

IMPACT OF THE ALP'S POLICIES ON THE FISCAL OUTLOOK

The Treasury and the Department of Finance and Deregulation's assessment of the costs of the Australian Labor Party's policies and their impact on the underlying cash balance is set out in the following table.

Indicative underlying cash balance

	2010-11	2011-12	2012-13	2013-14	Total
	\$m	\$m	\$m	\$m	\$m
2010 PEFO underlying cash balance	-40,689	-10,384	3,503	4,546	-43,024
<i>UCB to GDP ratio</i>	-2.9	-0.7	0.2	0.3	
ALP policies					
<i>Final update of the net budget impact of election policies statement¹</i>					
<i>Total impact of measures</i>	123	-546	353	132	62
<i>Impact on public debt interest</i>	3	-7	-12	-1	-18
Underlying cash balance	-40,563	-10,938	3,843	4,677	-42,980
Adjustments by Treasury and Finance to the underlying cash balance					
<i>Adjustments to Final update statement</i>					
<i>Remove impacts included in PEFO</i>					
Building Better Regional Cities	0	61	71	71	203
Housing Affordability Fund	0	-11	-41	0	-52
National Rental Affordability Scheme	-1	-9	-46	-90	-146
<i>Adjusted costings</i>					
Trade Apprentices - Income bonuses	11	-3	15	30	52
Connecting Health Services to the Future	2	-11	-10	18	-1
<i>PDI impact</i>	0	1	2	2	6
Revised indicative underlying cash balance	-40,550	-10,910	3,834	4,708	-42,918
<i>UCB to GDP ratio</i>	-2.9	-0.7	0.2	0.3	
Net impact of ALP policies on the PEFO	139	-525	331	162	106

1. ALP release - *Final update of the net budget impact of election policies statement* of 20 August 2010.

The *Charter of Budget Honesty Act 1998* (the Charter) provides for the Secretary to the Treasury and the Secretary of the Department of Finance and Deregulation to release publicly the PEFO within 10 days of the issue of the writ for a general election.

The 2010 PEFO published an updated fiscal outlook that included, to the fullest extent possible, all decisions taken by the Government before the issue of the writ. The PEFO also presented economic forecasts based on the March Quarter National Accounts. These forecasts were used to underpin the revised expense, capital and revenue estimates.

The PEFO was based on external reporting standards, as required under the Charter.

The update to the fiscal outlook published in this paper is based on the PEFO. The Departments have maintained the economic projections and assumptions set out in the PEFO. In preparing advice on the public debt interest costs as part of this process, the Departments used the technical assumptions on interest rates used in the PEFO.

The Departments have revised the PEFO fiscal outlook only to reflect the cost of the ALP's policies and the associated change in public debt interest costs. To prepare this material, the Departments:

- wrote to the Prime Minister on 29 August 2010 to confirm their understanding of the ALP's policies and to clarify some costing assumptions and the financial implications and funding

sources for a range of election commitments not included in the ALP's release of 20 August 2010. The Prime Minister responded on 30 August 2010;

- costed those policies and commitments not previously costed under the Charter on a 'best endeavours' basis using broadly the same methodology as for Charter costings. Additional information provided by the ALP was used to finalise these costings.
 - One hundred and four of the ALP's election commitments had previously been costed by the Departments under the Charter prior to polling day on 21 August 2010.
 - The eleven remaining election commitments that had not been costed under the Charter prior to the election have now been costed.

The revised fiscal outlook is preliminary as it does not take account of parameter variations to estimates of payments and receipts that would be made by agencies in the case of a full fiscal update such as the 2010-11 Mid-Year Economic and Fiscal Outlook (MYEFO).

Adjustments to budget impact of election commitments

The ALP released the *Final update of the net budget impact of election policies* on 20 August 2010 setting out the impact of the ALP's election commitments on the fiscal outlook. The ALP announced in this statement that its election commitments would result in a cumulative improvement in the underlying cash balance of \$44 million over the four years to 2013-14.

The Departments' assessment is that the ALP's policies would result in a cumulative improvement in the underlying cash balance of \$106 million over the four years to 2013-14.

The difference between the two estimates of the fiscal outlook reflects:

- the inclusion by the ALP of three measures already built into the PEFO baseline – adjusting for this has a small net positive impact on the underlying cash balance;
- the Department of Finance and Deregulation's costing of the Trade Apprentices – Income Bonuses policy using current forecasts for apprentice numbers;
- an adjusted profile for the Connecting Health Services to the Future; and
- the change to public debt interest costs reflecting the revised budget position.

On the basis of the advice received from the Prime Minister on 30 August 2010, the Departments are satisfied that, with one exception, the funding for the commitments that were not included in the ALP's release of 20 August 2010 can be met from within the existing forward estimates. The exception is the proposed offshore migration processing facility. That proposal cannot be costed at this stage because the details of the policy are yet to be settled.

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