Table A3 of Attachment A).

The PBO has also made the following assumptions:

- The ABS Population Forecast Series B is the most appropriate estimate of the future population for the purpose of this costing
- All individuals who choose to visit a dentist will be able to see a dentist, and there is no restriction on how many dentists a patient can visit for treatment services
- New dental items covered under Denticare are excluded from the Medicare safety nets
- Children will first attend a dentist when they are two years old consistent with the current eligibility of the Child Dental Benefits scheme (announced in the 2012-13 MYEFO), and
- The costs of the Child Dental Benefits scheme are currently factored into the budget bottom line and reflect the coverage of the same dental services assumed to be covered under Denticare. Therefore, the costing assumes there will be no additional costs for children covered under the existing scheme

Following discussion with Department of Human Services the PBO has assumed:

- the recipient eligibility will be assessed at a point in time prior to the beginning of each phase in period. Once eligible, individuals will not have their eligibility reassessed prior to the scheme becoming universal, and
- one letter will be sent to each individual in their first year of eligibility advising them that they are eligible for the scheme.

The PBO has used the following behavioural assumptions:

- The base proportion of individuals who attend the dentist is 64 per cent, as is reported by the Australian Institute of Health and Welfare (AIHW).
- In line with the 2008 PricewaterhouseCoopers report National Health and Hospital Reform Commission: Costing a Social Insurance Scheme for Dental Care (PWC Report), growth in the proportion of people visiting the dentist following the implementation of Denticare is estimated to be a flat increase of 11.5 per cent. That is, once Denticare is fully implemented, 71.5 per cent of the population are expected to access the scheme.

- The PBO assumes the number and type of dental services provided at each visit will be unchanged.
- On average each person who accesses the scheme will attend the dentist 2.34 times a year, which is the current estimated average for persons who visit the dentist, as reported in the Oral health and dental care in Australia report by the AIHW.
- The average cost of attending a dentist 2.34 times a year in 2015 is estimated to be $485.42. See Methodology for further information.
- Dental service fees will continue to increase each year in line with the growth observed between 2010 and 2011.

Methodology

The administered estimates in the costing were derived by taking the number of persons eligible in each year and multiplying this by the proportion expected to access the scheme. This number was then multiplied by the average cost over a 12 month period of dental services. These components were derived using the following methodology.

Recipient numbers

- The number of full benefit income support recipients has been based on information provided by the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Education, Employment and Workplace Relations.
- The number of concession card holders was derived by taking the number of individuals receiving an income support payment plus data available on Commonwealth Senior Health Card holders and bereavement allowance recipients.
- The number of children (2-17 year olds) was adjusted for the estimated number already eligible for dental care under the existing scheme.

Average cost

The average cost was calculated by multiplying the following factors together:

- Average number of diagnostic, restorative, preventative and extraction services per visit by age group as detailed in Practice activity patterns of dentists in Australia, AIHW 2006.
- National average dental charges in 2011 for services in each category as published by the Private Health Insurance Ombudsman, indexed by the growth rate of 2011 prices.
- Average number of visits in a twelve month period as reported in Oral health and dental care in Australia, AIHW, 2011.

Benefits for therapeutically necessary services

To determine the cost of an additional benefit of up to $2,000 over a 24 month period for dentists providing therapeutically necessary crown or bridge services, recipient numbers were determined by data from AIHW 2004-05 percentage of chronic conditions reported by age group and the average cost was based on the average benefits paid under the former Chronic Dental Disease scheme. This cost only has an impact beyond the forward estimates given it does not take effect until full implementation of the scheme from 1 January 2018.

POLICY COSTING – ELECTION CARETAKER PERIOD

Departmental costs

The departmental estimates in this costing were derived using information provided by the Department of Human Services. The majority of the costs were modelled on the proportion of departmental to administered costs for the Child Dental Benefits scheme. The costing has included higher funding for ICT purposes due to significant work that would need to be undertaken to ensure systems could cope with the higher numbers of transactions.

Data sources

The following data sources, in addition to information provided by agencies listed previously, were used in developing this costing:

- Australian Bureau of Statistics
  - Table B9. Population projections, By age and sex, Australia - Series B
- Australian Institute of Health and Welfare
  - Practice activity patterns of dentists in Australia, 2006
  - Oral health and dental care in Australia, 2011
  - Age and the costs of dental care, 2010
  - Proportion (%) of chronic conditions reported, by age group, 2004-05
- PricewaterhouseCoopers
  - National Health and Hospital Reform Commission: Costing a Social Insurance Scheme for Dental Care, 2008
- Private Health Insurance Ombudsman
  - Average Dental Charges 2011 - http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental.htm
  - Average Dental Charges 2010 - http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental2010.htm

ATTACHMENT A: DETAILED BREAKDOWN OF COSTS

The following tables provide a breakdown of administered and departmental costs for each of the phase in years and the first full financial year of the universal scheme.

Table A1: Administered Expenses – financial implications (outturn prices)(b)

Impact on	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Underlying cash balance ($m)	-	-865.9	-1,970.9	-2,499.4	-5,253.9	-8,205.9
Fiscal balance ($m)	-	-891.5	-2,064.0	-2,553.1	-5,517.4	-8,427.0

(b) 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.

Table A2: Departmental Expenses – financial implications (outturn prices)(c)

Impact on	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Underlying cash balance ($m)	-14.8	-68.7	-79.2	-86.8	-97.5	-102.4
Fiscal balance ($m)	-14.8	-68.7	-79.2	-86.8	-97.5	-102.4

(c) 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.

As part of the Dental Package announced by the Government in the 2012-13 MYEFO, a National Partnership for adult public dental services was announced. As per the costing request, this proposal would replace this decision achieving savings of approximately $1.3 billion to 2017-18 as detailed in Table A3.

Table A3: Savings from National Partnership for adult public dental services – financial implications (outturn prices)(d)

Impact on	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Underlying cash balance ($m)	-	165.6	295.8	390.8	390.8	-
Fiscal balance ($m)	-	165.6	295.8	390.8	390.8	-

(d) 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.

Table A4: Total cost – financial implications (outturn prices)(e)(f)

Impact on	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Underlying cash balance ($m)	-14.8	-769.0	-1,754.3	-2,195.4	-4,960.6	-8,308.4
Fiscal balance ($m)	-14.8	-794.6	-1,847.4	-2,249.2	-5,224.1	-8,529.4

(e) 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.

(f) Equals the sum of the estimates in Table A1, Table A2 and Table A3.

ATTACHMENT B: DENTAL SERVICES COVERED

Table B1 shows the dental services included as 'basic and routine' for the purposes of this costing.

Table B1: Dental services considered to be basic and routine[g]

Description	Category
Comprehensive oral examination	Diagnostic
Periodic oral examination	
Oral examination – limited	
Consultation	
Intraoral periapical or bitewing radiograph - per exposure	
Diagnostic model – per model	
Removal of plaque and/or stain.	Preventative
Removal of calculus - first visit	
Topical application of remineralising and/or cariostatic agents, one treatment	
Fissure sealing - per tooth	
Removal of a tooth or part(s) thereof	Extraction
Adhesive restoration – one surface – anterior tooth – direct	Restorative
Adhesive restoration – two surfaces – anterior tooth – direct	
Adhesive restoration – three surfaces – anterior tooth – direct	
Adhesive restoration – one surface – posterior tooth – direct	
Adhesive restoration – two surfaces – posterior tooth – direct	
Adhesive restoration – three surfaces – posterior tooth – direct	
Adhesive restoration – four surfaces – posterior tooth – direct	
Pin retention – per pin	
Cusp capping – per cusp	

(g) Based on 20 common dental services (excluding crowns) provided by the Australian Dental Association as published by the Private Health Insurance Ombudsman http://www.privatehealth.gov.au/healthinsurance/whatiscovered/averagedental.htm

Reference No. *GRN040*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Abolish coal-fired power stations compensation (previously *Ending compensation to coal-fired power stations*)
Summary of proposal:	The proposal would abolish the provision of free carbon permits to emissions intensive coal-fired electricity generators under the Energy Security Fund (ESF). The proposal would have effect from 1 October 2013.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	20 August 2013
Date costing completed:	1 September 2013
Date of public release of policy:	26 September 2012
Additional information requested:	On 21 August the PBO asked the Office of Senator Milne whether free ESF permits for 2013-14 that were scheduled to be issued on 1 September 2013 (in the caretaker period) should be covered by this costing.
Additional information received:	On 31 August the Office of Senator Milne confirmed that the costing should be undertaken on the basis of a start date of 1 October 2013 and that the ESF permits issued on 1 September 2013 should not be covered by this proposal.
Agencies from which information was obtained:	The Treasury

Costing overview

This proposal is expected to increase the underlying cash balance by $625 million and increase the fiscal balance by $515 million over the 2013-14 Budget forward estimates period.

The underlying cash impact reflects an increase in receipts from sales of carbon permits over this period. The fiscal balance impact reflects a decrease in expenditure on free permits in 2014-15.

The underlying cash balance impact of this proposal differs to the fiscal balance impact because of the timing associated with cash receipts from the sale of permits. Revenue from permit sales is recognised on a fiscal balance basis in the vintage year of the permit that is sold. On an underlying cash balance basis, permit revenue is recognised when cash is received. Permit auctions for 2014-15 permits are scheduled to occur in 2013-14, 2014-15 and 2015-16.

This proposal would have no impacts beyond the forward estimates period as no free permits are issued under the ESF after 2014-15.

POLICY COSTING – ELECTION CARETAKER PERIOD

Departmental savings from cancelling free permits for emissions intensive coal-fired electricity generators are expected to be minimal as other free permits will continue to be administered under the Jobs and Competitiveness Program. For this reason, departmental savings have not been included in this costing.

This costing is considered to be of medium reliability as it is dependent on future market carbon prices.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	415	210	-
Fiscal balance ($m)	-	515	-	-

(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 an increase in revenue in cash terms.

Key assumptions

Assumptions outlined in the costing request:

- The proposal would have effect from 1 October 2013.

Assumptions made by the PBO:

- The total emission cap under the floating price arrangements in 2014-15 is assumed to be unaffected by this proposal. As a result, an equivalent number of permits that would have been provided free under the ESF would be sold at auctions in 2014-15 and in 2015-16 in order to meet the emissions cap for 2014-15.

- The carbon prices used to undertake this costing are the same as in the Pre-election Economic and Fiscal Outlook (PEFO) ($6.20 in 2014-15 and $12.50 in 2015-16). PEFO notes that "the carbon price path to 2020 is subject to considerable uncertainty." PEFO also states that these estimates reflect:
  - In the forecast year of 2014-15, a three-month average of futures market prices; and
  - In the projection year of 2015-16 a linear transition from the market price in 2014-15 to the longer-term modelled price of $38 in 2019-20 from the *Strong Growth, Low Pollution* report.
  - As noted in PEFO "the carbon price path to 2020 is subject to considerable uncertainty".

Methodology

This costing has been estimated by calculating the impact of not providing the free permits under the ESF for 2014-15, and instead selling an equivalent number of permits at permit auctions in 2014-15 and 2015-16.

All figures in this costing have been rounded to the nearest $5 million.

Data sources

Information on the amount of expenditure on free permits the Energy Security Fund was obtained from the Treasury.

Reference No. GRN041

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Banning semi-automatic firearms (previously *Semi-automatic handguns ban and buyback scheme*)**
Summary of proposal:	The proposal would ban the importation, ownership, possession and use of semi-automatic handguns with exemptions for government owned guns. The proposal would also create a 12 month amnesty and compensation scheme, commencing 1 July 2014, for newly prohibited handguns. Already prohibited firearms would also be able to be surrendered during this period, but would not be eligible for compensation. These policies would be supported by a national public education campaign and the compensation of firearms dealers for the loss of business of the newly prohibited firearms. The proposal would have effect from 1 January 2014 to allow for preliminary work to be done prior to the ban and amnesty period beginning on 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	20 August 2013
Date costing completed:	26 August 2013
Date of public release of policy	14 August 2013
Agencies from which information was obtained:	CrimTrac

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $412.0 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase in expenses. While the ban on semi-automatic handguns would be ongoing, funding for this program would terminate by 30 June 2016.

Departmental costs of $3.0 million over the forward estimates have been included in this costing and would fund nine Full Time Equivalent (FTE) positions in 2013-14 and 2014-15, reducing to six FTE positions in 2015-16.

The financial impact of this proposal includes a number of components and a detailed breakdown of the costing has been included at <u>Attachment A</u>.

This costing is considered to be of medium reliability as assumptions have been made regarding the compensation to firearm owners and dealers and the number of weapons surrendered.

POLICY COSTING – ELECTION CARETAKER PERIOD

The estimates in this costing differ from those presented in the applicant's costing request because the PBO revised their methodology since the original costing.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-2.3	-395.6	-14.1	-
Fiscal balance ($m)	-2.3	-395.6	-14.1	-

(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.

Key assumptions

The PBO has made the following assumptions:

- Based on the ratio of registered semi-automatic handguns to illegal semi-automatic handguns, 95 per cent of all handguns would be surrendered.
- The average cost of a handgun is approximately $1,400 in 2014-15 dollars. This is based on a sample of prices for semi-automatic handguns from online retailers.
- Compensation to business and funding for the public education campaign would be in line with that provided for similar activities during the 1996-97 buyback, adjusted for inflation. This would include loss of future business and costs of cancelling current purchase contracts.
- Nine FTE positions would be required in both 2013-14 and 2014-15 for policy and legislative development and Commonwealth implementation during the year of the buyback. After the completion of the buyback this would reduce to six FTE positions in 2015-16 to manage the continuing work associated with the buyback and the finalisation of the program. This is broadly in line with the funding provided to the Attorney-General's Department in the year prior to the 2003-04 Handgun Buyback Scheme adjusted for inflation.
- Based on the quantum of firearms estimated to be surrendered, and that the amnesty would also apply to firearms already outlawed, the cost of funding the administration of the buyback by the states and territories would be 50 per cent of similar costs from the 1996-97 buyback, adjusted for inflation.

Methodology

The number of semi-automatic handguns was estimated by adding data provided by CrimTrac on the number of registered firearms (approximately 200,000) with research in the public domain on the number of illegal handguns (approximately 10,000). This excludes firearms registered to law enforcement agencies.

The data on the number of registered firearms was provided by CrimTrac with the following caveats:

- This information was drawn from the National Firearm and Licensing Registration System (NFLRS) on 21 August 2013. The NFLRS is a point in time reference system that relies on up-to-date data from each of the state and territorial jurisdictions in Australia. It is not a comprehensive firearm record management system and does not hold historical data.
- The criteria used to inform this data varies between jurisdictions.

POLICY COSTING – ELECTION CARETAKER PERIOD

The total cost of this proposal (see breakdown of costs at Attachment A) was calculated by adding the following cost components:

- the cost of compensation to gun owners was derived by multiplying the average price of a handgun by the total number of guns assumed to be surrendered
- compensation to businesses was derived through extrapolating interim data from the 1996-97 buyback and analysing it in conjunction with other data from the 1996-97 buyback and then indexing those amounts
- costs for the public education campaign and state and territory implementation, were derived by indexing the amounts allocated for similar functions during the 1996-97 Gun Buyback Scheme, and
- Departmental costs were derived by multiplying the number of staff by average salary levels, accounting for differences in staff levels, inflation, the efficiency dividend and a part year effect in the first year.

Data sources

Australian National Audit Office, *The Gun Buy-Back Scheme*, December 1997, http://www.anao.gov.au/uploads/documents/1997-98_Audit_Report_25.pdf

Budget Paper No. 2, 2003-04 Budget, http://www.budget.gov.au/2003-04/bp2/download/expense.pdf

Samantha Bricknell, 2008. Criminal use of handguns in Australia. Trends and Issues in Crime and Criminal Justice, no. 361. Canberra: Australian Institute of Criminology, http://www.aic.gov.au/publications/current%20series/tandi/361-380/tandi361.html

Illicit Firearms Factsheet, Australian Crime Commission, 2013, http://www.crimecommission.gov.au/publications/crime-profile-series/illicit-firearms

Simon Chapman, 1998, *Over Our Dead Bodies: Port Arthur and Australia's Fight for Gun Control*.

Questions on Notice, National Gun Buyback Scheme, Question No. 2343, Saturday 6 December 1997, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=(Dataset%3Aweblastweek,hansardr,noticer,webthisweek,dailyp,votes,journals,orderofbusiness,hansards,notices,websds)%20ParliamentNumber%3A%2238%22%20Responder_Phrase%3A%22mr%20williams%22;rec=0

ATTACHMENT A: BREAKDOWN OF COSTS

Table A1: Financial implications (outturn prices)[(a)]

Impact on underlying cash and fiscal balance	2013-14	2014-15	2015-16	2016-17
Policy Development and Commonwealth Implementation	-0.7	-1.4	-0.8	-
Public Education Campaign	-1.6	-3.2	-1.6	-
State and Territory Implementation	-	-34.0	-11.6	-
Compensation to Gun Owners	-	-284.6	-	-
Compensation to Businesses	-	-72.4	-	-
Total	**-2.3**	**-395.6**	**-14.1**	-

(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 or net capital investment in cash terms.

Reference No. GRN042

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Nuclear veterans (previously *Gold Card for nuclear veterans*)**
Summary of proposal:	The proposal would expand eligibility to the veterans' Gold Card to include all defence personal participants in the British Nuclear Testing (BNT) in Australia. The proposal will have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	20 August 2013
Date costing completed:	23 August 2013
Date of public release of policy	10 August 2013
Agencies from which information was obtained:	• Department of Veterans Affairs (DVA) • Department of Finance and Deregulation (Finance)

Costing overview

This proposal is expected to decrease the underlying cash balance by $82.6 million and the fiscal balance by $85.2 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. This proposal would have an ongoing effect beyond the forward estimates period.

Departmental costs of $0.4 million over the forward estimates have been included in this costing for administration of this policy.

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of a claims processing lag.

This costing is considered to be of high reliability because it is based on data provided by Finance and DVA.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-26.8	-28.2	-27.5
Fiscal balance ($m)	-	-29.6	-28.1	-27.4

(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.

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POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

As per advice provided by the DVA:

- the population eligible for the expanded eligibility to the Gold Card will be approximately 1,500 on 1 July 2014 declining to approximately 1,300 by 1 July 2016
- the cost per Gold Card would be $22,800 in 2014-15 rising to $25,000 by 2016-17, and
- the claims processing lag, which accounts for the difference between underlying cash and fiscal balance, is 9.52%.

Based on information previously provided by Finance, the PBO has assumed that the offsets for the Pharmaceutical and Medicare Benefits Schemes would be approximately $3,500 per person in 2014-15 growing to approximately $4,000 per person in 2016-17.

Methodology

The administered cost in each year was derived by multiplying the net cost per Gold Card (difference between Gold Card costs and Pharmaceutical and Medicare Benefits Schemes offsets) by the eligible population with the application of the claims processing lag to differentiate between underlying cash and fiscal balance. Departmental costs were then added to the administered total to arrive at the total impact.

Reference No. *GRN045*

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Access to Justice**
Summary of proposal:	The proposal would enhance access to justice by: • increasing legal aid funding by 50 per cent • doubling funding to community legal centres • doubling funding for Indigenous family violence prevention legal services • increasing funding to Indigenous legal assistance services, including Aboriginal and Torres Strait Islander Legal Services by 50 per cent • addressing the impact of rising court fees by returning court fees to 2010-11 levels • amending the application form for exemptions from court fees to remove ambiguity, and • introducing a fee exemption category for clients who are being represented on a pro bono basis. The intention of the proposal is to enhance access to legal assistance. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	29 August 2013
Date costing completed:	4 September 2013
Date of public release of policy:	15 August 2013
Additional information requested (including date):	On 2 September 2013, clarification was sought on the duration of each element of the proposal.
Additional information received (including date):	On 3 September 2013, Senator Milne's Office advised that all elements of the proposal would be ongoing.
Agencies from which information was obtained:	Attorney-General's Department (AGD)

POLICY COSTING – ELECTION CARETAKER PERIOD

Costing overview

This proposal is expected to decrease both the underlying cash balance and fiscal balance by $866.5 million over the 2013-14 Budget forward estimates period. This impact is due to an increase in expenses associated with increasing funding for legal aid and legal assistance services and a reduction in revenue as a result of reducing federal court fees.

This proposal will have an ongoing impact beyond the forward estimates in the order of the amount reflected in 2016-17 with indexation.

