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Australian Government
Department of Finance and Deregulation

Mr Dominic English
First Assistant Secretary
Economic Division
Department of Prime Minister and Cabinet
PARKES ACT 2600

Dear Mr English

Completion of costings on new policy proposals from the Australian Greens

Further to my letter of 25 November 2010, I am writing to confirm that Finance has completed its costing for the Government of the new policy proposals submitted by the Leader of the Australian Greens, Senator the Hon Bob Brown.

On 9 December 2010, the following costings were provided to the Minister for Finance and Deregulation, Senator the Hon Penny Wong:

1. Feasibility study and preliminary sketch plan for a pedestrian footpath between London Circuit and Parliament House, Canberra - Attachment A
2. Two options for the Paid Parental Leave Scheme - Attachment B(1) and B(2); and
3. Geographical Disadvantage Test, as a new criterion of Youth Allowance - Attachment C.

In keeping with the joint Finance and Treasury *Guidelines for costing proposals of the Australian Greens*, I have advised Minister Wong to forward the costings to the Prime Minister for passing to Senator Brown.

I have attached a copy of the costings for your information. Copies have also been provided to the Department of the Treasury.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'David Nicol', is written over a light blue circular stamp.

David Nicol
First Assistant Secretary
Budget Group
Department of Finance and Deregulation
10 December 2010

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Australian Government

Department of Finance and Deregulation

NEW POLICY PROPOSAL COSTING FOR AUSTRALIAN GREENS

Name of policy costed:	Feasibility study and preliminary sketch plan for a pedestrian footpath between London Circuit and Parliament House, Canberra
Person making the request:	Senator Brown, Leader of the Australian Greens
Date received from Prime Minister's office:	10 November 2010
Summary of policy:	A feasibility study and preliminary sketch plan for: a) the construction of a pedestrian overpass connecting City Hill to the shared pathway on the northbound side of Commonwealth Avenue; b) better pedestrian crossings where traffic merges with Commonwealth Avenue; and c) improved signage throughout the walk from Civic to Parliament House.
Additional information requested (including date):	Finance sought clarification on 18 November 2010 in relation to environmental and heritage approvals. At the same time, Finance also sought clarification on the timing of the study and construction.
Additional information received (including date):	Not applicable

FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2010-11	2011-12	2012-13	2013-14	2014-15
Underlying Cash Balance (\$m)		-0.370			
Fiscal Balance (\$m)		-0.370			

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions:

The estimates for the feasibility study and preliminary sketch plan are based on an assessment by the National Capital Authority (NCA). The construction of pedestrian bridges is, according to the NCA, unlikely to receive approval under the *Environmental Protection and Biodiversity Conservation* (EPBC) Act on the basis of a heritage assessment.

The construction of pedestrian bridge crossings, of which two or three could be proposed, are estimated, at this stage, to cost in the range of \$2.5 to \$3.0 million each.

Finance considers that, if approved in 2011-12, only the study could be completed in that year. Construction would most likely need to extend to 2012-13. Should plans be required for a larger range of options, or the environmental aspects of the proposal require more in depth analysis, the costs of the study could rise.



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NEW POLICY PROPOSAL COSTING FOR THE AUSTRALIAN GREENS

Name of policy costed:	Paid Parental Leave Scheme – 26 weeks with superannuation payments
Person making the request:	Senator Brown, Leader of the Australian Greens
Date received from Prime Minister's office:	12 November 2010.
Summary of policy:	This policy would extend the Government's current Paid Parental Leave Scheme to 26 weeks of payments and include superannuation payments.
Additional information requested (Including date):	17 November 2010
Additional information received (Including date):	24 November 2010

FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2010-11	2011-12	2012-13	2013-14	2014-15
Underlying Cash Balance (\$m)	-	-12.1	-405.7	-724.6	-760.7
Fiscal Balance (\$m)	-	-12.1	-727.7	-738.2	-772.5

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions.

All figures presented are the difference between the proposed scheme and the Government's existing Paid Parental Leave scheme and are inclusive of both revenue and expense.

All policy elements of the proposed scheme, with the exception of the length of the payment period and the inclusion of superannuation, are to match the Government's current scheme as announced in the 2009-10 Budget measure *Paid Parental Leave*. The main costing assumption is an increase in the number of recipients. This is because the amount paid by a 26 week scheme will, in almost all cases, greatly exceed the value of the Baby Bonus and Family Tax Benefit Part B payments that would otherwise be paid over the same period.

Qualifications.

1 July 2012 has been assumed as the start date for the proposal to allow sufficient time to implement ICT changes to accommodate superannuation payments to enable consultations with employers.

It has been assumed that a greater percentage of eligible recipients will take part in the proposed scheme due to the longer payment period.

Further information

- There is a significant difference in the underlying cash impact in the year of introduction of the scheme. This is caused by parents who become eligible for the Paid Parental Leave in the last 26 weeks of the year receiving a portion of their fortnightly instalments in the following financial year.
- This proposal is expected to generate the following increases to revenue because of additional income tax levied on the Paid Parental Leave payments and the Superannuation Contributions Tax. These figures have been included in the financial implications table above:
\$181.8 million in 2012-13, \$245.7 million in 2013-14 and \$253.4 million in 2014-15.
- The costing fully accounts for interactions between the proposed Paid Parental Leave scheme and Family Tax Benefit Part A and Part B and the Baby Bonus payments. The potential interactions with other family assistance arrangements have been ignored. This treatment is consistent with the method used to cost the Government's scheme.
- Funding for required ICT changes, consultation with employers and increased staffing levels to process a greater number of claims have been included.



