



## Policy costing

Bring Australia's excessive military spending back to long-term trend levels	
Party:	Australian Greens
Summary of proposal: This proposal has two components: <ul style="list-style-type: none"><li>• Component 1 would reduce Department of Defence expenditure on a steady, linear trajectory in order to reach 1.5 per cent of GDP by 2022-23.</li><li>• Component 2 would abolish the Defence Export Facility.</li></ul> The proposal would have effect from 1 July 2019.	

## Costing overview

Component 1 would be expected to increase both the fiscal and underlying cash balances by \$34,590 million over the 2019-20 Budget forward estimates period. This increase entirely reflects decreased Department of Defence expenditure.

The proposal would be expected to have ongoing financial implications beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications over the period to 2029-30 is included at [Attachment A](#).

Component 2 does not have a financial impact, as explained below.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	1,920	6,330	10,800	15,540	<b>34,590</b>
Underlying cash balance	1,920	6,330	10,800	15,540	<b>34,590</b>

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

(b) Figures may not sum to totals due to rounding.

There is significant uncertainty about whether the proposed decrease in expenditure for Component 1 could be achieved within the proposed timeframes given the size of the reduction. The Parliamentary Budget Office has made no assessment about whether the timing of the proposed reductions could be met. The financial implications are also sensitive to changes in nominal gross domestic product (GDP) growth projections.

## Financial implications of Component 2

Abolishing the Defence Export Facility has no financial implications. The budget treatment of the Defence Export Facility can be found in Statement 8: Statement of Risks (page 8-12) of *2019-20 Budget Paper No.1: Budget strategy and outlook*.

- The Government established the Defence Export Facility with a maximum aggregate exposure of US\$3.0 billion. The Facility has no financial implications until drawn on. As at 25 February 2019, three loans under the Facility had been agreed for a total maximum value of AUD\$213 million. These are reflected in the Budget estimates.

## Methodology

The financial implications represent the difference between the proposed and projected baseline Department of Defence funding profiles over the medium-term. Estimated Department of Defence expenditure is driven by the 2019-20 Budget nominal GDP projections.

All estimates are rounded to nearest \$10 million.

## Data sources

Commonwealth of Australia, 2019. *Defence Portfolio Budget Statements 2019-20*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *2019-20 Budget Papers*, Canberra: Commonwealth of Australia.

The Department of the Treasury provided 2019 Pre-election Economic and Fiscal Outlook parameters.

## Attachment A – Bring Australia’s excessive military spending back to long-term trend levels – financial implications

**Table A1: Bring Australia’s excessive military spending back to long-term trend levels – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Total – expenses	1,920	6,330	10,800	15,540	16,630	17,020	17,520	18,570	19,870	22,930	24,270	<b>34,590</b>	<b>171,400</b>

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.