The amendment to the fee exemption application form is not expected to have a financial impact as the PBO considers this activity to be a core departmental function. Additionally, the introduction of a fee exemption category for clients who are being represented on a pro bono basis is expected to have a negligible financial impact and is not included in this costing as most recipients of pro bono assistance currently qualify for fee exemptions under the financial hardship test (see Data sources).

No departmental funding has been included for elements of this costing related to increasing funding for legal aid and legal assistance services. The PBO considers that there will be minimal additional workload from providing increased funding to the same number of recipients. In addition, measures in the 2013-14 Budget which increased funding for legal assistance services provided no additional departmental funding to AGD.

A breakdown of the impact on each element of the proposal is included at Attachment A.

This costing is considered to be of medium to high reliability because a large proportion of the proposal is based on capped funding increases to existing programs.

The estimates in this costing differ marginally from those presented in the costing request because current funding for the relevant programs have been updated for the 2013 Pre-election Economic and Fiscal Outlook (PEFO).

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-284.7	-288.6	-293.1
Fiscal balance ($m)	-	-284.7	-288.6	-293.1

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

Key assumptions

The PBO has assumed that, based on an examination of court workload statistics, federal court revenue has increased since 2010-11 predominately as a result of measures to increase fees in the 2010-11 Budget, 2012-13 Budget and 2012-13 MYEFO. Therefore, reversing these measures is a reasonable estimate of the reduction in fee revenue as a result of the proposal.

POLICY COSTING – ELECTION CARETAKER PERIOD

Methodology

The costing is calculated by adding the following two components:

Increasing funding

As per the costing request, 2014-15 estimates as at the 2013 PEFO for the relevant programs are doubled or increased by 50 per cent. This amount is then indexed to determine the cost estimates in 2015-16 and 2016-17. A breakdown of the financial implications is included at Table A1 of Attachment A.

Reducing federal court fees

The cost of reinstating federal court fees to 2010-11 levels is derived by adding the financial impacts of reversing the related court fee-increase components of the 2010-11 Budget, 2012-13 Budget and 2012-13 MYEFO measures (see Data sources). This cost is partially offset by a small reduction in departmental funding provided to various agencies to administer the past increases to federal court fees.

Financial implications in the 2013-14 Budget forward estimates period for these measures were calculated by applying a compound annual growth rate, derived from the measures' profiles. A breakdown of the financial implications is included at Table A2 of Attachment A.

Data sources

2013 PEFO estimates for the relevant programs were obtained from AGD

2010-11 Budget Paper No.2 measure: *Improving Access to Justice* (page 103)

2012-13 Budget Paper No.2 measure: *Court fee increases* (page 10)

2012-13 MYEFO measure: *Courts - additional funding and changes in fees* (page 198)

Senate Inquiry: Impact of federal court fee increases since 2010 on access to justice in Australia, June 2013:
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=legcon_ctte/court_fees/report/index.htm

National Pro Bono Resource Centre: National Law Firm Pro Bono Survey Final Report, January 2013:
https://wic041u.server-secure.com/vs155205_secure/CMS/files_cms/National%20Law%20Firm%20Pro%20Bono%20Survey%202012%20-%20Final%20Report.pdf

ATTACHMENT A: DETAILED BREAKDOWN OF COSTING

Increasing funding

Table A1: Financial implications (outturn prices)[(a)]

Underlying cash and fiscal balance impacts ($m)	2013-14	2014-15	2015-16	2016-17
Increasing legal aid funding by 50 per cent	-	-111.4	-113.2	-115.3
Doubling funding to community legal centres	-	-46.3	-47.0	-47.9
Doubling funding for Indigenous family violence prevention legal services	-	-21.3	-21.7	-22.1
Increasing funding to Indigenous legal assistance services	-	-59.9	-60.8	-61.9
Total impact	-	**-238.9**	**-242.7**	**-247.1**

(a) A negative number indicates an increase in expenses in both accrual and cash terms. Amounts may not sum due to rounding.

Reducing federal court fees to 2010-11 levels

Table A2: Financial implications (outturn prices)[(a)]

Underlying cash and fiscal balance impacts ($m)	2013-14	2014-15	2015-16	2016-17
2010-11 Budget measure: *Improving Access to Justice*				
Revenue	-	-16.8	-16.9	-17.0
2012-13 Budget measure: *Court fee increases*				
Revenue	-	-22.0	-22.0	-22.0
Expense	-	0.9	0.9	0.9
2012-13 MYEFO measure: *Courts - additional funding and changes in fees*				
Revenue	-	-7.9	-7.9	-7.9
Total impact	-	**-45.8**	**-45.9**	**-46.0**

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

Reference No. GRN048

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Gambling in sport (previously *Protect the integrity of sport*)**
Summary of proposal:	The proposal would limit the exposure of children to sports gambling by: • banning televised gambling advertisements before 9pm, including during sports broadcasts • banning the advertisement of live odds at any time • prohibiting the integration and promotion of betting companies into sports programs, and • prohibiting betting companies from sponsoring sporting teams. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	29 August 2013
Date costing completed:	1 September 2013
Date of public release of policy:	17 August 2013

Costing overview

This proposal is not expected to affect either the underlying cash balance or fiscal balance over the 2013-14 Budget forward estimates.

The PBO has not included any additional departmental funding for potential amendments to legislation, such as the *Broadcasting Services Act 1992* (the Act), as the cost for such activities would already be included in the departmental estimates for the Department of Broadband, Communication, and the Digital Economy who has responsibility for administering the Act.

The PBO has also not included any additional departmental funding for the Australian Communications and Media Authority to monitor the changes, as the agency is already funded to ensure that Australia's media and communications legislation operates effectively and efficiently.

This costing is considered to be of high reliability as the relevant tasks associated with this proposal are considered to be core departmental functions of the affected agencies.

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POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)[(a)]

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

Reference No. GRN051

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Hearing health**
Summary of proposal:	The proposal would fund a suite of policies to improve hearing health. These initiatives are: • extending the eligibility for the Australian Government Hearing Services Program (AGHSP) to all Australians subject to a means test and to those who do not meet the means test on a fee-for-service basis • a national database to track children with a hearing impairment • early evidence-based language and communication intervention for all children with hearing impairment prior to them starting school • sound field systems for new classrooms, and in all existing classrooms where there is a significant population of Aboriginal and Torres Strait Islander children • an exemplar multidisciplinary project to address the incidence of otitis media in Aboriginal and Torres Strait Islander (ATSI) communities • the Council of Australian Governments (COAG) to prioritise hearing screenings and follow-up for all Aboriginal and Torres Strait Islander children from remote communities on commencement of school, and • a $30 million fund (over three years) for induction programs for teachers posted to schools in ATSI communities. The package would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	29 August 2013
Date costing completed:	3 September 2013
Date of public release of policy:	26 August 2013

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POLICY COSTING – ELECTION CARETAKER PERIOD

Additional information requested:	On the 29 August 2013, the PBO asked Senator Milne's Office to specify for each component of the proposal: • whether funding is demand driven or capped • where not already stated, the profile of funding for those capped components, and • whether any departmental costs are expected to be accommodated within the capped funding components.
Additional information received:	On the 30 August 2013, Senator Milne's Office provided the following information in response to the PBO's questions. Each component of the proposal is capped with the exception of the extension of the AGHSP, which it is expected would operate as a demand driven program. The capped amounts for the remaining components are as follows: • national database - \$2 million (one-off) • early evidence-based language and communication intervention - \$15 million per annum • sound field systems - \$4 million per annum • multidisciplinary project to address otitis-media - \$2.5 per annum over two years from 2014-15, and • COAG action – would be a call on states through COAG with no cost to the Commonwealth. The request intended that departmental expenses would be included for the extension of the AGHSP and sound field Systems components of the package. For all other components of the proposal, departmental expenses are to be taken from within the capped funding amount for each year. In addition, the Office specified that: • optional access to the AGHSP for clients not meeting the means test, would come at no cost to the Commonwealth because it would be implemented on a fee-for-service basis, and • the means test would be the same as 'low income earner' eligibility for a Health Care Card.
Agencies from which information was obtained:	Not applicable

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POLICY COSTING – ELECTION CARETAKER PERIOD

Costing overview

The package of proposals is expected to decrease both the underlying cash and fiscal balances by $368.2 million over the 2013-14 Budget forward estimates period. This includes departmental costs of $6.0 million over the same period. This impact is entirely due to an increase in expenses.

The proposal would also have an ongoing impact that extends beyond the forward estimates period.

Apart from the capped components, the costing is considered to be of low reliability due to limited information around the projected need and take-up of hearing services by low-income earners.

The estimates in this costing differ from the expected financial impacts attributed to the package in the costing request, which reflect the impact of the extension of eligibility for the AGHSP only (see Table A1 at Attachment A).

Table 1: Financial implications (outturn prices) (a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-124.7	-123.3	-120.2
Fiscal balance ($m)	-	-124.7	-123.3	-120.2

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

A breakdown of the impact on each component of the proposal is included at Attachment A.

Key assumptions

With respect to the extension of the AGHSP, which would be demand driven, the PBO has made the following assumptions:

- population estimates for the years 2014-15 to 2016-17 are in line with Australian Bureau of Statistics projections (ABS 1301.0 (2012) Series B)
- around 10 per cent of the population have a hearing impairment in any given year, based on analysis of the Australian Health Survey for the years 2001 to 2012
- around 8 per cent of the population in any given year would meet the means test for a Health Care Card, based on data from the Department of Human Services (2012) and the Public Health Information Development Unit (2009, 2011)
- a 100 per cent take-up rate is assumed for those eligible for support under the new program
- the average cost per client is estimated at $681 for the period 2014-15 to 2016-17, calculated as current administered funding (net of research grants) divided by the current number of clients receiving a hearing service under the AGHSP, and
- departmental costs are based on a ratio of departmental to administered expenses of 2.2 per cent on average for the period 2014-15 to 2016-17. This was modelled on Department of Health and Ageing forecast estimates for the AGHSP.

POLICY COSTING – ELECTION CARETAKER PERIOD

In addition, as per the information provided by the requestor on 30 August 2013:

- optional access to the program for clients not meeting the means test would come at no cost to the Commonwealth as it would be implemented on a fee-for-service basis, and
- the means test would be the same as 'low income earner' eligibility for a Health Care Card.

Methodology

Capped funding components

With respect to the costing of the capped components of the package, the methodology was a straightforward one of summing up the capped administered funding components.

Demand-driven funding components

To cost the extension of the AGHSP, the PBO undertook the following steps:

- to calculate the number of people with a hearing impairment in any given year, the projected population was multiplied by the estimated percentage of the population with a hearing impairment
- the projected number of clients that are eligible under the current program was then subtracted from the projected number of people with a hearing impairment to calculate the number of people with a hearing impairment currently ineligible for services under the current program
- the number of newly eligible clients under the proposal was calculated by applying the "low income" test. That is, by multiplying the number of people with a hearing impairment excluded under the current program by the estimated percentage of the population that would meet the means test as applied under the Health Care Card, and
- finally, to calculate total administered costs, the number of additional clients supported under the extended program was multiplied by the average cost per client. Departmental costs were calculated by multiplying administered costs by the ratio of estimated departmental to administered expenses.

Data sources

Population projections in line with: ABS 1301.0 - Year Book Australia, 2012 Population Projections (Series B).

Percentage of population with a hearing impairment derived from: ABS Health Survey: First Results, 2011–12, Australia.

Percentage of the population with a Health Care Card extracted from:

- Department of Human Services (2012), FaHCSIA Electoral Data, accessed: http://www.humanservices.gov.au/spw/corporate/publications-and-resources/facts-and-figures/electorate-data/resources/2012/2012-03-fahcsia.pdf, and
- Public Health Information Development Unit, A Social Health Atlas of Australia, accessed: http://www.publichealth.gov.au/.

Program estimates taken from the Department of Health and Ageing 2013-14 Portfolio Budget Statements.

Indexation factors from Treasury parameters as at the Pre-Election Economic and Fiscal Outlook.

ATTACHMENT A: BREAKDOWN OF COSTS BY COMPONENT

Table A1: Financial implications (outturn prices)[a] [b]

Underlying cash and fiscal balance impacts	Policy duration	2013-14 ($m)	2014-15 ($m)	2015-16 ($m)	2016-17 ($m)	Total ($m)
Extension of the AGHSP	Ongoing	-	-91.2	-91.8	-91.2	-274.2
National database	2014-15	-	-2.0	-	-	-2.0
Early evidence-based language & communication intervention	Ongoing	-	-15.0	-15.0	-15.0	-15.0
Sound field systems	Ongoing	-	-4.0	-4.0	-4.0	-12.0
Multidisciplinary project to address otitis-media	2014-15 2015-16	-	-2.5	-2.5	-	-5.0
COAG action	Ongoing	-	-	-	-	-
Teacher induction programs	2014-15 2016-17	-	-10.0	-10.0	-10.0	-30.0
Total		-	**-124.7**	**-123.3**	**-120.2**	**-368.2**

(a) A negative number indicates an increase in expenses in both accrual and cash terms.

(b) Totals may not sum due to rounding.

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Withdrawal from Afghanistan**
Summary of proposal:	The proposal would withdraw all Australian troops from Afghanistan as soon as possible and reduce the 2013-14 Budget Measure: *Middle East Area of Operations – continuation of Australia's military contribution* by the amount that is not directly related to the withdrawal of Australian troops from Afghanistan. The proposal would have immediate effect following the 2013 Federal Election.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	29 August 2013
Date costing completed:	3 September 2013
Date of public release of policy:	14 July 2013
Agencies from which information was obtained:	Department of Defence

Costing overview

This proposal is expected to increase both the underlying cash balance and fiscal balance by $559.3 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses.

The figures in this costing differ from the figures in the costing request as this costing reflects troops being returned to Australia by the end of March 2014 as opposed to the figures in the applicant's request which reflect troops being returned to Australia by the end of December 2013.

This costing is considered to be of medium reliability due to the uncertainty regarding the timing of withdrawal from Afghanistan.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	170.7	178.1	130.2	80.3
Fiscal balance ($m)	170.0	178.1	130.2	80.3

(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.

POLICY COSTING – ELECTION CARETAKER PERIOD

Key assumptions

The PBO has assumed that:

- the ADF can withdraw all personnel from Afghanistan and the wider Middle East Area of Operations (MEAO) over the next six months (ie from October 2013 to March 2014). This timeframe is based on the time it took to withdraw troops from Timor-Leste after combat operations ceased (four months) taking into account the relative size of the Australian contingent in Afghanistan compared to the number deployed to Timor-Leste, and
- no additional costs would be encountered by withdrawing troops from Afghanistan at a quicker than anticipated rate.

Methodology

The cost estimate is based on information provided by the Department of Defence which split the cost of the current Budget measure, *Middle East Area of Operations – continuation of Australia's military contribution*, into 'Ongoing Effort' and 'Transition and Redeployment' components.

The PBO has reduced the 'Ongoing Effort' component of the Budget measure by 25 per cent in 2013-14 given the six month timeframe to withdraw troops, and 100 per cent for each remaining year of the forward estimates. The 'Transition and Redeployment' component of the current estimate has not been changed. This would reduce the Australian military contribution to only those personnel required to remediate and withdraw Australian Defence Force equipment from Afghanistan.

Data sources

The Department of Defence.

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Oppose flexible carbon price shift (previously *Carbon pricing*)
Summary of proposal:	The proposal would reverse the Government's decision to move to a floating carbon price regime from 1 July 2014 and reverse the cuts to the following programs: • the biodiversity fund • carbon farming futures • clean technology programs, and • public service efficiencies. The proposal would take effect in the 2013-14 financial year.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	29 August 2013
Date costing completed:	2 September 2013
Date of public release of policy:	14 July 2013
Agencies from which information was obtained:	• Department of Finance and Deregulation • The Treasury

Costing overview

This proposal is expected to increase the underlying cash balance by $4.20 billion and increase the fiscal balance by $2.52 billion over the 2013-14 Budget forward estimates period.

This impact reflects an increase in revenue from the carbon pricing mechanism of $5.15 billion on an underlying cash balance basis and $3.47 billion on a fiscal balance basis and an increase in expenditure of $960 million on both an underlying cash and fiscal balance basis from reversing the program cuts.

The PBO estimates that departmental expenses for the Clean Energy Regulator (CER) would be around $10 million lower in 2013-14 and slightly lower in 2014-15 as a result of this proposal. This reverses the increased funding to the CER that was related to the increased volume of carbon permits that would have been auctioned for the floating price regime in 2014-15.

This proposal would have an ongoing impact that extends beyond the forward estimates period as some of the announced program cuts have impacts beyond that time.

POLICY COSTING – ELECTION CARETAKER PERIOD

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of timing differences associated with the receipt of carbon revenue and the issue of free permits. A detailed breakdown of the components of the costing is included at Attachment A.

This costing is considered to be of medium reliability as it based on assumptions around future market carbon prices.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-310	3,030	1,650	-170
Fiscal balance ($m)	-70	3,080	-320	-170

(a) A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance an increase in expenses or net capital investment in cash terms. Figures have been rounded to the nearest 10 million.

Key assumptions

Assumptions outlined in the costing request:

- The proposal would take effect in the 2013-14 financial year.

The PBO has made the following assumptions:

- For the purposes of this costing, the other savings associated with the Government's announcement to move to a floating carbon price – reforms to fringe benefit tax for cars, the adjustment to the Coal Sector Jobs package, ending the energy security fund early and deferring funding to the Carbon Capture and Storage Flagship Program – have been retained.
- The carbon price in 2014-15 for this proposal is $25.40 - the 2013-14 Budget fixed price for 2014-15 before the Government's decision to move to a floating price one year earlier.
- The carbon prices in 2015-16 and 2016-17 used to undertake this costing are the same as in the Pre-election Economic and Fiscal Outlook (PEFO) ($12.50 in 2015-16 and $18.90 in 2016-17). As noted in PEFO, in the projections years of 2015-16 and 2016-17 the carbon price is projected using a linear transition from the market price in 2014-15 to the longer-term modelled price of $38 in 2019-20 from the *Strong Growth, Low Pollution* report.
  - As noted in PEFO "the carbon price path to 2020 is subject to considerable uncertainty".

Methodology

The impact of not proceeding with the move to a floating carbon price was estimated by comparing total revenue and expenditure from the carbon pricing mechanism under the current PEFO carbon price forecasts with those anticipated under a fixed price of $25.40 in 2014-15. The costs of reversing cuts to the four specified programs were calculated by reversing the savings outlined by the Government.

POLICY COSTING – ELECTION CARETAKER PERIOD

Data sources

- Program costs for the four programs being retained were obtained from the Department of Finance and Deregulation.
- 2013 Pre-election Fiscal and Economic Outlook.

ATTACHMENT A: DETAILED FINANCIAL IMPLICATIONS

The following tables show the change in revenue and expenditure as a result of this proposal, relative to the 2013 PEFO estimates.

Table 1: Financial implications[a]

Not proceeding with the move to a floating carbon price 1 year earlier				
Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-240	3,420	1,970	-
Fiscal balance ($m)	-	3,470	-	-
Biodiversity fund				
Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-30	-60	-60	-60
Fiscal balance ($m)	-30	-60	-60	-60
Carbon farming futures				
Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-30	-30	-40	-40
Fiscal balance ($m)	-30	-30	-40	-40
Clean technology programs				
Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	20	-240	-140	-
Fiscal balance ($m)	20	-240	-140	-
Public service efficiencies				
Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-40	-60	-80	-70
Fiscal balance ($m)	-40	-60	-80	-70
Departmental costs – Clean Energy Regulator				
Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	10	..	-	-
Fiscal balance ($m)	10	..	-	-

(b) A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance an increase in expenses or net capital investment in cash terms. '..' means not zero, but rounded to zero.

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal:	**Rental revolution (previously *Boosting rental supply*)**
Summary of proposal:	The proposal would: • review and fund another 50,000 homes under the National Rental Affordability Scheme (NRAS) and provide an additional incentive to ensure they are exemplary green buildings and come with solar PV • provide funding for 20,000 student rentals through a new University NRAS scheme • provide funding for 15,000 new rental homes through a 'Convert to Rent' Initiative, and • review the effectiveness of Commonwealth Rent Assistance by providing the Productivity Commission with $180,000. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	30 August 2013
Date costing completed:	5 September 2013
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	• Department of Families, Housing, Community Services and Indigenous Affairs • Australian Taxation Office

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $208.7 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. Departmental expenses of $0.2 million for 2014-15 have been included to conduct a review into Commonwealth Rent Assistance, as per the costing request.

