



Policy costing

Just Transitions Authority											
Party:	Australian Labor Party										
Summary of proposal:											
The proposal would establish a Commonwealth Government agency, the Just Transitions Authority, for managing the effect of future power plant closures on workers and communities.											
The Just Transitions Authority would:											
<ul style="list-style-type: none">• provide modelling and advice regarding the transition of employees from closing plants to new employment, early retirement or voluntary redundancy• create plans for the workforce in regions affected by plant closures.											
The Just Transitions Authority would require a small specialised team headed by a Senior Executive Service Band 2. The number of full-time-equivalent staff would be:											
	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Full-time-equivalent employees	10	15	20	40	75	75	75	75	75	75	75
The proposal would commence on 1 July 2019.											

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by \$14.5 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. From 2023-24, expenses would reflect the higher level of staff from that year and growth in the wage cost index.

The financial implications of this proposal are sensitive to the classification levels of staff members and the wage cost index parameters.

Table 1: Financial implications (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-3.5	-2.2	-3.0	-5.8	-14.5
Underlying cash balance	-3.5	-2.2	-3.0	-5.8	-14.5

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

Key assumptions

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

- The distribution, by level, of Australian Public Service staff employed by the Just Transitions Authority would be similar to the distribution, by level, of Victorian Public Service staff employed by the Latrobe Valley Authority.
- The departmental cost for each full-time-equivalent employee would be the average of the relevant base salary and associated costs across the Australian Public Service.
- The Just Transitions Authority would be accommodated within an existing Commonwealth Government property.
- The Just Transitions Authority would have discretion over allocation of funding in its budget. This may involve allocating a portion of funds to modelling costs, for example hiring economists or outsourcing modelling capabilities, to fulfil the Authority's purpose in providing modelling and advice to employees transitioning from closing plants to other options. The portion of funding that would be required to facilitate this function is variable and depends on the budget allocation of the Just Transitions Authority.

Methodology

The financial implications of the proposal are the sum of establishment costs and ongoing departmental expenses.

The estimate of establishment costs for the Just Transitions Authority is based on analysis of previous authorities with similar operating expenses. Ongoing departmental expenses are based on the number of full-time-equivalent staff required to establish and operate the Just Transitions Authority, accounting for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

All estimates are rounded to the nearest \$100,000.

Data sources

The Department of Finance provided the wage cost index and efficiency dividend data as at the 2019 Pre-election Economic and Fiscal Outlook.

Victorian Government, 2018. *Department of Premier and Cabinet Annual Report 2017-18* [Online] Available at: https://www.parliament.vic.gov.au/file_uploads/DPC_2017-18_Annual_Report_v69Pghvt.pdf [Accessed 16.04.2019].