



THE HON JOE HOCKEY MP
Shadow Treasurer

MR SCOTT MORRISON MP
Shadow Minister for Immigration and Citizenship

11 February 2013

David Tune
Secretary to the Department of Finance
The Department of Finance
John Gorton Building
King Edward Terrace
PARKES ACT 2600

Dear Mr Tune,

We write with regards to forecasts tabled in the Immigration Portfolio Additional Estimates Statements released Thursday 7 February 2013 showing that spending on border protection policies is estimated to decline by almost \$2 billion a year between 2012-13 and 2015-16.

We also refer to the following exchange this morning in Senate Estimates:

SENATOR CASH:

In relation to how you got to these projections...in that complex formula, did you budget for stopping the boats?

SECRETARY (DEPARTMENT OF IMMIGRATION):

Clearly we are budgeting that the policy impacts of the expert panel is going to make an effect as we get further out. clearly we are having a view that the series of recommendations through the expert panel will have an impact.

SENATOR CASH:

And on that point then, the blue (black) bars here [*Chart attached at Attachment A*] do those figures represent what stopping the boats would look like?

SECRETARY (DEPARTMENT OF IMMIGRATION):

Yes. Yes, Senator.

The chart shown as Attachment B highlights the growth in boat arrivals and asylum costs since 2007 and the sharp growth in 2012-13. We also note that 1 boat carrying 55 asylum seekers has arrived since the revised spending projections were released on 7 February.

Senate HIA Committee
Tabled 11.20a
12/2/2013
by Senator Rya
Additional Estimates
2012-13

The Coalition therefore has several questions:

- Does the Department of Finance support the methodology used in generating the revised estimates of border protection expenses released in the Portfolio Additional Estimates?
- Will these revised and reduced estimates be incorporated into the May 2013-14 Budget and in the Pre-Election Economic and Fiscal Outlook?

The Coalition recognises that budget papers must incorporate the impact of publicly announced government policy.

The Coalition notes that the guidelines for accounting for behavioural changes are outlined in the Charter of Budget Honesty. These state¹ that:

Wherever possible, costings will take into account the impact of a change in policy on the behaviour of certain groups, where this impacts on the cost of a measure.

.... estimates of behavioural responses are the element of costings which require the greatest exercise of judgment.

Behavioural responses may be estimated from previous experience with similar changes; academic and other studies of response effects or price elasticities; input from consultations or submissions; econometric modelling and studies; and sensitivity analysis estimating the scope for variations and taking a point estimate within the range.

An assumption of no behavioural change may be necessary where the impacts of policy changes cannot be estimated due to a lack of information.

The Coalition believes that where behavioural outcomes are highly uncertain such estimates must be made on observed behaviours and previous experience rather than assumed outcomes. On this basis the Coalition contends that the evidence to date suggests the Government's new policies on border protection have not reduced the number of asylum seeker arrivals and therefore it is inappropriate to base revised estimates on the assumption of no further arrivals of boats.

This issue goes to the heart of the integrity of the budget estimates and the reliance that the Coalition can place on the numbers while compiling its own policy costings.

The Coalition further recognises that the only set of accounts which are personally signed and verified by the Secretaries of the Departments of Treasury and Finance is the Pre-Election


¹ CHARTER OF BUDGET HONESTY POLICY COSTING GUIDELINES, GUIDELINES ISSUED JOINTLY BY THE SECRETARIES TO THE TREASURY AND THE DEPARTMENT OF FINANCE AND DEREGULATION 2012, p25

Economic and Fiscal Outlook (PEFO). This is distinct from other budget documents that are signed off by the Treasurer and the Minister for Finance.

It is our expectation that the PEFO produced following the issuing of the writs for the coming election will be a full, frank and honest depiction of the state of the economy and of the Budget, including expenditure relating to asylum seekers.

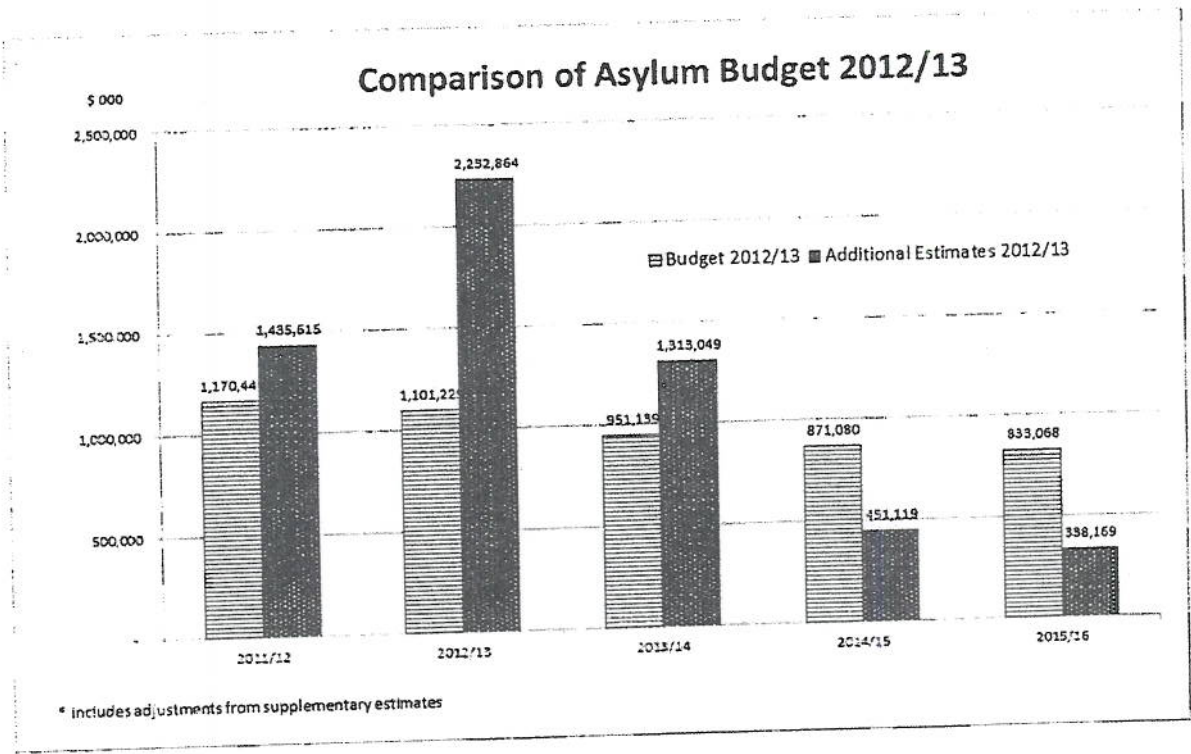
The Coalition eagerly awaits your reply.

Yours ~~sincerely~~,

 The Hon. Joe Hockey MP
Shadow Treasurer

Mr Scott Morrison MP
Shadow Minister Immigration and Citizenship

Attachment A



Attachment B