This proposal would have an ongoing impact beyond the forward estimates period.

This costing is considered to be of medium reliability because some initiatives involve capped expenditure but others rely on PBO assumptions.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-46.7	-65.5	-96.5
Fiscal balance ($m)	-	-46.7	-65.5	-96.5

(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 expenditure in cash terms.

Key assumptions

Assumptions detailed in the costing request:

- These proposals are based on a ten-year timeframe.
- A co-funding arrangement with the states and territories is assumed for the additional 50,000 dwellings under the National Rental Affordability Scheme (NRAS).
- The University NRAS (UNI NRAS) is fully funded by the Commonwealth.
- Under the 'Convert to Rent' initiative, an additional $5,000 would be provided for buildings to be modified for people with a disability, which is assumed to be 15 per cent or 2,250 dwellings.

The PBO has made the following assumptions regarding this costing:

- For those initiatives that extend the existing NRAS or introduce a scheme similar to the NRAS, this costing assumes the same rate of implementation and cost structure as the original NRAS scheme. The incentive is indexed according to the five-year average historical movement in the rents component of the Housing Group Consumer Price Index (CPI).
- The costing request specified that funding for some aspects of the proposal would be capped. The PBO has not made an assessment of whether the funding is sufficient to meet the policy goals.

Methodology

- For the additional 50,000 dwellings under the NRAS and the UNI NRAS, the annual cost of this proposal was calculated by multiplying the expected number of incentives per year by the full cost of the indexed incentive.
  - The PBO has used the base cost of $10,350 per initiative in 2013-14 and this is indexed according to the five-year average historical movement in the rents component of the Housing Group CPI.
- The costing represents the sum of the amount of expenditure required for each of the proposals included in this package. The details are provided in Attachment A.

POLICY COSTING – ELECTION CARETAKER PERIOD

Data sources

- ABS Cat. No. 6401.0 *Consumer Price Index, Australia*, various years
- National Rental Affordability Scheme Monthly Performance Report, 30 April 2013, available at: http://www.fahcsia.gov.au/sites/default/files/files/housing-support/nras/April13_NRAS_monthly_performance_report.pdf
- NRAS Incentive (indexation), available at: http://www.fahcsia.gov.au/sites/default/files/documents/05_2013/nras_incentive_indexation_fact_sheet_may2013.pdf

ATTACHMENT A: INITIATIVES IN THIS COSTING

As detailed in the request, this costing has the following components:

1. 50,000 additional NRAS incentives

This proposal would provide 50,000 additional National Rental Affordability Scheme (NRAS) incentives over 10 years.

2. GreeNRAS

This proposal would provide an additional upfront incentive of $2,000 per NRAS dwelling to meet defined sustainable building benchmarks at a cost of $10 million per year.

3. UNI NRAS

This proposal would provide 20,000 University National Rental Affordability Scheme (UNI NRAS) incentives over ten years.

4. Convert to Rent

The proposal would provide 15,000 new affordable rental dwellings from existing empty or underutilised buildings by providing up to $21,000 per dwelling. An additional $5,000 would be provided for buildings to be modified for people with a disability, which is assumed to be 15 per cent or 2,250 dwellings.

5. Review Commonwealth Rent Assistance

This proposal would provide $0.18 million to supplement existing resources in the Productivity Commission in 2014-15 to conduct a review into the effectiveness of Commonwealth Rent Assistance.

Table A1: Financial implications of each initiative (outturn prices)[(a)]

Initiative	Expense type	2013-14	2014-15	2015-16	2016-17	Total
50,000 new NRAS incentives	Administered	-	-3.0	-15.0	-35.0	**-53.0**
GreeNRAS incentives	Administered	-	-10.0	-10.0	-10.0	**-30.0**
20,000 new UNI NRAS incentives	Administered	-	-1.0	-8.0	-19.0	**-28.0**
Convert to rent	Administered	-	-32.5	-32.5	-32.5	**-97.5**
Review Commonwealth Rent Assistance	Departmental	-	-0.2	-	-	**-0.2**
Total		-	**-46.7**	**-65.5**	**-96.5**	**-208.7**

Reference No. GRN055

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Foreign ownership of agricultural land**
Summary of proposal:	The proposal would amend rules around the foreign ownership of agricultural land and water by: • creating a register of foreign ownership of agricultural land and water assets • lowering the threshold applied by the Foreign Investment Review Board (FIRB) for consideration of foreign acquisitions from $248 million to $5 million (including cumulative purchases by the same entity that reach $5 million) • legislating a stronger national interest test to be applied by the FIRB for purchases of agricultural land and water resources, and • prohibiting the purchase of agricultural land and water by wholly-owned subsidiaries of foreign governments. The proposal would have effect from 1 July 2014 and would be ongoing.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	30 August 2013
Date costing completed:	4 September 2013
Date of public release of policy:	17 August 2013
Agencies from which information was obtained:	Department of The Treasury

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $0.5 million over the 2013-14 Budget forward estimates period. The proposal would also have an ongoing financial impact of around $0.2 million per annum that extends beyond the forward estimates period. This impact is due entirely to an increase in expenses.

Based on advice provided by the Treasury, the estimates in this costing consist entirely of departmental expenses (one EL1 case officer per annum) to meet the increased caseload arising from the lowering of the threshold for consideration of foreign acquisitions to $5 million. Any additional departmental costs arising from the remaining elements of the proposal are considered to be within the scope of the FIRB's day to day operations and would be expected to be absorbed within the Treasury's existing departmental funding.

POLICY COSTING – ELECTION CARETAKER PERIOD

Costs of $3.2 million over four years are already included in the budget to establish a *Foreign Ownership Register for Agricultural Land* (refer *2013 Economic Statement* pg. 63 and footnote (e) pg. 64). As such, no costs have been included for this component in the costing of this proposal.

The costing is considered to be of medium reliability as it is based on departmental cost estimates and projected caseload arising from the proposal that may differ in actuality.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-0.2	-0.2	-0.2
Fiscal balance ($m)	-	-0.2	-0.2	-0.2

(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.

Data sources

The following data sources were used by the PBO in the costing of this proposal:

- Departmental cost estimates and projected caseload were provided by The Treasury
- Indexation based on Treasury parameters as at the Pre-Election Economic and Fiscal Outlook
- Economic Statement - Policy decisions taken since the 2013-14 Budget, accessed: http://www.budget.gov.au/2013-14/content/economic_statement/html/06_app_b.htm

Reference No. ***GRN062***

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Quality mental health care (previously *Mental Health*)**
Summary of proposal:	The proposal would improve the mental health services in Australia by: • investing $150 million over three years to establish a National Institute for Mental Illness Research • increasing funding for the Mental Health Nurse Incentive Program by $70 million per year on top of current budget commitments • reinstating the option of six extra sessions of psychological treatment in exceptional circumstances (EC) under the Better Access initiative • providing grants of up to $50,000 to mental health non-government organisations (NGOs) through re-establishing the NGO Capacity Grants Program, capped at $7.5 million over three years, and • establishing a National Suicide Prevention Campaign and improving the collection of data relating to suicide with an investment of $38.3 million over three years. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	30 August 2013
Date costing completed:	4 September 2013
Date of public release of policy:	27 August 2013
Additional information requested:	On 2 September 2013 the PBO sought clarification as to the termination dates of each element.
Additional information received:	On 3 September 2013 Senator Milne's Office advised that all elements are over three years from 1 July 2014 to 30 June 2017.
Agencies from which information was obtained:	• Department of Health and Ageing (DoHA) • Department of Human Services (DHS)

POLICY COSTING – ELECTION CARETAKER PERIOD

Costing overview

This proposal is expected to decrease the underlying cash balance by $546.0 million and the fiscal balance by $547.4 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

The underlying cash impact of this proposal differs from the fiscal balance impact because the EC psychological treatment element includes a time lag between the treatment sessions occurring (at which time the payment from the Government is owing) and the actual payment of the fee to the provider once the claim through Medicare has been processed.

The EC psychological treatment element of the costing request includes $1.0 million to cover DHS departmental costs over the forward estimates. Given this is an extension of an existing program, DoHA's departmental costs associated with implementing the proposal would be minimal relative to overall costs and have not been included. Departmental costs for the other elements are estimated to be minimal and have not been included.

This costing is considered to be of medium reliability as the EC psychological treatment element is based on estimated demand and applying average costs.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-178.0	-182.1	-186.0
Fiscal balance ($m)	-	-178.4	-182.5	-186.4

(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.

Key assumptions

As per the costing request, the capped elements of the proposal are split evenly each year over the forward estimates from 2014-15.

The PBO has made the following assumptions in costing the EC psychological treatment element:

- the population of patients receiving additional treatments across the forward estimates is calculated by applying the growth rate implicit in the 2011-12 and 2012-13 Budget measures relating to the Better Access Initiative (see Data sources) to the 2012-13 patient population.
- the estimated reduction in the population of patients, as a result of the refined EC criteria reducing the number of eligible patients, is based on Australian Psychological Society estimates (see Data sources)
- the average cost per session will grow uniformly over the forward estimates period in line with growth occurring over the five year period from 2007-08 to the 2011-12
- there is sufficient capacity within the sector to accommodate the increased demand for additional treatment sessions resulting from this proposal, and
- all patients who qualify for the additional EC treatment will utilise all six additional sessions.

POLICY COSTING – ELECTION CARETAKER PERIOD

Methodology

EC psychological treatment element

The total cost of this element is derived by adding the following administered and departmental costs:

- Administered costs:
  - The average session cost per year was estimated by applying a compound annual growth rate, derived from historical data, to the 2011-12 average session costs.
  - The patient population per year was calculated by applying the growth rate implicit in the 2011-12 and 2012-13 Budget measures relating to the Better Access Initiative to the actual 2012-13 patient population. The patient population estimate is then reduced by 19 per cent as a result of the refined EC criteria.
  - The total administered cost is derived by multiplying the estimated patient population (those that qualify under the refined EC criteria) by the estimated cost of the additional six sessions.
- Departmental costs
  - The total departmental cost is derived by multiplying the estimated number of transactions by the processing cost per transaction.

Other policy elements

The estimates are based on the capped funding amounts specified in the costing request.

See Attachment A for a full breakdown of each cost element.

Data sources

- DoHA
  - Historical data on the number of patients receiving EC treatment sessions, average cost per EC treatment session, over the period from 2007 to 2012 and costing models for the:
    : 2011-12 Budget measure: *National Mental Health Reform – Better Access Initiative – rationalisation of allied health treatment sessions*

    : 2012-13 Budget measure: *National Mental Health Reform – Better Access Initiative – continuation*
- DHS
  - Current estimated processing cost per transaction for the 2013-14 Budget forward estimates period.
- *Proposal for permanent reinstatement of the Better Access 'exceptional circumstances' sessions*, Australian Psychological Society paper, updated April 2013
  - Estimate of reduction in patient numbers as a result of the refined criteria for EC.

ATTACHMENT A: DETAILED BREAKDOWN OF COSTING

Table A1: Financial implications (outturn prices)[(a)]

Underlying cash balance impacts ($m)	2013-14	2014-15	2015-16	2016-17
Establish a National Institute for Mental Illness Research	-	-50.0	-50.0	-50.0
Increasing funding for the Mental Health Nurse Incentive Program	-	-70.0	-70.0	-70.0
EC psychological treatment element	-	-42.7	-46.8	-50.7
Re-establishing the NGO Capacity Grants Program	-	-2.5	-2.5	-2.5
Establishing a National Suicide Prevention Campaign	-	-12.8	-12.8	-12.8
Total impact	-	**-178.0**	**-182.1**	**-186.0**

(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.

Table A2: Financial implications (outturn prices)[(a)]

Fiscal balance impacts ($m)	2013-14	2014-15	2015-16	2016-17
Establish a National Institute for Mental Illness Research	-	-50.0	-50.0	-50.0
Increasing funding for the Mental Health Nurse Incentive Program	-	-70.0	-70.0	-70.0
EC psychological treatment element	-	-43.2	-47.3	-51.1
Re-establishing the NGO Capacity Grants Program	-	-2.5	-2.5	-2.5
Establishing a National Suicide Prevention Campaign	-	-12.8	-12.8	-12.8
Total impact	-	**-178.4**	**-182.5**	**-186.4**

(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. Amounts may now sum due to rounding.

Reference No. GRN065

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Clean coal assistance abolished (previously *Abolishing direct assistance to clean coal initiatives*)**
Summary of proposal:	The proposal would abolish funding for the Global Carbon Capture and Storage Institute, the Carbon Capture and Storage Flagships, and the National Low Emissions Coal Initiative. The proposal would have effect from 1 January 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	2 September 2013
Date costing completed:	4 September 2013
Date of public release of policy:	14 July 2013
Agencies from which information was obtained:	Department of Resources, Energy and Tourism (RET)

Costing overview

The proposal is expected to increase both the underlying cash and fiscal balance by $271.9 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses.

The departmental cost associated with terminating contracts is expected to be immaterial and therefore is not included in this costing.

This costing is considered to be of medium reliability. The estimated savings are based on funding that remains uncommitted to specific projects as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO).

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	47.8	150.4	73.7
Fiscal balance ($m)	-	47.8	150.4	73.7

(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.

POLICY COSTING – ELECTION CARETAKER PERIOD

Methodology

The estimates in this costing are based on 2013 PEFO estimates for the Carbon Capture and Storage Flagships program less funding identified by RET as publicly announced for specific projects. Funding for the National Low Emissions Coal Initiative has been fully committed and the Global Carbon Capture and Storage Institute program terminated on 20 March 2013.

Data sources

Program estimates as at the 2013 PEFO and levels of committed and uncommitted funding were obtained from RET.

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Capital grants for childcare centres and Childcare, payment reform and HECS waiver (previously *Childcare*)**
Summary of proposal:	The proposal has three parts: Part 1 would introduce a $200 million capital grants fund over four years from 1 July 2014. The fund would assist with the establishment of new childcare centres and the expansion of existing centres. Part 2 would combine the Child Care Benefit (CCB) and Child Care Rebate (CCR) into a single payment, and boost the base hourly benefit to $6.10 per hour from 1 July 2015. The payment would continue to cover 50 per cent of the remaining expenses after subtracting any income tested hourly subsidy, up to a maximum of $7,500 per annum, as is currently the case with CCR. The new payment would also introduce an additional 10 per cent loading to the base hourly benefit for children aged 0 to 2 (inclusive) and a further 10 per cent for children in rural and regional areas. The new payment would be made directly to child care centres and passed on to families via fee reduction, removing the option for parents to have payments made directly to their bank accounts. Part 3 would introduce a Higher Education Loan Program (HELP) waiver scheme to encourage qualified educators to join and stay in the early childhood workforce. Under the program, no HELP repayments would be required by early childhood education teachers, and the Government would write-down HELP debt equivalent to the payment that would usually be required for the financial year. Teachers working in areas specified as high need would have the amount of debt written down doubled. This would replace the existing HECS-HELP Benefit for early childhood education teachers from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	4 September 2013
Date costing completed:	5 September 2013
Date of public release of policy:	14 August 2013 (Part 1) and 27 August 2013 (Part 2 and 3)

COSTING – ELECTION CARETAKER PERIOD

Agencies from which information was obtained:	• Department of Education, Employment and Workplace Relations (DEEWR) • Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE)

Costing overview

The proposal is expected to decrease the underlying cash balance by around $2.44 billion and both the headline cash and fiscal balances by around $2.46 billion over the 2013-14 Budget forward estimates period. These impacts are entirely due to an increase in expenses.

Part 1 of the proposal would decrease both the underlying cash and fiscal balances by $150 million over the 2013-14 Budget forward estimates period. The proposal would also decrease both the underlying cash and fiscal balances by an additional $50 million in 2017-18.

Part 2 of the proposal would decrease both the underlying cash and fiscal balances by $2.29 billion over the 2013-14 Budget forward estimates period. This estimate includes departmental expenses of $5 million in each of 2014-15 and 2015-16 to cover Information Technology changes and funding for an information campaign for both child care centres and families using care. This new benefit would have an ongoing impact beyond the 2013-14 Budget forward estimates period.

Part 3 of the proposal would decrease the headline cash and fiscal balances by $24.8 million and the underlying cash balance by $4.5 million over the 2013-14 Budget forward estimates period. This impact would be ongoing beyond the 2013-14 Budget forward estimates period.

A disaggregation of the individual parts of the costing can be found in Attachment A.

Attachment B contains additional detail on the policy parameters for the new child care payment, and how they differ from those that would apply for CCB and CCR under the current system.

The differences between the headline cash, underlying cash and fiscal balances in Part 3 are due to the accounting treatment of the income contingent loans made through HELP. The estimates in this costing differ slightly from those in the applicant's costing request as the applicant included headline cash balance impacts in the underlying cash balance figures.

This costing of Part 1 is considered to be of high reliability as it is based on a capped funding amount specified in the costing request. The costing of Parts 2 and 3 are considered to be of low-medium reliability. The estimates of these two parts will be sensitive to population growth, child care prices, demand for child care, incomes growth and the levels of HELP debts and the take-up of the waiver scheme for teachers working in the early childhood education and care sector.

COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications – all options (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Headline cash balance ($m)	-	-62.1	-1,173.3	-1,229.4
Underlying cash balance ($m)	-	-56.3	-1,166.5	-1,221.7
Fiscal balance ($m)	-	-62.1	-1,173.3	-1,229.4

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

Key assumptions

Part 1: Capital Grants Fund

Consistent with the costing request:

- Expenditure is assumed to be evenly spread over the four year life of the fund, and
- Departmental expenses are assumed to be covered by the $200 million allocated to the fund.

Part 2: New Child Care Payment

The PBO has assumed:

- no change in child care use due to the policy change
- that the regional loading would apply for families living in areas classified by the Australian Bureau of Statistics (ABS) as 'outer regional' or 'remote', and
- that the vast majority of CCR customers currently elect to receive their payment fortnightly, and thus there would be a negligible difference between the costing on underlying cash balance and fiscal balance bases.

Part 3: HELP waiver scheme

The PBO has assumed:

- that 80 per cent of eligible early childhood teachers will take-up the waiver.
  - The current take-up rate for the HECS-HELP Benefit for early childhood education teachers is approximately 30 per cent. The increase in take-up has been assumed as the new program is broader ranging and more generous.
- teachers working in high need areas eligible for additional support are the same group currently eligible for the HECS-HELP Benefit for early childhood education teachers, which is targeted towards teachers working in child care centres in either remote or low socio-economic areas.
- the average annual value of HELP debt that is waived per eligible teacher grows in line with average weekly earnings.
- departmental expenses for the scheme will be covered by those currently allocated to the administration of the HECS-HELP Benefit for early childhood education teachers.

COSTING – ELECTION CARETAKER PERIOD

Methodology

- Estimates have been derived for each of the three parts individually, rounded and then summed to give the total.
  - There are not expected to be any significant interactions between the parts.

Part 2: New Child Care Payment

- The *Legislative Outyears Customisable Model of Child Care* (LOCMoCC) model has been used to estimate the impact of the proposal on families using formal child care.
  - LOCMoCC is based on a confidentialised extraction of administrative data from the child care payments system from a payment week in November 2011.
  - Incomes are inflated for future years using forecasts for the Wage Price Index. Child care prices are inflated based on the DEEWR estimates of child care fee growth.
  - Annual conversion factors are used to transform the results of the simulation from a weekly to an annual basis.
- The base data for LOCMoCC includes the postcode of payment recipients. Correspondences between postcode and areas classified by the ABS as 'outer regional' or 'remote' have been used to assess entitlement to the remoteness loading.
- A simulation was run to assess entitlement for both the current policy and the proposed policy. The difference between the two outcomes gives the costing.
- The estimate of the departmental expenses has been based on costs of previous changes to the CCMS and the level of funding for advertising recent changes to payments, such as the Clean Energy Future Household Assistance Package and the Schoolkids Bonus.
- Estimates of administered expenses have been rounded to the nearest $10 million. Departmental expense estimates have been rounded to the nearest $1 million.

Part 3: HELP waiver scheme

- The costing estimate has been derived by taking the product of an estimated number of teachers likely to claim the waiver, and the average debt waived.
- The number of early childhood education teachers with HELP debts in 2010-11 was taken from the detailed tables from the Australian Taxation Office's (ATO) 2010-11 Taxation Statistics publication. Estimates of the number of early childhood education graduates from 2010-11 until 2016-17, along with an estimate of the time taken to finalise debt, were used to estimate the stock of teachers with a debt in each year in the 2013-14 Budget forward estimates period. A take-up rate was applied to estimate the number of teachers claiming the debt waiver.
- The number of teachers eligible for the additional support for working in high needs areas has been based on the forward estimates for the HECS-HELP Benefit for early childhood education teachers.

