



**Australian Government**  
**Department of Finance**

Ms Jeanette Radcliffe  
Secretary  
Senate Community Affairs Legislation Committee  
Parliament House  
PO Box 6100  
CANBERRA ACT 2600

Dear Ms Radcliffe

I am writing to submit a corrigendum to the Department of Finance's (Finance) submission of 5 November 2014 to the Senate Community Affairs Legislation Committee's Inquiry into the Aboriginal and Torres Strait Islander Amendment (A Stronger Land Account) Bill 2014.

Finance wishes to amend Table 2 on Page 4 (relating to Items 3 to 7 of the Bill). The Explanatory Memorandum to the Bill explains that the purpose of the amendment is to allow the Land Account to increase beyond the Consumer Price Index (CPI) (i.e. grow in real terms). Table 2 in our submission of 5 November illustrated how these items in the Bill may have the unintended consequence of eroding the real capital value of the Land Account over time.

The amended table also shows this outcome, although over a longer time period, and better reflects each of the calculations required by the Bill's amendments, and their interactions with the remaining provisions of the legislation (Attachment A refers).

Thank you again for giving Finance an opportunity to make a submission to the Committee's inquiry.

Yours sincerely

Mark Thomann  
First Assistant Secretary  
Social Policy Division

8 December 2014

**Revised Table 2 to the Department of Finance Submission to the Senate Community Affairs Legislation Committee on the  
Aboriginal and Torres Strait Islander Amendment (A Stronger Land Account) Bill 2014**

**ATTACHMENT A**

<b>Comparison of proposed and existing additional payments models</b>																
<b>Current method</b>	<b>Base Year (\$m)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	<b>Year 11</b>	<b>Year 12</b>	<b>Year 13</b>	<b>Year 14</b>	<b>Year 15</b>
Actual Capital Value (s.193(5))	1995.0	2046.8	2098.1	2150.6	2204.3	2259.4	2315.9	2373.8	2433.2	2494.0	2556.3	2620.2	2685.7	2752.9	2821.7	2892.3
Investment Income (assumed)	101.7	104.4	107.0	109.7	112.4	115.2	118.1	121.1	124.1	127.2	130.4	133.6	137.0	140.4	143.9	147.5
Less statutory payment to ILC (s.193 (2))	-49.9	-51.1	-52.4	-53.7	-55.1	-56.5	-57.9	-59.3	-60.8	-62.3	-63.9	-65.5	-67.1	-68.8	-70.5	-72.3
<b>Real Capital Value (s.193(4))</b>	<b>1995.0</b>	<b>2044.9</b>	<b>2096.0</b>	<b>2148.4</b>	<b>2202.1</b>	<b>2257.1</b>	<b>2313.6</b>	<b>2371.4</b>	<b>2430.7</b>	<b>2491.5</b>	<b>2553.7</b>	<b>2617.6</b>	<b>2683.0</b>	<b>2750.1</b>	<b>2818.9</b>	<b>2889.3</b>
Additional payment to ILC (s.193(3))		-2.0	-2.1	-2.2	-2.2	-2.3	-2.3	-2.4	-2.5	-2.5	-2.6	-2.7	-2.7	-2.8	-2.9	-2.9
<b>Proposed method</b>	<b>Base Year (\$m)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	<b>Year 11</b>	<b>Year 12</b>	<b>Year 13</b>	<b>Year 14</b>	<b>Year 15</b>
Actual Capital Value (s.193(5))	1995.0	2046.8	2098.5	2151.6	2205.4	2260.2	2315.9	2372.6	2430.3	2488.9	2548.4	2609.0	2670.5	2733.1	2796.6	2861.2
Gross Investment Income (assumed at 5.1%)	101.7	104.4	107.0	109.7	112.5	115.3	118.1	121.0	123.9	126.9	130.0	133.1	136.2	139.4	142.6	145.9
Less statutory payment to ILC (s.193 (2))	-49.9	-51.1	-52.4	-53.7	-55.1	-56.5	-57.9	-59.3	-60.8	-62.3	-63.9	-65.5	-67.1	-68.8	-70.5	-72.3
Return (s.193(5C))		51.8	51.7	53.1	53.8	54.8	55.7	56.7	57.6	58.6	59.6	60.6	61.5	62.5	63.5	64.6
Indexation Factor (s.193(5C))	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025	1.025
Real Return (s.193(5C))	0.0	53.1	53.0	54.4	55.1	56.2	57.1	58.1	59.1	60.1	61.1	62.1	63.1	64.1	65.1	66.2
Additional payment to ILC (s.193(5A and 5B))	0.0	-1.6	-1.5	-2.2	-2.6	-3.1	-3.6	-4.1	-4.5	-5.0	-5.5	-6.0	-6.5	-7.1	-7.6	-8.1
<b>Difference in real value</b>	<b>Base Year (\$m)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	<b>Year 11</b>	<b>Year 12</b>	<b>Year 13</b>	<b>Year 14</b>	<b>Year 15</b>
Land Account Indexed to CPI	1995.0	2044.9	2096.0	2148.4	2202.1	2257.1	2313.6	2371.4	2430.7	2491.5	2553.7	2617.6	2683.0	2750.1	2818.9	2889.3
Current Method - Change in Real Value	0.0	2.0	2.1	2.2	2.2	2.3	2.3	2.4	2.5	2.5	2.6	2.7	2.7	2.8	2.9	2.9
Proposed Method - Change in Real Value	0.0	2.0	2.5	3.2	3.3	3.1	2.4	1.2	-0.4	-2.6	-5.3	-8.6	-12.5	-17.0	-22.2	-28.1
<b>Note 1: For illustrative purposes, the statutory payment and the real capital value are indexed to 2.5%, and the gross income from investments is assumed to be 5.1 per annum.</b>																
<b>Total value in nominal terms</b>	<b>Base Year (\$m)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	<b>Year 11</b>	<b>Year 12</b>	<b>Year 13</b>	<b>Year 14</b>	<b>Year 15</b>
Nominal Value of the Land Account	1995.0	2044.9	2096.0	2148.4	2202.1	2257.1	2313.6	2371.4	2430.7	2491.5	2553.7	2617.6	2683.0	2750.1	2818.9	2889.3
Current Method	1995.0	2046.8	2098.1	2150.6	2204.3	2259.4	2315.9	2373.8	2433.2	2494.0	2556.3	2620.2	2685.7	2752.9	2821.7	2892.3
Proposed Method	1995.0	2046.8	2098.5	2151.6	2205.4	2260.2	2315.9	2372.6	2430.3	2488.9	2548.4	2609.0	2670.5	2733.1	2796.6	2861.2