

Senate Finance and Public Administration Legislation Committee

ANSWER TO QUESTION ON NOTICE

Finance and Administration Portfolio

Department of Finance and Administration

Budget Estimates Hearing – May 2006

Question: F13

Outcome 1, Output 1

Topic: Defence Efficiency Dividend

Hansard Page: F&PA 73, 24 May 2006

Senator Sherry asked:

Dr Watt—It is 1¼ per cent. The matured dividend is 1¼ per cent but I am not aware of the actual rate of the defence phase-in at the moment. We can find out that for you.

Senator SHERRY—Could you take that on notice. Do you know the phase-in period for the non-operational expenses? Mr Bowen—We will check that.

Senator SHERRY—And is that the only exception to the 1.4 per cent?

Dr Watt—One and a quarter per cent. Senator SHERRY—Sorry, 1.25 per cent.

Dr Watt—No. The ABC and the SBS do not pay the efficiency dividend, because they have triennial funding arrangements. CSIRO pay it only on their administrative component under their triennial funding arrangement. There may be one or two other small exceptions, but they are the substantial ones.

Senator SHERRY—Perhaps you could take on notice where there are exceptions—if there are any—and what the natures of the exceptions are.

Answer:

(i) On the application and phasing in rate of the Defence Efficiency Dividend (ED):

The ED applies to civilian and non-operational areas of Defence and is being phased in, commencing in 2005-06, at a rate of 0.25 per cent each financial year. It is currently equal to 0.5 per cent. After the phase-in period the ED will apply to Defence at the same rate as for other agencies.

(ii) On the phase in period for non-operational expenses:

In the 2006-07 Budget the application of the efficiency dividend in Defence was broadened to include a further range of civilian and non-operational areas that were not previously subject to the dividend. This increased the level of coverage from 8 per cent to approximately 14 per cent of Defence departmental expenditure.

(iii) On other ED exemptions and their nature:

The Australian Broadcasting Corporation, the Special Broadcasting Service Corporation, the Australian Nuclear Science and Technology Organisation and

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seventy per cent of the Commonwealth Scientific and Industrial Research Organisation's (CSIRO) appropriation are exempt from the application of the efficiency dividend.

The Australia Council, the Australian Institute of Marine Science, and the remaining thirty per cent of CSIRO's appropriation are exempt from the 0.25% increase in the efficiency dividend, announced in the 2005-06 Budget, in respect of appropriations for 2005-06 and 2006-07, as they are subject to triennium funding agreements which end in June 2007.