COSTING – ELECTION CARETAKER PERIOD

Data sources

- The LOCMoCC model and forward estimates for CCB and CCR have been provided by DEEWR.
- ABS catalogue number 1270.0.55.006, *Australian Statistical Geography Standard (ASGS): Correspondences, July 2011.*
- ATO, *2010-11 Taxation Statistics*, detailed tables.
- Forward estimates for the HECS-HELP Benefit for early childhood education teachers have been provided by DIICCSRTE.
- 2013 Pre-Election Economic and Fiscal Outlook

ATTACHMENT A. DISAGGREGATION OF COSTING COMPONENTS

In Parts 1 and 2 of this costing, the underlying and headline cash balance impacts are equivalent.

Table A1: Financial implications – Capital Grants Scheme (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-50	-50	-50
Fiscal balance ($m)	-	-50	-50	-50

Table A2: Financial implications – A new child care payment (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-5	-1,115	-1,170
Fiscal balance ($m)	-	-5	-1,115	-1,170

Table A3: Financial implications – HELP waiver scheme (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Headline cash balance ($m)	-	-7.1	-8.3	-9.4
Underlying cash balance ($m)	-	-1.3	-1.5	-1.7
Fiscal balance ($m)	-	-7.1	-8.3	-9.4

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

ATTACHMENT B. POLICY SPECIFICATION OF THE NEW BENEFIT

The policy would combine the two major existing child care assistance payments, Child Care Benefit (CCB) and Child Care Rebate (CCR), into a single payment (the "new Benefit") and provide targeted additional assistance to certain groups of people.

The new Benefit would maintain a similar form of assistance to that currently provided by CCB and CCR, but would be paid directly to care providers through the CCMS and passed on to families through a fee reduction. Families would no longer be able to receive their assistance via payment into their bank accounts.

The new Benefit would maintain an income tested hourly subsidy, as is currently provided by CCB. However, the standard hourly subsidy in 2015-16 would be increased to $6.10 per hour, from an estimated Consumer Price Index (CPI) indexed value of $4.15 per hour under current policy.

In addition to the current CCB payment loadings, the new Benefit would provide an additional 10 per cent loading for children under the age of three to reflect the higher costs of care for these children. A further 10 per cent loading would also be available for children in care located outside capital cities and major regional areas.

Under the new Benefit, the standard hourly subsidy would continue to be indexed to the CPI.

The new Benefit would also continue to cover 50 per cent of remaining expenses after subtracting any income tested hourly subsidy, as is currently the case with CCR. The amount of assistance which is available under this component of the new Benefit would be capped at the same level that is currently available under CCR, $7,500 per annum.

Table B1 provides a brief comparison of the existing and proposed fee assistance schemes.

COSTING – ELECTION CARETAKER PERIOD

Table B1: Comparison of existing and proposed policy settings in 2015-16

	Current policy	New benefit
Number of child care assistance payments	Three (CCB, CCR, Jobs, Education and Training Child Care Fee Assistance (JETCCFA))	Two (new Benefit, JETCCFA)
Maximum Hourly Subsidy – income tested	$4.15	$6.10
Income limit to receive maximum subsidy	$43,654	$43,654
Indexation of Standard Hourly Subsidy	CPI	CPI
Fees covered in addition to the income tested hourly subsidy	50 per cent of fees not covered by CCB up to a cap of $7,500 per annum	50 per cent of fees not covered by the income tested hourly subsidy up to a cap of $7,500 per annum
Payment method	Paid direct to services providers or paid into families' bank accounts.	Paid direct to service providers.
Loadings	• Multiple children • Part time • Age based (0-4 years, 5+ years)	• Multiple children • Part time • Age based (0-2 years, 3-4 years, 5+ years) • Regional loading

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COSTING – ELECTION CARETAKER PERIOD

Name of proposal:	**Young and emerging artists and State of the arts (previously *Supporting artists*)**
Summary of proposal:	The proposal would: • Part 1) Recognise artistic work for the purposes of meeting eligibility requirements for Centrelink payments • Part 2) Provide \$3 million per year to fund payments to artists for performing, exhibiting or speaking about their works • Part 3) Invest an additional \$1 million per year into the existing ArtStart program that provides business training and financial support to those just starting out in their artistic trade • Part 4) Restore the Parliament's procurement policy to purchase art works from young and emerging Australian artists • Part 5) Increase funding for Playing Australia by \$2 million per year from 1 July 2014 until it reaches a threshold of \$10 million when it would be indexed annually • Part 6) Provide \$5 million per year for three years from 1 July 2014 for an Arts Research and Development Fund, and • Part 7) Remove globally touring arts businesses from the 'in Australia' rule so that they will become tax exempt entities. The intention of this proposal is to assist young and emerging artists to build their careers. The proposal would have effect from 1 July 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	4 September 2013
Date costing completed:	5 September 2013
Date of public release of policy:	26 August 2013
Agencies from which information was obtained:	Department of Regional Australia, Local Government, Arts and Sport

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POLICY COSTING – ELECTION CARETAKER PERIOD

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $70.4 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenditure.

The financial impact of this proposal includes several components:

- Part 1 is expected to increase expenditure by $35.8 million over the 2013-14 Budget forward estimates period
- Part 2 would increase expenditure by $9 million over the 2013-14 Budget forward estimates period
- Part 3 would increase expenditure by $3 million over the 2013-14 Budget forward estimates period
- Part 4 represents a redirection of funding with the Parliament's current procurement program and is therefore expected to have no cost
- Part 5 would increase expenditure by $7.6 million over the 2013-14 Budget forward estimates period
- Part 6 would increase expenditure by $15 million over the 2013-14 Budget forward estimates period, and
- Part 7 is expected to increase expenditure by a small but unquantifiable amount over the 2013-14 Budget forward estimates period.

Departmental costs are expected to be minimal and have not been included in this costing.

Part 1 of this costing is considered to be of low reliability as it is based on projections of the number of additional recipients that would be eligible for Centrelink payments as a result of the proposal. Parts 2 to 6 are considered to be of high reliability as they are based on the capped amounts specified in the costing request.

This proposal would have an ongoing impact that extends beyond the forward estimates period.

Table 1: Financial implications of parts 1 to 3 of this proposal (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-23.5	-23.4	-23.5
Fiscal balance ($m)	-	-23.5	-23.4	-23.5

(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 a decrease in payments in cash terms.

Key assumptions

Assumptions detailed in the costing request:

- This proposal would start from 1 July 2014.

POLICY COSTING – ELECTION CARETAKER PERIOD

The PBO has made the following assumptions regarding this costing:

- The definition of artist used in the costing is taken from the latest *Australian and New Zealand Standard Classification of Occupations* (ANZSCO) and includes all occupations defined as Arts Professionals and some occupations defined as *Media Professionals* (authors, directors, art directors and directors of photography).
- It is assumed that the current rates of the affected payments (Newstart Allowance, Youth Allowance (Jobseeker) and the Parenting Payment) are maintained and that no other current eligibility requirements are changed as part of this proposal.
- It is assumed that there are no changes to the procurement budget for purchasing artworks. The proposal is a redirection of existing funding.

Methodology

Data on the number of artists in Australia by age and income was obtained from the Australian Bureau of Statistics (ABS). The amount and type of payment that artists would be eligible for under the proposal was estimated based on information about their age, income, marital/de-facto status, whether or not they have children and whether or not they are a job-seeker or full-time student. These estimates were based on data provided by the Department of Families, Housing, Community Services and Indigenous Affairs (FAHCSIA) and the Department of Education, Employment and Workplace Relations (DEEWR).

The cost of the proposal in 2014-15 was estimated by multiplying the estimated number of new eligible recipients by an estimated average social security payment.

To assess the impact of the policy across the forward estimates period, the number of artists who were estimated to receive each social security payment in 2014-15 was grown in line with projected numbers of social security recipients provided by FAHCSIA. The payment rates of Youth Allowance (Jobseeker) and Newstart Allowance were indexed annually by the Consumer Price Index (CPI), and the Parenting Payment was indexed annually by male average weekly earnings.

Part 5 was estimated by increasing the total annual funding by an additional $2 million each year from 1 July 2014 until annual funding reached $10 million from which time total funding was indexed at CPI.

Data sources

- ABS, Employment in Culture, Australia, 2011 (Cat 6273.0).
- Data on marital/de-facto status, dependent children and living arrangements was obtained from FAHCSIA and DEEWR.
- Data on the proportions of individuals receiving study-related social security payments was obtained from FAHCSIA.
- CPI and average weekly earnings projections were obtained from The Treasury.
- Information on the existing funding profile for the Playing Australia program was obtained from the Department of Regional Australia, Local Government, Arts and Sport.

Reference No. *GRN080*

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COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Protect National Parks, No new coal or coal seam gas (CSG) and Environment, including no new coal and Caring for our Country (CFOC) cuts (previously *Protecting the environment*)**
Summary of proposal:	The proposal would establish a range of new regulatory and procedural changes, and provide additional resources, that will assist in enhancing the national environmental legal framework. The proposal would also see no new unconventional gas or coal mines approved as well as reverse budget cuts to the Caring for our Country program. See Attachment A for full details of the components of this proposal. The proposal would take effect from 1 July 2014 with the exception of restoring Caring for our Country cuts and no new coal or coal seam gas which would take effect immediately.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	5 September 2013
Date costing completed:	5 September 2013
Date of public release of policy:	3 September 2013
Agencies from which information was obtained:	Not applicable

Costing overview

The proposal is expected to decrease both the underlying cash and fiscal balances by $1.77 billion over the 2013-14 Budget forward estimates period. This impact reflects an increase in expenses of $469.8 million and a reduction in revenue of $1.3 billion.

The reduction in revenue reflects lower company tax paid by the companies affected by the prohibition on new unconventional gas or coal mine approvals. This represents a lower bound estimate of the cost of this proposal, particularly as the estimate does not include the impact of reduced taxes on employment income. The negative revenue impact of this proposal would grow significantly beyond the forward estimates period.

Departmental expenses are to be met from within the capped funding amount as per the costing request.

The financial impact of this proposal includes a number of components; a detailed breakdown of the components of the costing are included at Attachment A which, as per the costing request, reflects amounts and assumptions specified in previous costing requests.

POLICY COSTING – ELECTION CARETAKER PERIOD

All elements of this costing, other than the element regarding no approvals of new unconventional coal or gas mines, are considered to be of high reliability as they are based on capped funding amounts and the reversal of specific funding cuts. The costing of the proposal for no new coal or unconventional gas projects is considered to be of very low reliability. It is based on limited data, forecasts of expected future coal and gas prices and production volumes and only includes one element of the likely negative revenue impact.

The estimates for the cost of the proposal differ from those in the costing request due to the impact of parameter variations on the cost of the proposal for no new unconventional gas or coal mines.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-50.8	-262.2	-549.9	-906.9
Fiscal balance ($m)	-50.8	-262.2	-549.9	-906.9

(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.

Key assumptions

All elements other than no new unconventional gas or coal mines

The PBO assumes that the reversal of the cuts to the Caring for our Country program would result in the full reinstatement of savings included in the 2013-14 Budget and the 2013 Economic Statement (including the savings identified in 2012-13). As per the costing request all other elements are consistent with the capped amounts provided in the previous costing requests.

No new unconventional gas or coal mine approvals

Price estimates for coal seam gas (CSG) over the forward estimates period were sourced from the World Bank, Development Prospects Group's *Commodity Price Forecast Update – Released: May 14, 2013.* US dollar values were converted to Australian dollars using Treasury's Pre-election Economic and Fiscal Outlook (PEFO) parameters. Coal prices were sourced from the PBO's Minerals Resource Rent Tax (MRRT) model based on PEFO parameters.

The costing assumes that the impact of the prohibition on new coal and CSG extraction does not have a significant impact on Petroleum Resource Rent Tax or MRRT revenues over the forward estimates period.

The costing does not include any estimate of compensation that may be payable to individuals or companies affected by the prohibitions.

Methodology

Reversal of cuts to Caring for our Country program

The costs of reversing cuts to the Caring for our Country program were derived by reversing the savings identified in the 2013-14 Budget and the 2013 Economic Statement, including re-profiling any 2012-13 impacts into 2013-14.

POLICY COSTING – ELECTION CARETAKER PERIOD

No new unconventional gas or coal mine approvals

Production of coal and CSG from projects yet to receive final approval was estimated using the Bureau of Resources and Energy Economics' *Resources and Energy Major Projects April 2013* publication. Projects yet to receive final approval were identified and assigned a probability of progressing to completion. The expected output from the projects was multiplied by the probability of completion to estimate the production volumes.

The costing was completed using an aggregate model of coal and CSG production. The estimated decrease in production volumes as a result of each prohibition and price estimates were used to calculate the decrease in company profits and in company tax revenue. This element of the costing is rounded to the nearest $10 million.

Data sources

Reverse cuts to the Caring for our Country program

- 2013-14 Budget Paper No. 2 Measure, Caring for our Country – redirection of funding (page 256)
- 2013 Economic Statement Table B2: Expense measures since the 2013 14 Budget (page 62)

No new unconventional gas or coal mine approvals

- World Bank, Development Prospects Group – Commodity Price Forecast Update – Released: May 14, 2013
- Bureau of Resources and Energy Economics – Resources and Energy Quarterly, March Quarter 2013
- Bureau of Resources and Energy Economics – Resources and Energy Major Projects, April 2013
- Australian Taxation Office – Taxation Statistics 2009-10

ATTACHMENT A: BREAKDOWN OF COSTS BY COMPONENT

	2013-14 ($m)	2014-15 ($m)	2015-16 ($m)	2016-17 ($m)
1. Establish a Sustainability Commissioner	-	-50.0	-40.0	-40.0
2. Establish an accreditation scheme (with audit and compliance mechanisms) for all environmental impact professionals	-	-13.0	-8.0	-8.0
3. Greatly improve compliance and audit under the *Environment Protection and Biodiversity Conservation Act 1999*, including 20 extra staff	-	-20.0	-20.0	-20.0
4. Establish a community information unit	-	-0.5	-0.5	-0.5
5. Ensure Federal Departments have responsibility for all aspects of the environment when the impact is significant	-	-20.0	-20.0	-20.0
6. Change court costs rules to prohibit costs orders in public interest cases	-	-0.5	-0.5	-0.5
7. Require Ministerial Decisions taken under our national environment laws to be consistent with the precautionary principle	-	-	-	-
8. Remove the power to delegate federal approval powers under our national laws to state governments from the act	-	-	-	-
9. Funding to protect World Heritage area	-	-1.5	-20.5	-20.5
10. No new unconventional gas or coal mines	-10	-130	-400	-760
11. Reverse budget cuts to the Caring for our Country program	-40.8	-26.7	-40.4	-37.4
TOTAL	**-50.8**	**-262.2**	**-549.9**	**-906.9**

Reference No. GRN086

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COSTING – POST ELECTION REPORT

Name of proposal costed:	**Disability Support**
Summary of proposal:	The proposal would reverse the changes made to the assessment process for the Disability Support Pension (DSP) which came into effect in September 2011. The proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	6 September 2013
Agencies from which information was obtained:	• Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) • Department of Finance and Deregulation (Finance)

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $791 million over the 2013-14 Budget forward estimates period. This impact is due to an increase in DSP expenses administered by FaHCSIA, partially offset by a decrease in income support payments administered by the Department of Education, Employment and Workplace Relations (DEEWR), and a net decrease in administrative costs. A detailed breakdown of the components of the costing is included at Attachment A.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This proposal reverses measures from the 2010-11 and 2011-12 Budgets that tightened the eligibility for the DSP. The measures have seen a reduction in DSP expenditure and an increase in expenditure of other income support payments, due to a number of the claimants no longer eligible for DSP moving to other income support payments, such as Newstart Allowance and Parenting Payment. Accordingly this proposal, which is to reverse the change brought in under these measures, results in an increase in DSP expenditure and a reduction in other income support payments spending. Reversing the earlier measures also results in reduced costs for the Department of Human Services (DHS) as the assessments for eligibility for DSP are less onerous and therefore less costly for the agency.

This costing is considered to be of medium reliability. The estimates are based on the actual increase in the rate of rejections of DSP claims from September 2011 onwards. However, other small but unquantifiable external factors unrelated to the measures, such as changes in claimants' demography, may have also contributed to the increase.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-255	-260	-276
Fiscal balance ($m)	-	-255	-260	-276

(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 payments in cash terms.

Key assumptions

The PBO has assumed that the increase in rejections of DSP claims from September 2011 onwards is due entirely to the changes made to the assessment process for DSP.

As the savings measures were introduced in the 2010-11 and 2011-12 Budgets, their estimates only extend to the end of the forward estimates period at the time, which were 2013-14 and 2014-15, respectively. As a result, the PBO has assumed that the estimates beyond these years would continue at the same trend as previous years.

Methodology

The estimates in this costing are based on reversing the estimated savings from the 2010-11 and 2011-12 Budget measures, plus an additional 12 per cent margin.

The additional margin has been applied as FaHCSIA advised that the actual number of DSP claims rejected as a result of the earlier savings measures is around 12 per cent higher than originally estimated.

Any departmental funding provided to FaHCSIA, DEEWR and DHS to administer the original savings measures has also been reversed. The PBO has allowed for these three departments to retain some funding in 2014-15 only (totalling around $8 million), reflecting costs they will face in reverting back to previous arrangements.

Data sources

- FaHCSIA
  - Numbers and reasons of DSP claims rejected
- Finance
  - Financial impact of the 2010-11 Budget measure: *Job Capacity Assessment – more efficient and accurate assessments for Disability Support Pension and employment services*
  - Financial impact of the 2011-12 Budget measure: *Building Australia's Future Workforce – implementation of more efficient and accurate assessments for Disability Support Pension*

ATTACHMENT A: COMPONENTS OF COSTING

Table A1: Financial implications by funding type and department [(a) (b)]

Funding type	Department	2014-15 $m	2015-16 $m	2016-17 $m	**Total $m**
Administered	Department of Education, Employment and Workplace Relations – *Reduction in income support payments*	108	112	117	**337**
	Department of Families, Housing, Community Services and Indigenous Affairs – *increase in DSP expenditure*	-459	-480	-502	**-1,441**
Departmental	Department of Education, Employment and Workplace Relations	-1	..	..	**-1**
	Department of Families, Housing, Community Services and Indigenous Affairs	2	2	3	**7**
	Department of Human Services	96	105	106	**306**
Total		**-255**	**-260**	**-276**	**-791**

(a) All figures are in both fiscal and underlying cash balances. A negative number indicates an increase in expenses in both cash and accrual terms. A positive number indicates a decrease in expenses in both accrual and cash terms.
(b) .. not zero, but rounded to zero.

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COSTING – POST ELECTION REPORT

Name of proposal to be costed:	Increasing Newstart and caring for single parents
Summary of proposal:	The proposal would: 1. increase the maximum rate of working age income support payments made to single principal carers by $90 per week The income test for these recipients (other than those receiving Special Benefit) would be aligned with that for Parenting Payment (Single). 2. increase the maximum rate of working age income support payments made to other singles by $50 per week 3. increase the maximum rate of income support payments made to single, independent youths and students by $50 per week, and 4. index the maximum rate of allowances by the higher of growth in the Consumer Price Index (CPI), Male Total Average Weekly Earnings (MTAWE) or the Pensioner and Beneficiary Living Cost Index (PBLCI). Rates would be increased from 1 July 2014. The change to the income test for single parents would apply from 1 July 2014. Changes to the indexation of payments would occur from 20 September 2014 for working age payments, and 1 January 2015 for payments to students and youth.
Party:	Australian Greens
Date of public release of policy:	31 August 2013
Agencies from which information was obtained:	• Former Department of Education, Employment and Workplace Relations (DEEWR) • Former Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE), and • Department of Human Services (DHS).

Costing overview

The proposal is expected to decrease both the underlying cash and fiscal balances by around $9.0 billion over the period 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

The proposal would have an ongoing impact beyond the forward estimates. Due to the change in indexation, the impact would compound.

POLICY COSTING – POST ELECTION REPORT

The costing includes $145 million in departmental expenses across the 2013-14 forward estimates period. This is to provide resourcing for the DHS to implement IT changes, a communications campaign and for the ongoing service delivery element of the proposal. The service delivery expenses would be significant given the need to manage an increased caseload as a result of new recipients claiming income support.

