Parliamentary Budget Office

Powering Australia – Commonwealth fleet leases	
Party:	Australian Labor Party
Summary of proposal: The proposal would reduce the level of emissions by the Australian Public Service by transitioning 75% of new Australian Government fleet procurements to be low-emissions vehicles by 2025. The proposal would have effect from 1 July 2022.	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around $15.9 million over the 2022-23 Budget forward estimates period, reflecting an increase in expenses.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

Table 1: Financial implications ($m)[(a)(b)]

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-1.3	-3.1	-5.2	-6.3	**-15.9**
Underlying cash balance	-1.3	-3.1	-5.2	-6.3	**-15.9**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- All new low-emissions vehicles added to the Australian Government fleet would be leased rather than purchased.
  - The average lease period for all new low-emissions vehicles is 5 years.
- The total number of new vehicles acquired each year by the Australian Government fleet would be approximately 1,500.
  - This figure is based on information provided by the Department of Finance around the estimated size of the Australian Government fleet as of January 2021. The number of new vehicles each year is assumed to stay constant over the period to 2032-33.
- The proportion of new low-emissions vehicles leased would increase to 25% in 2022-23, to 50% in 2023-24, and to 75% in 2024-25. After this, the proportion of low-emissions vehicles leased does not change over the period to 2032-33.

- The total cost of leasing a low-emissions vehicle in 2022-23 is around $1,400 higher per year than leasing a vehicle with an internal-combustion engine. This cost difference would gradually decrease to around $340 by 2032-33.
  - This reflects the difference in running costs (including fuel and energy consumption), rental payments and maintenance costs.
- The transition of the Australian Government fleet would include a one-off capital outlay for charging infrastructure which can be reused after the lease term of the vehicle expires. On average it would cost around $2,000 to purchase and install charging equipment for each additional low-emissions vehicle added to the fleet. The infrastructure cost is spread evenly over the period from 2024-25 to 2030-31.
  - The Government will still need to purchase and install charging infrastructure points for the addition of new low-emissions vehicles in the fleet after the lease period ends (after 2026-27).
  - The cost of purchasing and installing charging infrastructure stations is based on an electric vehicle update report by the Department of Infrastructure, Transport, Regional Development and Communications.

Methodology

The financial impact was calculated by adding the charging infrastructure costs and the additional lease costs for low-emissions vehicles during the 5-year lease period. The additional cost for low-emissions vehicles was calculated by multiplying the estimated number of new low-emissions vehicles added in the fleet by the difference of the lease costs between individual low-emissions vehicles and equivalent internal combustion engine vehicles.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.[1]

Data sources

The Department of Finance provided information on the Australian Government fleet as of January 2021.

Department of Infrastructure, Transport, Regional Development and Communications (2019), Electric Vehicle Uptake: Modelling a Global Phenomenon, Australian Government.

Smartleasing (n.d.) *Novated car leasing*, Smartleasing website, accessed 12 April 2022.

[1] https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Powering Australia – Commonwealth fleet leases – financial implications

Table A1: Powering Australia – Commonwealth fleet leases – Fiscal and underlying cash balances ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Expenses													
Departmental													
Department of Finance	*-1.3*	*-3.1*	*-5.2*	*-6.3*	*-7.3*	*-7.7*	*-7.5*	*-6.8*	*-6.2*	*-3.4*	*-2.8*	***-15.9***	***-57.6***
Total (excluding PDI)	**-1.3**	**-3.1**	**-5.2**	**-6.3**	**-7.3**	**-7.7**	**-7.5**	**-6.8**	**-6.2**	**-3.4**	**-2.8**	**-15.9**	**-57.6**

(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.

Table A2: Powering Australia – Commonwealth fleet leases – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Fiscal balance	..	*-0.1*	*-0.2*	*-0.3*	*-0.5*	*-0.7*	*-0.9*	*-1.1*	*-1.4*	*-1.6*	*-1.8*	***-0.6***	***-8.6***
Underlying cash balance	..	*-0.1*	*-0.1*	*-0.3*	*-0.4*	*-0.6*	*-0.9*	*-1.1*	*-1.3*	*-1.6*	*-1.7*	***-0.5***	***-8.1***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in any of the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[2].

(b) 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.

.. Not zero but rounded to zero.

[2] Online budget glossary – Parliament of Australia (aph.gov.au)