A disaggregation of the impact into individual programs can be found at Attachment A.

The estimates in this costing differ from those in the costing in the party's policy document due to updated parameters and the inclusion of interactions between the individual elements in the party's policy document. The most significant interaction relates to the impact of MTAWE indexation on the additional increase in the rate of payment to single parents.

The costing is considered to be of medium reliability. Although current data and forecasts have been used, the estimates will be affected by variations in labour market conditions and are subject to a number of assumptions.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-5	-2,915	-2,950	-3,170
Fiscal balance ($m)	-5	-2,915	-2,950	-3,170

(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.

Key assumptions

General assumptions

- The policy specification used in this costing is based on the policy document *Addressing Poverty in Australia: The Greens' plan for increasing Newstart and reversing single parent cuts* and the policy specification underlying the estimates published in that document.
- The Budgetary impacts of income support payments on fiscal and underlying cash balance bases differ slightly due to the impacts of over and underpayments, and the treatment of debt. However, this costing has assumed that any differences between the underlying cash and fiscal balance impacts of the proposal will be immaterial.
- No behavioural change has been included in the costing.
  - An increased rate of allowance may cause recipients to be less motivated to look for work, or reduce their working hours to receive additional support.
  - Similarly, as there will be a smaller discrepancy between the rates of allowances and pensions, current allowance recipients may be less likely to attempt to transfer to pension payments, such as the Disability Support Pension.
- No revenue impacts have been included in this costing.
  - Income support allowances are taxable income. The Beneficiary Tax Offset will offset the tax liability on any income from allowances. However, some recipients with income from other sources may have an increased tax liability due to the increase in their taxable income pushing them into a higher tax bracket.

POLICY COSTING – POST ELECTION REPORT

- This is not expected to have a material impact on taxation revenue.

- Estimates for individual programs have been rounded to the nearest $5 million and then summed.

Increases to maximum rates

- The PBO assumes that income taper rates remain unchanged. By lifting the benefit rates by $50 a week, the income test cut-off points increase for each of the affected payments. As a result, approximately 90,000 individuals who currently earn income in excess of the existing income test cut-off point but below the proposed new income test cut-off point would become eligible for a payment.
  - In addition to the direct costs associated with new recipients receiving part payment of an allowance, these recipients may, depending on their individual circumstances, be eligible for assistance through Job Services Australia (JSA), Disability Employment Services (DES) and the Remote Jobs and Community Program (RJCP).
  - Furthermore, they may be eligible to access, among other things, Commonwealth Rent Assistance, Income Support Bonus, Clean Energy Supplement, Start-up and Relocation Scholarships.
  - For example, a recipient may receive $2 a fortnight in income support from the Government, yet still be eligible to receive the maximum amount of the supplements to which they are entitled.
  - Further interactions, for instance, with eligibility for concessional health care and other government concessions have not been considered.

- The PBO assumes that the average benefit for new recipients under the policy would, on average, be half the increase in their maximum rate – $45 per week for single parents and $25 per week for other beneficiaries. This amount would be increased by indexation across the forward estimate years.

Aligning the income test for single parents with Parenting Payment (Single)

- Any single parent recipient with an income above the current income free area would benefit from the increase in the threshold.
  - The number of existing recipients expected to benefit from the higher income threshold estimated as a proportion of total allowance customers was based on administrative data provided by DEEWR.

- The average benefit for these parents has been estimated based on the 40 per cent taper rate and the difference between the current and proposed income free areas.

Change to indexation arrangements

- The payments and allowances in this costing have their own special appropriations. It is important to note that each special appropriation contains the main payment plus a number of smaller supplementary payments. In the majority of instances these are also indexed by changes in the CPI. Therefore, the financial impact includes the impact caused by a change to the maximum basic rate of the payment, and the impact on the supplementary payment to which a recipient of the principle payment may be entitled; for instance, Rent Assistance.

- Typically, earnings increase at a faster rate than prices. Thus, it has been assumed that under the proposed indexation arrangements the allowance rates would move in line with MTAWE.

Methodology

Increases to maximum rates

- The estimated impact on existing allowance recipients was calculated by multiplying current forward estimates for recipient numbers by the proposed increase in allowances.
- The STINMOD model of the tax and transfer systems was used to estimate the number of new recipients of income support payments due to the changes.
- Once the new recipient numbers were calculated, the flow-on effect to supplementary payments, service delivery and jobseeker assistance were added.

Aligning the income test for single parents with Parenting Payment (Single)

- The number of existing recipients expected to benefit from the higher income threshold estimated as a proportion of total allowance recipients was based on administrative data provided by DEEWR.
- All additional recipients identified due to the increase in maximum rates would also benefit.
- The number of additional allowance recipients expected to result from the higher income free area have also been estimated using STINMOD.

Change to indexation arrangements

- The estimates for the indexation change have been derived by scaling the current Budget forward estimates by the difference between the expected growth in MTAWE and CPI.
- A further amount is added on to reflect the impact of indexing the increased maximum rates that have been introduced under the first part of this proposal..

Data sources

- DHS provided the unit prices for administration of income support payments.
- Forward estimates models for income support allowances, as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO), were provided by DEEWR and DIICCSTRE.
- The forward estimates models for JSA and DES, as at PEFO, were provided by DEEWR.
- DEEWR provided a disaggregation of recipients of working age payments by payment rate as at March 2013.
- The STINMOD model of the tax and transfer systems, which is based on confidentialised unit record data from Australian Bureau of Statistics household surveys.

ATTACHMENT A: DISAGGREGATION OF IMPACTS

Table A1 below provides a disaggregation of the costing into individual programs. An increase in expenses has a negative impact on Budget aggregates.

The expenses for individual payment components include not only the basic payment, but also the impact on supplementary components such as Clean Energy Supplements, Rent Assistance, Pharmaceutical Allowance and the Income Support Bonus. The impact of the additional increase in payment rate for single principal carers is included under each of the relevant allowances and benefits.

Table A1: Disaggregated financial implications (outturn prices)

Impact on ($m)	2013-14	2014-15	2015-16	2016-17	Total
Administered expenses	-	**2,870**	**2,900**	**3,125**	**8,895**
Consisting of:					
Newstart Allowance	-	*2,110*	*2,035*	*2,175*	*6,320*
Youth Allowance (student)	-	*325*	*375*	*425*	*1,125*
Youth Allowance (other)	-	*170*	*175*	*190*	*535*
ABSTUDY (tertiary)	-	*15*	*15*	*15*	*45*
ABSTUDY (secondary)	-	*15*	*20*	*20*	*55*
Austudy	-	*110*	*125*	*140*	*375*
Widow Allowance	-	*65*	*65*	*60*	*190*
Sickness Allowance	-	*15*	*20*	*20*	*55*
Special Benefit	-	*5*	*10*	*10*	*25*
Job Services Australia	-	*25*	*40*	*50*	*115*
Disability Employment Services	-	*15*	*20*	*20*	*55*
Departmental expenses	**5**	**45**	**50**	**45**	**145**
Underlying cash and fiscal balances	**-5**	**-2,915**	**-2,950**	**-3,170**	**-9,040**

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COSTING – POST ELECTION REPORT

Name of proposal costed:	**Rewarding artists**
Summary of proposal:	The proposal would provide a tax exemption for income sourced from the Australian arts awards listed in Attachment A, with effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	6 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 $1 million over the 2013-14 Budget forward estimates period. This impact solely reflects a decrease in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental expenses are not expected to be significant and have not been included in this costing.

This costing is considered to be of medium reliability. The costing is dependent on the average marginal tax rate of award recipients and growth in the annual value of the awards.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	-0.5	-0.5
Fiscal balance ($m)	-	-	-0.5	-0.5

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

Key assumptions

- The PBO has applied the updated policy specification underlying the published party estimates of the cost of this proposal.
- The total value of awards within the scope of the proposal is assumed to increase in line with the Consumer Price Index.
- Under current policy settings, award recipients become liable to pay tax on prize money in the financial year following receipt of the awards, at the time they lodge their tax return.

POLICY COSTING – POST ELECTION REPORT

Methodology

For each year from 2014-15, the total annual value of the awards within the scope of the proposal was multiplied by the PBO's estimate of the average marginal tax rate. These estimates were then applied to the following financial year to account for timing considerations for the taxation of income from awards.

Data

- 2013 Pre-Election Economic and Fiscal Outlook report
- 2010-11 Taxation Statistics

ATTACHMENT A: LIST OF AWARDS WITHIN THE SCOPE OF THE PROPOSAL

- ABC Symphony Australia Young Performers Awards
- Adelaide Festival Awards for Literature
- Adelaide Perry Prize for Drawing
- Archibald Prize
- Clemenger Contemporary Art Award
- Dobell Prize for Drawing
- Glover Prize
- Keith and Elizabeth Murdoch Travelling Fellowship
- Marten Bequest Travelling Scholarship
- McCaughey Prize
- Miles Franklin Literary Award
- Mosman Art Prize
- National Aboriginal & Torres Strait Islander Art Award
- National Operatic Aria
- NSW Premier's Awards
- Patrick White Literary Award
- Portia Geach Memorial Award
- Queensland Literary Awards
- Sulman Prize
- Stella Prize
- Tasmanian Literary Prizes
- Victorian Premier's Literary Awards
- Western Australian Premier's Awards
- Wynne Prize

Reference No. GRN089

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COSTING – POST ELECTION REPORT

Name of proposal costed:	Screen Package
Summary of proposal:	This proposal has two parts: • Part 1 – Increase the location-tax offset from 16.5 per cent to 30 per cent of qualifying expenditure, and • Part 2 – Increase the producer offset for television productions from 20 per cent to 40 per cent of qualifying expenditure. The proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	15 February 2013
Agencies from which information was obtained:	Not applicable

Costing overview

Part 1 – Increase the location tax offset to 30 per cent

This proposal is expected to decrease the underlying cash balance by $18 million and decrease the fiscal balance by $27 million over the 2013-14 Budget forward estimates period. The amount is classified as expenditure as the location tax offset is refundable.

Departmental expenses are expected to be minimal and have not been included in this costing.

This proposal would have an ongoing impact that extends beyond the forward estimates period.

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of a timing difference between when the film becomes eligible to receive the offset and when the company can claim the offset. The fiscal balance impact arises when the company becomes eligible for the offset when production ceases on the film but the underlying cash impact arises when they lodge their tax return in the following financial year.

This costing is considered to be of low reliability. It is based on historical data of the total expenditure on foreign film production in Australia (published by Screen Australia) which is highly volatile. Reliable disaggregated information on the actual value of the location tax offset claimed in previous years is unavailable due to taxpayer confidentiality.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications – location tax offset (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	-9	-9
Fiscal balance ($m)	-	-9	-9	-9

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

Part 2 – Increase the producer tax offset for television content

This proposal is expected to decrease the underlying cash balance by $140 million and decrease the fiscal balance by $210 million over the 2013-14 Budget forward estimates period. The amount is classified as expenditure as the producer tax offset is refundable.

Departmental expenses are expected to be minimal and have not been included in this costing.

This proposal would have an ongoing impact that extends beyond the forward estimates period.

The underlying cash balance impact of this proposal differs from the fiscal balance impact because of a timing difference between when the television production becomes eligible for the offset and when the company can claim the offset. The fiscal balance impact arises when the company becomes eligible for the offset upon completion of the production but the underlying cash impact arises when they lodge their tax return in the following financial year.

This costing is considered to be of medium reliability. It is based on historical data of the value of the annual offset for television production (published by Screen Australia) and on a number of assumptions.

Table 2: Financial implications – producer tax offset (outturn prices)[a]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-	-70	-70
Fiscal balance ($m)	-	-70	-70	-70

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

Key assumptions – parts 1 & 2

The PBO has made the following assumptions regarding this proposal:

- The PBO has applied the policy specification underlying the published party estimates of the cost of these proposals.
- The proposals would apply from 1 July 2014.
- Current qualifying thresholds for the producer offset would remain unchanged.
- All figures in this costing have been rounded to the nearest $1 million.

- The projected amount of production expenditure on foreign films that is eligible for the location tax offset is based on historical average amounts.
- The projected value of the producer offset is assumed to grow in line with GDP.
- Claims for both the location tax offset and producer's tax offset are expected to be made by companies in the year following the completion of production.
- A behavioural response to the increase in the location tax offset has been included in the costing. It is assumed that the proposal would attract foreign film productions to Australia that would have otherwise been filmed elsewhere.
  - The behavioural response is based on the after tax benefit to claimants and an assumed price elasticity of -0.5.

Methodology

Location tax offset

The cost of this proposal represents the estimated difference between the value of offsets claimed at the current 16.5 per cent rate compared to the value of offsets claimed (including behavioural response) at the proposed 30 per cent rate.

Producer tax offset

The cost of this proposal represents the estimated difference between the value of offsets claimed at the current 20 per cent rate compared to the proposed 40 per cent rate.

Both parts of this costing have been compared to historical information on the value of total film tax offsets claimed (including the location, producer and post digital and visual effects tax offsets) as published in the Australian Taxation Office's 2010-11 Taxation Statistics publication. However, disaggregated information on the individual film tax offsets is not available and as such this information provides only a broad indication of the potential cost of these proposals.

Data sources

- Screen Australia Annual Reports, various years.
- Taxation Statistics 2010-11.

Reference No. *GRN090*

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COSTING – POST ELECTION REPORT

Name of proposal costed:	Reform taxation of trusts (excluding farming trusts)
Summary of proposal:	The proposal would tax discretionary trusts like companies, except those set up by farmers.
Party:	Australian Greens
Date of public release of policy:	2 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

Reforming the taxation of trusts is expected to increase the underlying cash and fiscal balances by $2.4 billion over the 2013-14 Budget forward estimates period. This is largely due to an increase in revenue.

The gain in revenue mainly reflects an increase in the effective tax rate that applies to income under this proposal. For example, non-residents currently pay relatively low rates of withholding tax on their interest, unfranked dividends and other business income and in most cases pay no tax on capital gains or receive the capital gains tax discount in the case of property investments. Under this proposal, non-residents would pay the company tax rate on their share of such trust income at the trust level and the subsequent 'franked' dividend distributions would be exempt from withholding tax. This increases the effective tax rate applicable to these taxpayers.

This proposal would have an ongoing impact that extends beyond the forward estimates period.

The PBO has estimated departmental expenses under this proposal to be $20 million per annum for five years, from 2013-14. This is based on the cost of implementing other large-scale proposals that have recently been estimated by the Australian Taxation Office (ATO), such as the 'standard deductions for work-related expenses' and 'resource super profits tax' measures in the 2010-11 Budget.

This costing is considered to be of low reliability. The model relies on several assumptions and aggregate trust distribution data. Possible behavioural responses to this proposal are extremely uncertain.

Table 1: Financial implications – Reform taxation of trusts (excluding farming trusts) (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($b)	..	0.6	0.9	0.9
Fiscal balance ($b)	..	0.6	0.9	0.9

(a) A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts in cash terms.

POLICY COSTING – POST ELECTION REPORT

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- Farming trusts would continue to be taxed under existing arrangements. Amounts reported against the primary production trust distributions tax return label represent the amounts attributed to farming. These amounts were excluded under this proposal.
- The proposal would have effect from 1 July 2014.
- The modelling includes trust income from interest, dividends, capital gains and general sources.
- Trust income is distributed in the following way:
  - 30 per cent to individuals (of which 70 per cent are Australian residents and 30 per cent are non-residents)
  - 20 per cent to superannuation funds, and
  - 50 per cent to companies.
- Taxing discretionary trusts as companies would mean that the imputation system for franked dividends would also apply to trust distributions.
- The PBO has assumed that 50 per cent of income would be retained in trusts.
  - This would mean that 100 per cent of the trust income is taxed at the company tax rate, however, only 50 per cent of the after-tax amount would be distributed to beneficiaries as a 'dividend', which would be eligible for franking credits, as per the company tax arrangements.
- Superannuation funds currently have a tax rate of 15 per cent and would generally receive a refund of half the tax paid at the 30 per cent rate through the imputation system. If superannuation funds were to invest in trusts which do not distribute 100 per cent of their income, they would not be able to access refunded imputation credits and would face an effective tax rate of 30 per cent on undistributed income. Under this proposal, it is assumed that superannuation funds would only invest in trusts that distribute 100 per cent of their income and would therefore continue to be taxed at 15 per cent under this proposal.
- Trusts would pay tax on a quarterly basis. This means that trusts would pay only three-quarters of their 2014-15 tax liability in 2014-15 and one-quarter in 2015-16.
- Estimates have been rounded to the nearest $100 million.

Methodology

The underlying cash and fiscal balance savings for this proposal were estimated by calculating the tax revenue to be paid by trusts at the company tax rate and the tax paid by beneficiaries on their distributions under the proposal, less the amount of base tax to be paid on distributions from trusts that is expected to be collected over the same period.

POLICY COSTING – POST ELECTION REPORT

Data sources

- Trust distribution data from ATO Taxation Statistics, 2005-06 to 2010-11.
- Australian tax treaties data from the Treasury website.
- International investment data from the Australian Bureau of Statistics Cat. No. 5352.0, International Investment Position, Australia: Supplementary Statistics, 2012, 2 May 2013.
- Taxation parameters from the 2013 Pre-Election Economic and Fiscal Outlook report.

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COSTING – POST ELECTION REPORT

Name of proposal:	**Reform capital gains tax through a 10% reduction in concession**
Summary of proposal:	The proposal would reduce the capital gains tax (CGT) discount for individuals and trusts from 50 to 40 per cent. For capital gains on taxpayers' assets purchased on or after 11:45 am Australian Eastern Standard Time on 21 September 1999, this would result in tax being levied on 60 per cent of the nominal net capital gain. For assets purchased prior to this date, taxpayers may instead choose for tax to be levied on the difference between the disposal price and the indexed cost base. The proposal would have effect from September 2013.
Party:	Australian Greens
Date of public release of policy:	2 August 2013
Agencies from which information was obtained:	The Treasury

Costing overview

This proposal would increase both the underlying cash and fiscal balances by approximately $3.4 billion over the 2013-14 Budget forward estimates period. These impacts are almost entirely due to an increase in revenue.

The proposal would have an ongoing impact that extends beyond the forward estimates period.

As the proposal would apply from announcement, there is no allowance in the costing for taxpayers to change their behaviour and "bring forward" capital gains to take advantage of the larger discount prior to the start date. For the 2013-14 tax year, it has been assumed that realisation of capital gains is distributed evenly across the year.

The estimate includes estimated departmental expenses of $3 million in 2013-14 and $2 million in 2014-15. This would to allow the Australian Taxation Office (ATO) to undertake an information and education campaign.

This costing is considered of low-medium reliability, due to the level of uncertainty in forecasting CGT revenue and any behavioural response to the policy change.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-3	798	1,200	1,400
Fiscal balance ($m)	-3	798	1,200	1,400

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

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- The first year impact has been estimated based on the assumption that capital gains are realised evenly across the financial year.
- A behavioural response to the decrease in the CGT concession has been incorporated into this costing. As a result of the smaller CGT concession, the PBO expects:
  - some investment to shift from assets on which the CGT discount can be applied (CGT assets) to other assets, and
  - investors who invest in CGT assets subject to the CGT will trade those assets less frequently.
- An average marginal tax rate for individuals claiming net capital gains has been estimated based on historic tax data, expected future income growth and announced future changes to tax rates.

Methodology

- The amount of assessable income from capital gains has been estimated for each year of the 2013-14 Budget forward estimates, based on current revenue estimates and projections of CGT.
- This base level of CGT activity has been adjusted based on the behavioural assumptions.
- An estimated average tax rate has been levied on 60 per cent of the revised net capital gains income, to give the estimated revenue under the proposal.
- The effect on revenue is estimated by taking the difference between this estimate and current CGT revenue forecasts and projections.
- This impact is adjusted to reflect that CGT revenue is collected when individuals lodge their income tax return. This means that the financial impacts occur in the financial year following the year in which the taxpayer sells the asset.
- Departmental expenses have been estimated based on amounts allocated to the ATO for similar recent measures, including the *Means-testing of government support – expanded definitions of income* to include reportable fringe benefits from the 2008-09 Budget and *Monthly PAYG instalments* for large companies from the 2012-13 Mid-Year Economic and Fiscal Outlook.
- Estimates of revenue have been rounded to the nearest $50 million and departmental expense estimates to the nearest $1 million.

POLICY COSTING – POST ELECTION REPORT

Data sources

- The Treasury provided the model used in estimating the tax expenditure associated with the CGT discount for individuals and trusts in the 2012 Tax Expenditure Statement and estimates and projections of revenue from CGT for years in the 2013-14 Budget forward estimates period, consistent with the 2013 Pre-Election Economic and Fiscal Outlook.

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COSTING – POST ELECTION REPORT

Name of proposal to be costed:	Re-directing Private Health Insurance over three years
Summary of proposal:	The proposal is to phase-out the Private Health Insurance Rebate (PHIR). Changes would begin to apply from 1 July 2014. The policy parameters for the rebate under the proposal across the 2013-14 Budget forward estimates period are outlined in Table 1. The Medicare Levy Surcharge (MLS) would also be abolished from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	2 August 2013
Agencies from which information was obtained:	• The Treasury • Australian Taxation Office • the then Department of Health and Ageing, and • Department of Human Services.

Overview of costing

This proposal would be expected to increase the underlying cash balance by approximately $10.2 billion over the 2013-14 Budget forward estimates period. This impact reflects a decrease in payments of approximately $10.8 billion partially offset by a decrease in receipts of $595 million.

The proposal would be expected to increase the fiscal balance by approximately $10.9 billion over the same period. This reflects a decrease in expenses of approximately $11.5 billion and a decrease in revenue of $595 million.

Table 1 outlines the income thresholds for the PHIR tiers and the standard rates of the rebate under the proposal. The income thresholds that would apply from 1 July 2014 are the income thresholds applicable for 2013-14. As is currently the case, policies covering individuals aged 65 and over and attracting a non-zero rate of rebate are entitled to a have an additional five per cent of their base premium covered by the rebate. Similarly, policies covering individuals aged 70 and over are entitled to a further five per cent rebate. Income thresholds would continue to be raised by $1,500 for each dependent child after the first.

POLICY COSTING – POST ELECTION REPORT

Table 1: Private Health Insurance Rebate Policy Specification

Tier	Upper income threshold		Proportion of base premium rebated (%)		
	Single	Family	2014-15	2015-16	2016-17
-	$88,000	$176,000	20	10	-
1	$102,000	$204,000	10	-	-
2	$136,000	$272,000	-	-	-
3	-	-	-	-	-

The financial impacts of these proposals include both revenue and expense impacts. The revenue impact is due to the abolition of the MLS and the expense impact is largely due to the abolition of the PHIR. A disaggregation of the impact into administered expenses, departmental expenses and revenue is included in Attachment A.

The impact in 2016-17 is reflective of the ongoing impact.

The estimates in this costing include an allowance for behavioural responses as taxpayers reduce private health insurance in response to the decreased private health insurance concessions.

The costing includes additional departmental expenses of $32 million over the 2013-14 Budget forward estimates. This includes allowances for communication with stakeholders, an information campaign and preparation of legislation. This is not indicative of the long run impact of the proposal, which is estimated to reduce departmental expenses by approximately $3 million per annum after the abolition of the rebate, due to reduced administrative costs.

This costing is considered to be of low to medium reliability. The estimates are based on projected average health insurance premiums and income distributions of individuals and couples with and without private health insurance (PHI) cover. The estimates only relate to the financial impact of decreasing the PHIR and abolishing the MLS, they do not include any estimate of flow-on impacts to public health expenditure.

Table 2: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-12	1,763	3,334	5,123
Fiscal balance ($m)	-12	2,003	3,554	5,338

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

POLICY COSTING – POST ELECTION REPORT

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- The costing assumes that individuals have a negative price elasticity of PHI demand which varies according to income, with higher income policy holders being less price responsive than those on low incomes. The PBO estimates that there would be a decrease in PHI take-up as a result of the proposal.
- The majority of PHIR expenses administered by the then Department of Health and Ageing (DoHA) are delivered in the same financial year in which they accrue, with a small proportion delivered in the following financial year. PHIR expenses administered by the Australian Taxation Office are delivered in the financial year after they accrue, at the time individuals lodge their tax returns.
- MLS revenue is collected over the two years after the liability is incurred, at the time individuals lodge their tax returns.
- The policy will be implemented such that policy holders will not be able to pre-pay premiums to take advantage of the more generous rebate.

Methodology

The proposals were estimated using the PBO's PHIR and MLS simulation model. The model is based on projected income distributions of individuals and families with and without PHI which have been generated based on de-identified 2010-11 personal income tax data. Average PHI premiums were estimated using data from the Private Health Insurance Administration Council and forecast over the forward estimates period.

The potential MLS liabilities and values of the PHIR were estimated under the base policy settings and again under the proposals. PHI demand elasticities were then applied to the percentage changes in both the net PHI premium costs and MLS liabilities to estimate the behavioural response resulting from the policy change. The total PHIR expense and MLS revenue estimates under the proposal were then compared to the total under the base scenario to determine the cost of the policy.

Estimates for administered expenses and revenue have each been rounded to the nearest $5 million per year. Estimates for departmental expenses have been rounded to the nearest $1 million.

Data sources

- Private Health Insurance Administration Council – *Private Health Insurance Australia – Quarterly Statistics, March 2013*
- The ATO and DoHA provided an update of the forward estimates for the PHIR as at the 2013 Pre-Election Economic and Fiscal Outlook.
- The Department of Human Services and DoHA have provided information on the departmental expenses associated with changes to the rebate.

ATTACHMENT A: DISAGGREGATION OF COSTING

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

A negative expense estimate indicates a reduction in expenses, while a negative revenue estimate reflects a reduction in revenue. The effect on Budget aggregates is the revenue impact less the expense impact.

Table A1: Financial implications

Impact on	2013-14 $m	2014-15 $m	2015-16 $m	2016-17 $m	Total $m
Underlying cash balance	**-12**	**1,763**	**3,334**	**5,123**	**10,208**
Administered payments	-	*-1,775*	*-3,620*	*-5,440*	*-10,835*
Program support	*12*	*12*	*11*	*-3*	*32*
Receipts	-	-	*-275*	*-320*	*-595*
Fiscal balance	**-12**	**2,003**	**3,554**	**5,338**	**10,883**
Administered expense	-	*-2,015*	*-3,840*	*-5,655*	*-11,510*
Program support	*12*	*12*	*11*	*-3*	*32*
Revenue	-	-	*-275*	*-320*	*-595*

Reference No. GRN093

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Lift overseas aid to 0.7% GNI and oppose cuts
Summary of proposal:	The proposal would: • reverse the cuts to Official Development Assistance (ODA) included in the 2013 Economic Statement, • increase ODA to 0.5 per cent of Gross National Income (GNI) by 2015-16 and 0.7 per cent of GNI by 2020-21, and • establish an Office for Aid Effectiveness. The proposal would commence in 2013-14.
Party:	Australian Greens
Date of public release of policy:	3 September 2013
Agencies from which information was obtained:	Department of Foreign Affairs and Trade (DFAT)

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by $5.9 billion over the 2013-14 Budget forward estimates period. This impact is due to an increase in expenses. This proposal will have an ongoing impact that extends beyond the forward estimates period. A detailed breakdown of the components of the costing is included at Attachment A.

Departmental costs are expected to be significant due to the need to administer the large increase in ODA funding required to meet the targets. Based on current estimates, it is expected that departmental costs will account for approximately $295 million of the increase in expenses over the 2013-14 Budget forward estimates period.

Departmental funding of $0.5 million has been allocated in 2013-14 for the fit-out costs associated with establishing a new Office for Aid Effectiveness.

This costing is considered to be of high reliability as it is based on set targets and a limited number of assumptions.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-420.5	-1,080.0	-1,855.0	-2,530.0
Fiscal balance ($m)	-420.5	-1,080.0	-1,855.0	-2,530.0

(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.

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POLICY COSTING – POST ELECTION REPORT

Key assumptions

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

- The ODA/GNI ratio will increase on a straight line basis each year until it reaches 0.5 per cent in 2015-16 and then 0.7 per cent in 2020-21.
- DFAT's departmental costs relating to the lifting of ODA target are equal to six per cent of the change in total ODA funding in 2013-14 and 2014-15, and decline to five per cent of the change in total ODA as per the commitment in *Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16* (8 May 2012).
- Setup costs for the establishment of the Office of Aid Effectiveness would be $0.5 million. This amount is consistent with other measures, including the establishment of the National Mental Health Commission.
- The existing resourcing for the Office of Development Effectiveness would be sufficient to accommodate the ongoing operating costs of the new body.

Methodology

The baseline ODA and GNI estimates for financial years 2013-14 onwards were obtained from DFAT. The baseline includes the cuts to ODA included in the 2013 Economic Statement, which were reversed to form part of the impact of this proposal.

The ODA/GNI ratios required to reach 0.5 per cent of GNI by 2015-16 and 0.7 per cent of GNI by 2020-21 were calculated on a straight line basis. The ratios for each year were then multiplied by the corresponding GNI estimate to calculate new ODA spending estimates to achieve the targets proposed. The baseline ODA estimates were subtracted from the new estimated ODA levels to obtain the impact of the proposal.

Data sources

- DFAT
  - Estimated ODA and GNI at the 2013 Pre-Election Economic and Fiscal Outlook
- Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16 (8 May 2012)
  http://www.ausaid.gov.au/Publications/Pages/comprehensive-aid-policy-framework.aspx
- 2013 Economic Statement, p.58
  - Official Development Assistance – slowing growth to 2017-18

POLICY COSTING – POST ELECTION REPORT

ATTACHMENT A: DETAILED BREAKDOWN OF THE COSTING

Components of costing [(a)]	2013-14	2014-15	2015-16	2016-17
Reversal of cuts to ODA included in the 2013 Economic Statement ($m)	-	-	-168.4	-710.1
Increase of ODA target ($m)	-420.0	-1,080.0	-1,686.6	-1,819.9
Establishment of the Office of Aid Effectiveness ($m)	-0.5	-	-	-
Total	**- 420.5**	**-1,080.0**	**-1,855.0**	**-2,530.0**

(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.

Reference No. *GRN095*

Parliament of Australia
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COSTING – POST ELECTION REPORT

Name of proposal costed:	**Oppose public service cuts**
Summary of proposal:	The proposal would reverse the 2013 Economic Statement measure *Efficiency Dividend – temporary increase in the rate* that increased the public service efficiency dividend to 2¼ per cent for three years from 1 July 2014. This proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	2 August 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 $1.8 billion over the 2013-14 Budget forward estimates period. This is entirely due to an increase to expenses. This proposal will have an ongoing impact that extends beyond the forward estimates period.

The costing is considered to be of high reliability as it is based on reversing the *Efficiency Dividend – temporary increase in the rate* measure as published in the 2 August 2013 Economic Statement.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-261.5	-588.8	-972.0
Fiscal balance ($m)	-	-261.5	-588.8	-972.0

(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.

Data sources

2 August Economic Statement:
http://www.budget.gov.au/2013-14/content/economic_statement/download/06_App_B.pdf

Reference No. GRN097

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Dying with Dignity**
Summary of proposal:	The proposal would provide a national Dying with Dignity legislative framework similar to the Northern Territory *Rights of the Terminally Ill Act 1995*. The intention of the proposal is to allow medically supervised assisted suicide under controlled circumstances. The proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	15 August 2013
Agencies from which information was obtained:	Not applicable

Costing overview

This proposal is not expected to impact on the underlying cash and fiscal balances. The PBO considers this activity to be a core departmental function of the Attorney-General's Department and estimates that the departmental expenses associated with this proposal would not be significant.

This costing is considered to be of high reliability as any associated departmental costs would be accommodated within the existing resources of the Attorney-General's Department.

Table 1: Financial implications (outturn prices)

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

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Fuel efficient cars**
Summary of proposal:	The proposal would phase in a fuel efficiency standard of 95g CO_2/km for new cars and 147g CO_2/km for new light commercial by 2023. The proposal would also apply a standard of 90g CO_2/km to the Australian Government's car fleet by 2023. The proposal would have effect from 1 July 2014. The standard would be phased in gradually to 2023.
Party:	Australian Greens
Date of public release of policy:	24 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 $140 million over the 2013-14 Budget forward estimates period. This impact reflects a decrease in revenue from reduced fuel excise revenue of $145 million and a decrease in government expenditure on fuel for its vehicle fleet of $5 million over this period.

The proposal would have substantial financial impacts beyond the forward estimates period. These impacts would increase over time as the number of fuel efficient vehicles on the road increases.

Departmental costs are not expected to be significant and have not been included in the costing.

The financial impact of this proposal includes a number of components including reduced revenue from a reduction in fuel excise as vehicles become relatively more fuel efficient (and use less fuel) and reduced expenditure as the government spends less on fuel. The proposal would also include a reduction in GST revenue of around $50 million from lower petrol use over the 2013-14 Budget forward estimates period. However, this would be entirely offset by reduced GST payments to the States and Territories.

A detailed breakdown of the components of the costing is included at <u>Attachment A</u>.

This costing is considered to be of low reliability as it based on a number of assumptions and limited data on sales of light commercial vehicles.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	- 10	- 40	-90
Fiscal balance ($m)	-	-10	-40	-90

(a) A negative number for the fiscal balance indicates a net decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a net decrease in receipts in cash terms.

Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of these proposals.
- The emissions standard is assumed to be phased in linearly between 1 July 2014 and 30 June 2023. The standard is reduced by around 9g CO_2/km per year for cars, 11g CO_2/km per year for light commercial vehicles and 12g CO_2/km per year for government vehicles.
- The fuel efficiency standard applies only to new vehicle purchases.
- The emissions standard would, consistent with the European approach, be an average emissions level for new vehicles sold and not an upper limit.
- The number of new vehicles estimated to be purchased in each year grows each year in line with the historical trend.
- The PBO has assumed that all vehicles subject to the emissions standards would be subject to the full rate of fuel excise on the fuel they use (that is 38.143 cents per litre).
- The reduction in fuel use is offset by 10 per cent to reflect individuals driving fuel efficient vehicles more than they would have driven less fuel efficient vehicles. This is consistent with the offset that the United States Environmental Protection Agency estimated when examining similar standards in the US.
- It is assumed that individuals, businesses and the government spend the same amount on purchasing fuel efficient vehicles as they would have spent on less fuel efficient vehicles.

Methodology

The PBO estimated the reduction in fuel used for new cars and light commercial vehicles (purchased after 1 July 2014) under current policy settings and under the proposed fuel efficiency standard. The reduction in fuel use was multiplied by the relevant fuel excise rate to calculate the reduction in revenue.

The estimated reduction in Government expenditure on fuel use was calculated by multiplying an average forecast fuel price to estimate the total reduction in fuel costs.

All estimates have been rounded to the nearest $5 million.

POLICY COSTING – POST ELECTION REPORT

Data sources

Passenger vehicle sales data was obtained from the Australian Bureau of Statistics (ABS) – *Sales of New Motor Vehicles,* April 2013.

Light commercial vehicle sales data was obtained from the Federal Chamber of Automotive Industries website.

Information on fuel use was obtained from the ABS – *Survey of Motor Vehicle Use, Australia,* 12 months ended 30 June 2012.

Information on historical average emissions from passenger vehicles, light commercial vehicles and government vehicles was obtained from the National Transport Commission (NTC) – *Carbon dioxide emissions from New Australian Vehicles 2012 – Information Paper,* March 2013.

Fuel price data was obtained from the Australian Institute of Petroleum website.

ATTACHMENT A: DETAILED FINANCIAL IMPLICATIONS

Table 1: Detailed financial implications (outturn prices) [(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Reduction in fuel excise revenue				
Underlying cash balance ($m)	-	-10	-40	-95
Fiscal balance ($m)	-	-10	-40	-95
Reduction in Government expenditure on fuel				
Underlying cash balance ($m)	-	..	..	5
Fiscal balance ($m)	-	..	..	5
Reduction in GST revenue				
Underlying cash balance ($m)	-	..	-15	-35
Fiscal balance ($m)	-	..	-15	-35
Reduction in GST expenditure to States and Territories				
Underlying cash balance ($m)	-	..	15	35
Fiscal balance ($m)	-	..	15	35
Net impact of the proposal				
Underlying cash balance ($m)	-	-10	-40	-90
Fiscal balance ($m)	-	-10	-40	-90

(a) A positive number for the fiscal balance indicates an increase in revenue in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue in cash terms. A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a decrease in revenue in cash terms. '..' means not zero, but rounded to zero. Estimates rounded to the nearest $5 million. Figures may not add due to rounding.

Reference No. GRN100

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**National Capital Authority: restore funding**
Summary of proposal:	The proposal would restore funding to the National Capital Authority (NCA) to 2007-08 levels (prior to the 2008-09 Budget savings measures). The proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	4 September 2013
Agencies from which information was obtained:	Not applicable

Costing overview

The proposal would restore departmental funding for the NCA to 2007-08 levels (indexed), as estimated prior to the 2008-09 Budget savings measures.

This proposal is expected to decrease the underlying cash and fiscal balances by $16.3 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

The costing is considered to be of high reliability as the estimates use known expenditure levels and indexation rates.

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-	-5.7	-5.4	-5.2
Fiscal balance ($m)	-	-5.7	-5.4	-5.2

(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.

Key assumptions

The PBO has assumed that:

- restoring the NCA to 2007-08 funding levels in 2014-15, means that the proposal would provide departmental funding for the NCA for 2014-15 that would be equivalent to the real value of 2007-08 departmental funding, and
- from that point onwards, NCA departmental funding would be subject to wage cost indexation and the efficiency dividend.

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POLICY COSTING – POST ELECTION REPORT

Methodology

The 2007-08 departmental expenses from the then Department of Transport and Regional Services 2007-08 Portfolio Budget Statements were indexed to calculate the proposed level of funding for the NCA in 2014-15. This amount was then indexed each year and the efficiency dividend applied to arrive at the proposed level of departmental funding across the 2013-14 Budget estimates period. The current levels of departmental expenses as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO) were then deducted from the proposed level of funding to obtain the costing estimates.

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	Re-powering social housing
Summary of proposal:	The proposal would provide, over a 10 year period, \$3,000 to every household in social housing to be spent on a 1.5kW photovoltaic (PV) panel, insulation, energy and water efficiency initiatives, fixed heating, food gardens, and other initiatives. It would also include a training, employment and education component. The Commonwealth Government would fund 50 per cent of the costs. The proposal would have effect from 2013-14 and terminate on 30 June 2023.
Party:	Australian Greens
Date of public release of policy:	3 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 \$313.2 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. Funding for this proposal would terminate on 30 June 2023.

This proposal would involve expenditure of \$78.3 million per annum for 10 years.

The PBO has included a small allocation for departmental funding in the costing to implement and manage the new program which would be part of the National Affordable Housing Agreement.

This costing is considered to be of medium reliability. The estimates are based on 2010-11 and 2011-12 data from the Report on Government Services 2013 (the 2013 Report) and used the number of Indigenous Community Housing dwellings as a proxy for the number of Indigenous Community Housing households because that data was not available.

Table 1: Financial implications (outturn prices) (a) (b)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-78.3	-78.3	-78.3	-78.3
Fiscal balance (\$m)	-78.3	-78.3	-78.3	-78.3

(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.

(b) Figures may not sum to total due to rounding.

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POLICY COSTING – POST ELECTION REPORT

Key assumptions

The PBO has made the following assumptions in calculating the estimated impact of this proposal:

- total households in social housing include the following data categories:
  - public housing
  - State Owned and Managed Indigenous Housing (SOMIH)
  - community housing, and
  - Indigenous community housing
- the number of Indigenous community housing dwellings is used as a proxy for the number of Indigenous community housing households because there is no data available for the number of households
- per annum growth in the number of households in public housing, SOMIH and community housing is based on the average growth rate of households over the period 2007-08 to 2011-12
- per annum growth in the number of households in Indigenous community housing is based on the average growth rate of dwellings over the period 2007-08 to 2010-11
- additional funding for two full-time-equivalent (FTE) staff would be required to implement and manage the program, noting that the payment of individual grants would be administered by States and Territories
- the funding to States and Territories each year would be based on grant payments to an equal number of households per annum, based on the total number of households by the end of the 10 year period, and
- the funding to States and Territories is based on the grant per household remaining fixed over the 10 year period.

The PBO has not made an assessment about whether the grant of $3000 per household is sufficient to fully fund the proposed initiatives.

Methodology

The estimates in this costing are based on the social housing data in the 2013 Report. The estimated financial impact over the 10 year period was calculated by multiplying the estimated total number of households in social housing in Australia in 2022-23 by the fixed grant amount of $3,000 per household. The total number of households in 2022-23 was derived by applying an average growth rate based on trend growth in households. The number of households per year receiving the grant was determined by profiling the total number of households in 2022-23 across the 10 year period of the proposal.

Data sources

The data source used for this costing is the 2013 Report on Government Services

- Table 16A.3: number of social housing dwellings at 30 June, and
- Table 16A.4: number of households in social housing at 30 June.

Reference No. GRN111

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal costed:	**Paid Parental Leave scheme**
Summary of proposal:	The proposal would replace the current Paid Parental Leave (PPL) scheme with the following elements: Part 1: Provide 26 weeks PPL, to be paid at the greater of the National Minimum Wage (NMW) or the primary carer's replacement wage (capped at a maximum salary of $100,000 per annum). The scheme would also include superannuation contributions at the superannuation guarantee rate. For partnered parents, an additional two weeks would be available as paid partner leave at the greater of the NMW or 100 per cent of the partner's replacement wage (capped at a maximum salary of $100,000 per annum). Payments would be made through the Department of Human Services. Part 2: Impose a 1.5 per cent levy on that part of company taxable income over $5 million. This levy would generate franking credits. The proposal would have effect from 1 July 2014.
Party:	Australian Greens
Date of public release of policy:	23 July 2013
Agencies from which information was obtained:	• The former Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), and • Department of Human Services (DHS)

Costing overview

The proposal is estimated to decrease the underlying cash balance by around $2.55 billion over the 2013-14 Budget forward estimates period. Over the same period, this proposal is expected to decrease the fiscal balance by around $2.52 billion.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	190	-1,735	-615	-385
Fiscal balance ($m)	190	-1,715	-605	-385

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

The financial impact of the proposal in the forward estimates period is not indicative of its longer term ongoing impact as it is significantly affected by the timing of collections of the levy on company taxable incomes in the initial period of operation. The proposal would have an ongoing net negative impact beyond the forward estimates period of around $600 million per year.

Part 1: Paid Parental Leave.

The proposed extension to the PPL program is expected to decrease the underlying cash balance by around $7.25 billion and decrease the fiscal balance by $7.22 billion over the 2013-14 Budget forward estimates period.

The underlying cash balance impact of this part reflects an increase in expenditure of $9.76 billion and an increase in receipts of $2.51 billion over the 2013-14 forward estimates period. The fiscal balance impact reflects an increase in expenses of $9.73 billion and an increase in revenue of $2.51 billion over this period. A further disaggregation of Part 1 of the costing can be found at Attachment A.

These impacts would be ongoing beyond the 2013-14 forward estimates period.

The proposed PPL scheme would result in increased expenses for the PPL program, primarily reflecting the higher level of payments under the scheme, but also because more families will choose to receive PPL in preference to the alternative Family Tax Benefit (FTB) supplement. This increased expense will be partially offset by a reduction in payments of FTB Parts A and B.

As PPL payments are taxable, the increased expense of the scheme will also be partially offset by increased personal income tax revenue. Contributions tax would also be collected on the superannuation payments made under the scheme. The inclusion of superannuation in the PPL scheme would also result in increased expenses due to additional Low Income Superannuation Contribution (LISC) payments made in respect to these contributions.

Part 1 of the costing includes departmental costs of $35 million over the 2013-14 forward estimates period. This estimate reflects a number of factors: an information campaign, IT changes to make systems compatible with paying PPL at a rate proportional to the recipients' replacement wage, additional upfront costs to clarify a person's replacement wage when they apply for PPL, additional transactional costs associated with paying PPL for 26 weeks rather than 18 and also making payments to superannuation funds. These estimates have been based on consultation with the Department of Human Services and expenditure on advertising for recent changes to family payments, such as the Schoolkids Bonus and the Clean Energy Future Household Assistance Package.

The underlying cash balance impact of this proposal differs from the fiscal balance impact due to the FTB supplement and lump sum FTB payments, along with LISC payments being made in the year following the liability being accrued.

The estimates in this costing differ from the costing prepared by the PBO during the election caretaker period (GRN011). The PBO has revised its estimates of the incomes of secondary carers. This impacts the degree to which families take up the optional secondary carer component of the scheme.

The cost of the proposal is lower in the first year as some recipients of the payment who have their child in 2014-15 will not receive their entire 26 weeks' worth of payments in this financial year. The estimated saving from the current PPL scheme in 2014-15 is less than the current expense estimate for the program in that year. This reflects the fact that some families who have a child in 2013-14 would still complete their PPL period under the old scheme in 2014-15.

The costing estimate for Part 1 is considered to be of low to medium reliability, as the costing is based on heavily aggregated data and reliant on several assumptions. The estimates in this costing are sensitive to changes in the National Minimum Wage, fertility rates, the participation of women in the labour market, and the wages primary carers (and their partners) earn.

Part 2: 1.5 per cent levy on that part of company taxable income over $5 million – levy generates franking credits

Imposing a 1.5 per cent levy on that part of a company's taxable income over $5 million with the levy generating franking credits would increase both the underlying cash and fiscal balances by $4.7 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue. Detailed financial implications for Part 2 are included at Attachment B.

These impacts will be ongoing beyond the 2013-14 forward estimates period.

Departmental expenses are expected to be minimal for Part 2 of this proposal and have not been included in this costing.

The costing of Part 2 is considered to be of medium reliability as modelling is based on historical tax data and several assumptions. Possible behavioural responses to this part of the proposal are uncertain.

Key assumptions

The PBO has made the following assumptions regarding this costing.

Part 1: PPL

General assumptions

- The grouped data approach used to model the policy cannot capture the full level of diversity in the population. The model works under the assumption that the outcome for an average person in each group represents the average outcome for the group.
- The transaction costs for making PPL payments through employers are assumed to be equivalent to those incurred by paying PPL through DHS.

POLICY COSTING – POST ELECTION REPORT

Income distribution of PPL recipients

- The income distribution of new mothers has been based on aggregated data on the distribution of adjusted taxable incomes of PPL recipients in the first eleven months of 2012-13.
- These incomes have been grown in line with average weekly earnings.
- An assumption has been made about the proportion of eligible families that have partnered parents as well the average incomes of the partners. These assumptions have been made based on analysis of unit record data from the 2009-10 Survey of Income and Housing.
- Assumptions have also been made regarding the amount of time primary carers spend working outside the PPL period during the financial year of birth.

Take up of Secondary Carer Payment

- Not all secondary carers currently take up Dad and Partner Pay. Under the proposed scheme, all secondary carers are assumed to take up the payment, as for the greater majority there would be no loss in income from choosing to do so. When paid paternity leave is not paid, the secondary carer is expected to continue to work. Thus, the income from the more generous paid paternity leave payment is not expected to result in a significant increase in personal income tax collections.

Child care assistance

- The effect of the proposal on child care assistance payments is expected to be minimal and has not been included in the costing.

Transitional arrangements

- It has also been assumed that those who have a child in 2013-14, but do not complete their PPL period by the end of the financial year, will continue to receive their payments under the current scheme until their 18 week period expires.

Part 2: Company Tax Levy

General assumptions

- Superannuation funds and the superannuation business of life insurance companies would continue to be taxed at the 15 per cent rate.
- Growth rates are based on company gross operating surplus (GOS), adjusted to take into account the effects of many companies having substituted accounting periods.
- Estimates have been rounded to the nearest $100 million.

Behavioural 'bring forward' assumption

- With a start date of 1 July 2014 and announcement of the proposal in 2013, the PBO considers that there is sufficient time for companies to take steps to change the timing of their deductions and income in the financial year prior to the start date in order to benefit from the introduction of the levy. Having a long lead time increases the likelihood of a behavioural response that would increase the cost of transition to the proposal and decrease revenue.

- The PBO has assumed that around 0.375 per cent of company taxable income over $5 million would be brought forward around the commencement of this proposal in order to avoid an announced levy on company income in excess of $5 million.

Impact of the imputation system

- As specified by the applicant, the 1.5 per cent levy on company taxable income in excess of $5 million would be creditable for dividend imputation purposes and flows through into the rate at which dividends are franked. This means a proportion of the increased tax paid at the company level will flow through to resident shareholders as imputation credits which they can then use to reduce their own tax liabilities.
- The PBO has assumed that companies with taxable income less than $5 million would also be required to frank their dividends at the same rate as companies with taxable income in excess of $5 million.
- With regard to company dividends and imputation, the PBO has assumed that the impact of the levy would be absorbed by companies and would not impact on the level of cash dividends paid.

Timing assumptions

The PBO has assumed that the levy is collected via the company pay as you go (PAYG) instalment system. This means the levy would have the same timing as general company tax collections. This costing assumes that the Australian Taxation Office (ATO) will not vary company instalment calculations in response to the company levy. Instalment rates are calculated by the ATO based on the amount of tax paid by a company in the previous year and are not based on the statutory company rate.

The assumption in relation to instalments mainly impacts on the profile of company tax collections as instalments adjust to the new company rate and does not affect the cost of the proposal once instalments assimilate the company levy. If the ATO were to vary instalments to take account of the impact of the company levy, the cost of the proposal would be larger in the first year following the date of effect than in this costing, with this difference unwound over the next three years.

Data sources

The costing estimate for Part 1 relied on aggregated data on the incomes of PPL recipients in 2012-13 along with forward estimates of expenses and recipient numbers for both Parental Leave Pay and Dad and Partner Pay, which were provided by FaHCSIA.

The Australian Bureau of Statistics' Survey of Income and Housing confidentialised unit record files and their publication *Survey of Pregnancy and Employment Transitions* were also analysed to help inform assumptions used in the costing.

Data sources for Part 2 include ATO tax return data for companies, individuals and the superannuation business of life insurance companies up to the 2010-11 financial year. The data includes entities that are taxed as companies.

ATTACHMENT A

This attachment provides a disaggregation of the costing of Part 1 of the proposal.

Table A1 provides estimates on an underlying cash balance basis. A positive number for expenditure reflects an increase in cash paid by the Commonwealth, while a positive number for receipts reflects an increase in cash collected by the Commonwealth. The effect on the underlying cash balance is the change in receipts less the change in expenditure.

Table A1: Disaggregation of PPL costing – Cash basis

($m)	2013-14	2014-15	2015-16	2016-17	Total
Payments					
Paid Parental Leave	-	2,540	3,630	3,850	10,020
Consisting of:					
New Primary Carer Scheme (including SG)	-	*3,750*	*5,180*	*5,450*	*14,380*
Existing Parental Leave Pay	-	*-1,530*	*-1,860*	*-1,920*	*-5,310*
New Secondary Carer Scheme (including SG)	-	*390*	*390*	*400*	*1,180*
Existing Dad and Partner Pay	-	*-70*	*-80*	*-80*	*-230*
Family Tax Benefit (Parts A and B)	-	-80	-120	-120	-320
Low Income Super Contribution	-	-	10	10	20
Total administered payments	**-**	**2,460**	**3,520**	**3,740**	**9,720**
Departmental expenses	**10**	**15**	**5**	**5**	**35**
Receipts					
Personal Income Tax	-	590	830	880	2,300
Superannuation Contributions Tax	-	50	80	80	210
Total receipts	**-**	**640**	**910**	**960**	**2,510**
Impact on underlying cash balance	**-10**	**-1,835**	**-2,615**	**-2,785**	**-7,245**

Table A2 provides estimates on a fiscal balance basis. A positive number for expenses reflects an increased liability incurred by the Commonwealth, while a positive number for revenue reflects an increase in money owed to the Commonwealth. The effect on the fiscal balance is the change in revenue less the change in expenses.

Table A2: Disaggregation of PPL costing – Fiscal balance basis

($m)	2013-14	2014-15	2015-16	2016-17	Total
Expenses					
Paid Parental Leave	-	2,540	3,630	3,850	10,020
Consisting of:					
New Primary Carer Scheme (including SG)	-	*3,750*	*5,180*	*5,450*	*14,380*
Existing Parental Leave Pay	-	*-1,530*	*-1,860*	*-1,920*	*-5,310*
New Secondary Carer Scheme (including SG)	-	*390*	*390*	*400*	*1,180*
Existing Dad and Partner Pay	-	*-70*	*-80*	*-80*	*-230*
Family Tax Benefit (Parts A and B)	-	-110	-130	-120	-360
Low Income Super Contribution	-	10	10	10	30
Total administered expenses	**-**	**2,440**	**3,510**	**3,740**	**9,690**
Total departmental expenses	**10**	**15**	**5**	**5**	**35**
Revenue					
Personal Income Tax	-	590	830	880	2,300
Superannuation Contributions Tax	-	50	80	80	210
Total revenue	**-**	**640**	**910**	**960**	**2,510**
Impact on fiscal balance	**-10**	**-1,815**	**-2,605**	**-2,785**	**-7,215**

ATTACHMENT B

This attachment provides a disaggregation of the costing of Part 2 of the proposal.

Table B1: Revenue impact of the company levy – Cash and fiscal balance basis(a)

($m)	2013-14	2014-15	2015-16	2016-17	Total
Revenue					
Company Tax	200	300	3,400	4,000	7,900
Personal Income Tax	-	-200	-1,400	-1,600	-3,200
Total revenue	**200**	**100**	**2,000**	**2,400**	**4,700**
Effect on cash and fiscal balance	**200**	**100**	**2,000**	**2,400**	**4,700**

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

Reference No. GRN112

Parliament of Australia
Parliamentary Budget Office

COSTING – POST ELECTION REPORT

Name of proposal to be costed:	**Safer pathways for refugees policy, Refugee health, and End immigration detention (previously *Safer pathways for refugees*)**
Summary of proposal:	The proposal would: 1) increase Australia's humanitarian program by 10,000 places a year, from 20,000 to 30,000 2) provide $70 million a year in grants to the UN High Commissioner for Refugees (UNHCR) to enable faster assessment, resettlement and better protection for refugees 3) establish a Refugee Health Advisory Panel 4) establish a 30-day time limit for on-shore detention of Irregular Maritime Arrivals (IMA) (including Christmas Island) for initial health, security and identity checks before community release for the duration of their assessment for refugee status 5) increase payments provided to IMAs while in the community by increasing all currently provided services 6) close Regional Processing Centres (RPCs) on Nauru and Manus Island, and 7) close the on-shore detention centres at Curtain, Scherger, Wickham Point, Northern and some sites on Christmas Island. The proposal would have effect from 1 January 2014.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	4 September 2013
Date costing completed:	5 September 2013
Date of public release of policy:	31 July 2013, 6 & 21 August 2013
Additional information requested (including date):	Clarification was sought from Senator Milne's Office on 5 September 2013 as to whether increasing payments provided to IMAs while in the community by increasing all currently provided services, remained an element of the package of proposals.

POLICY COSTING – POST ELECTION REPORT

Additional information received	On 5 September 2013, Senator Milne's Office advised that increasing payments provided to IMAs while in the community by increasing all currently provided services, would remain an element of the package of proposals.
Agencies from which information was obtained:	• Former Department of Immigration and Citizenship (DIAC) • Former Department of Finance and Deregulation (Finance)

Costing overview

This proposal is expected to decrease the underlying cash balance by $514.1 million and decrease the fiscal balance by $507.8 million over the 2013-14 Budget forward estimates period. This impact is due to a net increase in expenses. This proposal would have an ongoing impact that extends beyond the forward estimates period. A detailed breakdown of the financial implications of the proposal is given in Table A1 at Attachment A.

The costings of the following proposals are considered to be of medium to high reliability, given they are based on either good available data or a capped amount of funding as specified in the costing request:

- increase Australia's humanitarian program by 10,000 places a year
- provide $70 million a year in grants to the UNHCR, and
- establish a Refugee Health Advisory Panel.

The costings of following proposals are considered to be of low reliability due to uncertainty regarding savings from shutting down on-shore detention centres (see Key assumptions):

- establish a 30-day time limit on onshore detention for initial health, security and identity checks before releasing asylum seekers into the community for the term of their refugee assessment
- increase payments provided to IMAs while in the community
- close the on-shore detention centres at Curtain, Scherger, Wickham Point, Northern and some sites on Christmas Island.

The estimated savings from the closure of RPCs on Nauru and Manus Island differs from that which was costed by the PBO during the caretaker period. The costing minute prepared during the caretaker period included the PBO's estimate of savings of $970.5 million associated with closing down the RPC on Nauru. This estimate included $859.4 million for ongoing operational costs for the Nauru RPC in 2014-15 and later years on the assumption that these costs were included in the forward estimates, based on statements by the former Government indicating that provision for the cost of operating the processing facilities on Nauru 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). The PBO has been unable to verify the magnitude of that provision and so cannot confirm the savings to the budget from closing down the Nauru RPC. Consequently, the savings from closing down the Nauru RPC are no longer included in this costing.

POLICY COSTING – POST ELECTION REPORT

Table 1: Financial implications (outturn prices)[(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	399.2	-160.3	-326.2	-426.9
Fiscal balance ($m)	399.1	-160.5	-326.0	-420.5

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

Key assumptions

The PBO has assumed that:

- RPC on Manus Island will close immediately after this proposal takes effect on 1 January 2014
- onshore detention facilities not mentioned above will remain open or on standby even if empty
- the new facility at Blaydin Point and other planned extensions to the on-shore detention network outlined in the 2013 Economic Statement would not be constructed, and
- the RPC on Manus Island would not be constructed.

Finance and DIAC have advised the PBO that the cost of operating an RPC on Nauru is not included in the forward years (2014-15 to 2016-17) for the current Program estimates.

Methodology

The PBO has estimated the cost of increasing the humanitarian program by a further 10,000 places by using the same proportion of costs across agencies (including departmental costs) as used in the 2012-13 MYEFO measure which increased the humanitarian program by 6,250 places.

A detailed breakdown of the components of this part of the costing is included in Table A2 at Attachment A.

The PBO used DIAC's *Demand Driven Model for Irregular Maritime Arrivals* to simulate elements relating to reducing the time spent in held detention, increasing payments to IMAs in the community, and closing select on-shore detention centres. The simulation outcome was subtracted from the simulation outcome as at the 2013 Pre-election Economic and Fiscal Outlook to determine the savings from these elements. The 2013-14 results were then halved to account for a 1 January 2014 start date.

Estimated savings from closing RPCs on Manus are based on advice from DIAC and Finance on the operational cost for Manus Island.

The 2013 Economic Statement contained a number of measures that affected the *Offshore Asylum Seeker Management* Program. These included building a new facility at Blaydin Point and a temporary expansion of the existing on-shore detention network. The PBO has reversed these measures as they would likely not be required since this proposal would substantially reduce the number of IMAs in Held Detention.

A detailed breakdown of the components of this part of the costing is included in Table A3 at Attachment A.

Data sources

- DIAC's Demand Driven Model for Irregular Maritime Arrivals
- Finance's Central Budget Management System

ATTACHMENT A

Table A1: Breakdown of cost components, financial implications (outturn prices)[(a)]

Impact on underlying cash balance	2013-14	2014-15	2015-16	2016-17	Total
Increasing humanitarian intake by 10,000 places (see Table A2)	-221.4	-610.2	-766	-946.2	**-2,543.8**
Grant funding to UNHCR	-70	-70	-70	-70	**-280**
Establishing a Refugee Health Advisory Panel	-	-1	-1	-	**-2**
Changed arrangements for detention of asylum seekers (see Table A3)	690.6	520.9	510.8	589.3	**2,311.7**
Total	**399.2**	**-160.3**	**-326.2**	**-426.9**	**-514.1**
Impact on fiscal balance	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**Total**
Increasing humanitarian intake by 10,000 places (see Table A2)	-221.5	-610.4	-765.8	-939.8	**-2,537.5**
Grant funding to UNHCR	-70	-70	-70	-70	**-280**
Establishing a Refugee Health Advisory Panel	-	-1	-1	-	**-2**
Stopping detention of asylum seekers (see Table A3)	690.6	520.9	510.8	589.3	**2,311.7**
Total	**399.1**	**-160.5**	**-326**	**-420.5**	**-507.8**

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

Table A2: Breakdown of cost for increasing the humanitarian intake by 10,000 places, financial implications (outturn prices)[(a)]

Impact on underlying cash balance	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Payments ($m)	*-244.9*	*-708.3*	*- 925.9*	*-1,164.7*
Receipts ($m)	*23.4*	*98.1*	*159.8*	*218.4*
Total ($m)	**-221.4**	**-610.2**	**-766.0**	**-946.2**
Impact on fiscal balance	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Expenses ($m)	*-246.3*	*-711.3*	*-929.0*	*-1158.4*
Revenue ($m)	*24.8*	*101.0*	*163.2*	*218.6*
Total ($m)	**-221.5**	**-610.4**	**-765.8**	**-939.8**

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

Table A3: Establish a 30-day time limit, close down remote and offshore detention centres and increase welfare levels, financial implications (outturn prices)[a]

Savings ($m)	2013-14	2014-15	2015-16	2016-17	Total
Savings from having less people in Held Detention	190.2	243.6	256.8	234.9	**925.5**
Closing the RPC on Manus Island (and not building another)	266.5[b]	145.9	158.1	256.7	**827.2**
Closing the RPC on Nauru[d]	111.1	-	-	-	**111.1**
Not pursuing other measures in Economic Statement[c]	55.1	28.4	-1.2	-0.4	**81.9**
Closing specified on-shore detention centres	67.7	103.0	97.1	98.1	**366.0**
Total	**690.6**	**520.9**	**510.8**	**589.3**	**2,311.7**

(a) A positive number for the fiscal balance indicates a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses or net capital investment in cash terms.
(b) Closing the Manus Island RPC on 1 January 2014 would recoup $44.1 million in 2013-14.
(c) Includes savings from not proceeding with the construction of facilities at Blaydin Point.
(d) No savings have been included beyond 2013-14 given that operational funding for offshore processing at Nauru is not included in the program's estimates beyond 2013-14.

Parliament of Australia
Parliamentary Budget Office

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	**Veterans (previously *Caring for veterans and their families*)**
Summary of proposal:	The proposal would fund a suite of fourteen initiatives that would : i) Care for veterans by: a) providing $6 million to develop mental health support b) funding research into specific needs of female veterans c) recognising the service of British and Commonwealth Occupation Forces (BCOF), SEATO nurses and the Australian Women's Land Army (WLA), giving them access to the services and benefits they deserve, and d) ensuring injured service personnel are entitled to the income tax exemptions that apply under Section 23AD of the Income Tax Assessment Act 1936 for the period in which the exemptions would have applied had the person not been injured. ii) Care for veterans' families by: e) allowing children of veterans acting as a carer, and parents and siblings of veterans killed in service, to access counselling through the Veterans and Veterans' Families Counselling Service (VVCS) f) granting bereavement payments to partners who have separated from their veteran partner due to veterans' mental health issues g) increasing funeral benefits under the *Veterans' Entitlements Act 1986* from $2,000 to $4,000 h) making the Department of Veterans' Affairs responsible for assessing the eligibility of veterans' carers for the Centrelink Carer Allowance i) changing the current situation regarding Carer Allowance so it is no longer cancelled after the veteran has been hospitalised for six weeks j) reviewing the carer supplement every five years k) increasing Veterans' Home Care respite services to 260 hours per year l) establishing and maintaining a 'Jobs for Defence Families' website m) funding the Defence Community Organisation to provide induction and support seminars for defence families, and

POLICY COSTING – ELECTION CARETAKER PERIOD

	n) bringing forward the reporting date for the Vietnam Veterans' Family Study to December 2013. The package would have effect from 1 July 2014, with the exception of the proposal to bring forward the reporting date for the Vietnam Veterans' Family Study to 31 December 2013.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	2 September 2013
Date costing completed:	5 September 2013 (revised on 13 September 2013)
Date of public release of policy:	29 August 2013
Agencies from which information was obtained:	• Department of Veterans' Affairs (DVA) • Department of Defence • Department of Education, Employment and Workplace Relations • Department of Families, Housing, Community Services and Indigenous Affairs • Department of Finance and Deregulation • Department of Human Services

Costing overview

The package of proposals is expected to decrease the underlying cash balance by $108.1 million and fiscal balance by $109.1 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses.

Overall, the package is considered to be of medium to high reliability with the following proposals considered to be of medium reliability:

- *Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits*: is based on estimated beneficiary populations and an average DVA cost per beneficiary, which in actual terms may vary
- *Carer Allowance – modifying rules for suspension*: there is uncertainty on how the change in arrangements would affect the individuals' awareness of their eligibility to claim the allowance
- *Carer Supplement Review*: there is uncertainty around the scope of the review
- *Increase Veterans' Home Care respite services*: there are data limitations regarding veterans using residential respite care, and
- *Vietnam Veterans' Family Study*: there is uncertainty around the amount of funding required to complete the report by 31 December 2013.

- *Ensuring injured service personnel are entitled to income tax exemptions while being treated*: this proposal is expected to have an unquantifiable but very small financial impact.

Table 1: Financial implications (outturn prices) [(a)]

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($m)	-2.0	-35.9	-35.8	-34.4
Fiscal balance ($m)	-2.0	-37.1	-35.7	-34.3

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

A breakdown of the impact on each component of the proposal, including the duration of each policy is included at Attachment A.

Key assumptions

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits as per advice from DVA and the Department of Finance and Deregulation:

- the estimated SEATO nurses population of 133 on 1 July 2014 (declining to 127 by 1 July 2016)
- the estimated BCOF veteran population of 450 on 1 July 2014 (declining to 338 by 1 July 2016)
- of surviving BCOF veterans, 50 per cent qualify for the Gold Card through other World War II service, and of the residual, 55 per cent have a Gold Card via other eligibilities
- of surviving BCOF veterans that do not have a Gold Card, 50 per cent have a White Card
- due to other World War II service, BCOF veterans would already have access to support pensions
- the estimated average cost per beneficiary (including access to the Gold Card) of $22,800 in 2014-15 rising to $25,000 by 2016-17
- there would be offsetting savings to the Medical and Pharmaceutical Benefits Schemes as patients will no longer claim benefits under these schemes. Offsets per beneficiary are estimated to be $3,566 in 2014-15 growing to $3,848 in 2016-17, and
- the average departmental cost per client for DVA to administer the activity is approximately $1,000.

The PBO has assumed that 100 per cent of beneficiaries would take up the entitlements and that the age of WLA members from the peak enrolment in 1943 was evenly distributed over the recruitment ages of 18 to 50.

Funeral benefits

The PBO has assumed that an increase in the maximum benefit amount would not encourage claimants who do not currently claim the $2,000 to claim the higher amount in this proposal.

Carer allowance assessment – DVA

In costing this proposal, the PBO has assumed:

- the assessment of veterans by DVA would cost no more than were the assessments to continue to be carried out by DHS

- the cost of conducting two-yearly 'remote reviews' would equate to the cost of conducting similar 'circumstance reviews' which are currently undertaken by DHS for recipients of Carer Allowance, and
- the cost to develop a new veteran-specific application form (or to amend the current form) would be minimal.

Carer allowance – no longer cancelled after hospitalisation

In costing the proposal the PBO has assumed no additional demand for Carer Allowance as a result of this proposal, noting the recipients have the same regulatory requirement to prove their eligibility regardless of their benefit being suspended or cancelled. This also means the workload of the Department of Human Services is unchanged as the evidence that needs to be assessed remains the same.

The PBO understands that the current program for administering the Carer Allowance payment has the capacity to either suspend or cancel payments. Therefore, no additional funding has been included for IT changes.

Carer supplement review

In costing this proposal, the PBO has assumed that this internal review could be conducted by a team of three people over the course of six months. This is consistent with the average funding for a basic program review by other agencies.

Increase Veterans' Home Care respite services

The PBO has made the following assumptions in calculating the estimated impact of this proposal:

- all veterans currently utilising more than 81 hours of in-home care per year would use an additional 64 hours per annum
- all veterans currently utilising more than 181 hours of residential care per year would use around nine extra days of care
- the number of veterans approved to use residential care is equal to the number of veterans using residential respite care
- the estimates for residential respite care would grow in line with the average trend growth in the forward estimates for in-home respite care (ie around 3 per cent per annum). This takes into account indexation and change in demand
- additional departmental expenses for three staff , and
- a two-month lag between claims and payments.

In addition to the above, the PBO has not included any offsets from other programs because the impact is expected to be minimal and data availability is limited.

Establish and maintain a 'Jobs for Defence Families' website

In costing this proposal, the PBO has assumed the Australian JobSearch (AJS) website established and maintained by the Department of Education, Employment and Workplace Relations (DEEWR) is similar in function and design to the proposed 'Jobs for Defence Families' website.

Provide enhanced induction and support seminars for defence families

Consistent with the costing request, the proposal is similar to the Defence Transition Seminars.

The PBO has assumed the cost per seminar and the number of seminars to be conducted under the proposal is similar to those of the Defence Transition Seminars.

Vietnam Veterans' Family Study

The PBO has assumed that bringing forward the funding in the final year (from 2014-15 to 2013-14) would provide sufficient resources to enable the report to be finalised by 31 December 2013.

Methodology

Research into specific needs of female veterans

The current funding profile for 'Health and Medical Research' listed under Program 2.5 in the Department of Veterans' Affairs' Portfolio Budget Statement was multiplied by 25 per cent, consistent with the costing request.

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits

The total cost for each element annually was derived by multiplying the cost per beneficiary by the estimated population, less the assumed benefit schemes offsets, with the application of the claims processing lag to differentiate between underlying cash and fiscal balance.

The estimated population for the WLA members is 220 in 2014-15 (declining to 143 in 2016-17), based on applying the Australian Bureau of Statistics survival and mortality rates to the peak number of WLA permanent and auxiliary members totalling 3421 (the 1943 enrolment figure from the Australian War Memorial).

Departmental costs for DVA to administer the activity are based on multiplying the average cost per beneficiary by the estimated population, less any overlap costs from existing White Card beneficiaries.

Ensuring injured service personnel are entitled to income tax exemptions while being treated

A member of the Defence Force is eligible for an income tax exemption under Section 23AD of the *Income Tax Assessment Act 1936* if, among other things, they are on eligible duty in a specified area outside of Australia. Eligible duty for the purposes of Section 23AD of the *Income Tax Assessment Act 1936* is defined by Regulation 7A of the *Income Tax Regulations 1936* (the Regulations).

The cost of the proposal to ensure that injured service personnel are entitled to the income tax exemption while being treated would be equal to the estimated personal income tax that would be payable on their salary and allowances if they were fully taxable, for the lesser of the period of treatment or, if they do not return to the deployment, the time remaining in their scheduled period of deployment. The expected cost of the exemption would in turn, be proportional to number of service personnel deployed, the expected casualty rate and the average recovery time.

This proposal could be expected to have a financial impact that ranges from zero to a very small but unquantifiable cost over the forward estimates period. This is because, with the scheduled drawdown of Australia's commitment to Afghanistan, there would only be two personnel who would be eligible to benefit from this proposal, should they be injured. [1]

Should Regulation 7A of the *Income Tax Regulations 1936* be amended in the future to declare military operations to be eligible for an exemption, the cost of doing so would be increased as a result of this proposal.

Expanding eligibility to the VVCS

The number of children who are caring for veteran parents was derived by multiplying the recipient forecasts for the *Carers Allowance – Adult* payment by the percentage of the Australian population that are veterans.

The percentage of the population that are veterans was derived by dividing DVA's projected number of veterans by projections of the total Australian population published by the Australian Bureau of Statistics in their Population Projections Series B.

The percentages and costs outlined below all reflect the data and assumptions used by DVA in the costing of the 2013-14 Budget measure, *Mental health services – expansion*:

- assumed utilisation of VVCS services by these new eligible cohorts was established by accounting for the percentages of people who are likely to have experienced a mental health episode in the last 12 months and those likely to seek VVCS services
- a staggered implementation has been applied to this costing, which would see 100 per cent uptake of services by these new cohorts by 2016-17, and
- a reduction in administered expenses for the Department of Health and Ageing and the Department of Human Services (DHS) have been also included as a result of less people using services provided under the Medicare Benefits Scheme (MBS). These reductions in expenses were determined proportionally to the new client population.

The additional clients were estimated by adding the following:

- the number of children acting as a veteran parent's carer: derived by multiplying the number of children caring for a veteran parent by the percentage of people who have experienced a mental health condition in the past 12 months and then again by the percentage of these people likely to seek VVCS services, and
- siblings of veterans killed in service: derived by multiplying the total deceased servicemen and women since World War 2 by the average number of siblings published in the 2011 census.

Bereavement payments

Upon the death of a veteran, the bereavement payment would be made to the ex-partner of the veteran instead of being paid to the veteran's estate. As the costing is based on redirecting the same amount to the estate, the proposal would not impact the underlying cash or fiscal balances.

[1] On 5 August 2013 Regulation 7A of the Regulations was amended to extend the tax exemption for pay and allowances for Australian Defence Force members serving on Operation Palate II from 31 December 2013 to 31 December 2014. Under Operation Palate II, two Australian Army officers serve as military advisers within the United Nations Assistance Mission to Afghanistan Military Adviser Unit, based in Kabul and Kandahar. See http://www.defence.gov.au/op/afghanistan/info/general.htm for further details.

Funeral benefits

The estimates in this costing are derived from doubling the current forward estimates for funeral benefits, given that the benefit per claimant would double from $2,000 to $4,000 as per costing request. For example, in the first year, the current 2014-15 estimate of $13.1 million for this program was doubled to arrive at a total estimated cost of $26.2 million. The current estimate was then subtracted to arrive at a net cost to budget of $13.1 million.

Carer allowance assessment – DVA

The PBO has estimated that a one-off $1 million cost would be incurred by DVA to change the IT system to accommodate the new arrangements. This cost, including the expenditure profile, is based on estimates to create a similar IT system for DVA in a 2010-11 Budget measure, 'Veterans' Pharmaceutical Reimbursement Scheme – establishment'.

Carer allowance – no longer cancelled after hospitalisation

No additional funding has been allocated to this proposal because the workload of the Department of Human Services remains unchanged and the current IT system has the capacity to implement this proposal.

Carer Supplement Review

The PBO has estimated that the internal review could be conducted by three staff over six months at a cost of $0.2 million in 2014-15.

Increase Veterans' Home Care respite services

The estimates in this costing are derived from multiplying the additional hours of respite care, by the number of clients affected and by the cost of the care funded by DVA. The information is based on 2012-13 client data and costs.

Departmental expenses for three staff to undertake claims processing at a total cost of $0.3 million has been included.

Establish and maintain a 'Jobs for Defence Families' website

A detailed breakdown of the establishment cost for the AJS website was obtained from DEEWR. Any expenditure related to specific DEEWR programs other than the job matching function of the website has been excluded. The resulting proportional decrease in establishment cost is also applied to the operating cost of the AJS to arrive at the estimated operating cost of the proposed website.

In 2013-14, funding of $1.1 million represents the upfront cost of establishing the website.

Provide enhanced induction and support seminars for defence families

The costing is based on a similar program as identified in the request.

Vietnam Veterans' Family Study

The current funding of $0.9 million in the final year (2014-15) has been brought forward to the 2013-14 Budget year.

POLICY COSTING – POST ELECTION REPORT

Data sources

Research into the specific needs of female veterans

Department of Veterans' Affairs 2013-14 Portfolio Budget Statement

Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits

Australian Bureau of Statistics - Life Tables, States, Territories and Australia, 2009-2011: http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3302.0.55.001Explanatory%20Notes12009-2011?OpenDocument

Australian War Memorial: http://www.awm.gov.au/encyclopedia/homefront/land_army/

Expanding eligibility to the VVCS

2011 Census QuickStats, Australian Bureau of Statistics, http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/0

Department of Veterans' Affairs, *Veterans' Entitlements Act 1986* population projections http://www.dva.gov.au/aboutDVA/Statistics/Documents/ExecutiveSummaryDecember2012.pdf

3222.0 - Population Projections, Australia, 2006 to 2101, Australian Bureau of Statistics, http://www.abs.gov.au/ausstats/abs@.nsf/mf/3222.0

Funeral Benefit

Department of Veterans' Affairs - Portfolio Budget Statements 2013-14 http://www.dva.gov.au/aboutDVA/publications/corporate/budget/2013-2014/Documents/dvapbs.pdf

Department of Veterans' Affairs Annual Report 2011-12 http://www.dva.gov.au/aboutDVA/publications/corporate/annualreport/2011-12/Documents/annrep.pdf

Increase Veterans' Home Care respite services

Department of Veterans' Affairs

- Cost and client numbers of respite services
- 2013-14 Portfolio Budget Statement (in-home respite care budget and forward estimates)

Establish and maintain a 'Jobs for Defence Families' website

Department of Education, Employment and Workplace Relations

Cost of establishing and operating the Australian JobSearch website

Provide enhanced induction and support seminars for defence families

Department of Defence

- Cost of establishing and operating the Defence Transition Seminars

Vietnam Veterans' Family Study

Department of Veterans' Affairs Vietnam Veterans' Family Study webpage
http://www.dva.gov.au/health_and_wellbeing/research/FamilyStudyProgram/vietnam_vets_familiy_study/Pages/index.aspx

2007-08 Mid-Year Economic and Fiscal Outlook – Appendix A – Policy decisions taken since the 2007-08 Budget
http://budget.gov.au/2007-08/myefo/download/11_appendix_a.pdf

ATTACHMENT A: BREAKDOWN OF COSTS BY COMPONENT

Table A1: Financial implications (outturn prices)[(a)] [(b)]

Underlying cash and fiscal balance impacts	2013-14 ($m)	2014-15 ($m)	2015-16 ($m)	2016-17 ($m)	Total ($m)
Develop mental health support[(c)]					
Underlying Cash Balance	-	-2.0	-2.0	-2.0	**-6.0**
Fiscal Balance	-	-2.0	-2.0	-2.0	**-6.0**
Research into the specific needs of female veterans[(d)]					
Underlying Cash Balance	-	-0.9	-0.9	-0.9	**-2.7**
Fiscal Balance	-	-0.9	-0.9	-0.9	**-2.7**
Giving SEATO nurses, BCOF veterans and WLA members access to services and benefits[(d)]					
Underlying Cash Balance	-	-14.3	-14.1	-13.0	**-41.4**
Fiscal Balance	-	-15.5	-14.0	-12.9	**-42.4**
Ensuring injured service personnel are entitled to income tax exemptions while being treated					
Underlying Cash Balance	-	*	-	-	*
Fiscal Balance	-	*	-	-	*
Expanding eligibility to the VVCS [(d)]					
Underlying Cash Balance	-	-0.2	-0.3	-0.5	**-1.0**
Fiscal Balance	-	-0.2	-0.3	-0.5	**-1.0**
Grant bereavement payment to separated partners due to 'Special Domestic Circumstances'					
Underlying Cash Balance	-	-	-	-	-
Fiscal Balance	-	-	-	-	-
Funeral Benefit [(d)]					
Underlying Cash Balance	-	-13.1	-12.7	-12.3	**-38.1**
Fiscal Balance	-	-13.1	-12.7	-12.3	**-38.1**
Carer allowance assessment[(e)]					
Underlying Cash Balance	-	-0.8	-0.2	-	**-1.0**
Fiscal Balance	-	-0.8	-0.2	-	**-1.0**

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Underlying cash and fiscal balance impacts	2013-14 ($m)	2014-15 ($m)	2015-16 ($m)	2016-17 ($m)	Total ($m)
Carer allowance – no longer cancelled after hospitalisation					
Underlying Cash Balance	-	-	-	-	-
Fiscal Balance	-	-	-	-	-
Carer Supplement Review[(d)]					
Underlying Cash Balance	-	-0.2	-	-	**-0.2**
Fiscal Balance	-	-0.2	-	-	**-0.2**
Increase Veterans' Home Care respite services[(d)]					
Underlying Cash Balance	-	-4.8	-5.0	-5.1	**-14.9**
Fiscal Balance	-	-4.8	-5.0	-5.1	**-14.9**
Establish and maintain a 'Jobs for Defence Families' website[(d)]					
Underlying Cash Balance	-1.1	-0.2	-0.2	-0.2	**-1.7**
Fiscal Balance	-1.1	-0.2	-0.2	-0.2	**-1.7**
Provide enhanced induction and support seminars for defence families(d)					
Underlying Cash Balance	-	-0.3	-0.4	-0.4	**-1.1**
Fiscal Balance	-	-0.3	-0.4	-0.4	**-1.1**
Vietnam Veterans' Family Study					
Underlying Cash Balance	-0.9	0.9	-	-	**0.0**
Fiscal Balance	-0.9	0.9	-	-	**0.0**
NET TOTAL					
Underlying Cash Balance	-2.0	-35.7	-35.6	-34.2	**-108.1**
Fiscal Balance	-2.0	-36.9	-35.4	-34.1	**-109.1**

(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. A '*' indicates that the nature of this proposal is such that a reliable estimate cannot be provided.

(b) Totals may not sum due to rounding.

(c) Terminating on 30 June 2017.

(d) Ongoing policy.

(e) Terminating on 30 June 2016.