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Department of Finance and Deregulation

NEW POLICY PROPOSAL COSTING FOR THE AUSTRALIAN GREENS

Name of policy costed:	Paid Parental Leave Scheme – 18 weeks with superannuation payments
Person making the request:	Senator Brown, Leader of the Australian Greens
Date received from Prime Minister's office:	12 November 2010.
Summary of policy:	This policy would extend the Government's current Paid Parental Leave Scheme to include superannuation payments.
Additional information requested (including date):	17 November 2010
Additional information received (including date):	24 November 2010

FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2010-11	2011-12	2012-13	2013-14	2014-15
Underlying Cash Balance (\$m)	-	-11.7	-115.9	-132.8	-141.1
Fiscal Balance (\$m)	-	-11.7	-115.9	-132.8	-141.1

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions.

All figures presented are the difference between the proposed scheme and the Government's existing Paid Parental Leave scheme and are inclusive of both revenue and expense.

All policy elements of the proposed scheme, with the exception of the inclusion of superannuation, are to match the Government's current scheme as announced in the 2009-10 Budget measure *Paid Parental Leave*. It has been assumed that there is no significant behavioural impact resulting from the introduction of superannuation payments and therefore no change in the percentage of eligible recipients expected to take part in the scheme.

Qualifications.

1 July 2012 has been assumed as the start date for the proposal to allow sufficient time to implement ICT changes to accommodate superannuation payments and to enable consultations with employers.

Further information

- The costs of the proposal are due to the Government payment of the 9 per cent superannuation guarantee on Paid Parental Leave payments, the Superannuation Contributions Tax Rebate for Low Income Earners, and funding for ICT changes and consultation with employers.
- This proposal is expected to generate the following increases to revenue as a result of the Superannuation Contributions Tax. These figures have been included in the financial implications table above:
\$13.6 million in 2012-13, \$5.4 million in 2013-14, and \$5.7 million in 2014-15.



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NEW POLICY PROPOSAL COSTING FOR AUSTRALIAN GREENS

Name of policy costed:	Youth Allowance – Geographical Disadvantage Test
Person making the request:	Senator Brown, Leader of the Australian Greens
Date received from Prime Minister's office:	5 November 2010
Summary of policy:	<p>The proposal would introduce a new eligibility test for independence for Youth Allowance purposes. A university student would be classified as independent for Youth Allowance purposes if the student:</p> <ul style="list-style-type: none">- lives away from home to attend university,- has a parental home more than 90 minutes away from the place of study, and- has parents with a combined income of less than \$150,000. <p>This would be the sole criteria needed to establish independence for students in this group.</p>
Additional information requested (including date):	Additional information was requested on 17 November 2010. Questions and answers are at Attachment A.
Additional information received (including date):	Additional Information was received on 24 November 2010. Questions and answers are at Attachment A.

FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2010-11	2011-12	2012-13	2013-14	2014-15
Underlying Cash Balance (\$m)	-0.4	-72.4	-180.6	-253.2	-299.0
Fiscal Balance (\$m)	-0.4	-72.4	-180.5	-253.1	-298.9

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions:

Additional Access to Youth Allowance Payments

- The policy is estimated to provide access to Youth Allowance for up to an additional 23,843 university students annually by 2014-15 who:
 - (a) live away from home, satisfy the 90 minute test and have a combined parental income of less than \$150,000 but who would not currently receive Youth Allowance because their parental income is above the cut-out point under the existing parental income test (currently \$93,309 for a family with one Youth Allowance recipient); or

(b) live away from home, satisfy the 90 minute test, have a combined parental income above the cut-out point for the parental income test but below \$150,000 and who would have lost their eligibility to receive Youth Allowance entirely as a result of the 2009-10 Budget measure *An Innovative and Higher Education System for the 21st Century – Youth Allowance workforce participation criteria*.

- Both affected groups would be classified as independent students for Youth Allowance purposes and no longer lose access due to the current parental income test.
- These students would each receive an estimated average of \$335.59 in 2012 per fortnight (indexed) in Youth Allowance (the average payment amount for independent students) as well as Student Start-Up Scholarship payments of \$2,128 in 2012 (indexed) per year.

Higher Youth Allowance Payments for Existing Recipients

- The policy is estimated to provide an increase in Youth Allowance payments for up to 15,779 university students annually by 2014-15 who are dependent and living away from home, who satisfy the 90 minute test, and whose combined parental income is below \$150,000. There are two affected groups:
 - (a) dependent students who would not have sought independence through the workforce participation criteria; and
 - (b) students who would have sought independence through the workforce participation criteria but who were re-classified as dependent as a result of the 2009-10 Budget measure *An Innovative and Higher Education System for the 21st Century – Youth Allowance workforce participation criteria*.
- Both groups would receive a higher average payment, estimated to be an additional \$112.65 in 2012 per fortnight (indexed), as a result of establishing or re-establishing their independence.
- These students would also forgo their Relocation Scholarships entitlements (only available to dependent students) of approximately \$2,000 in 2012 (weighted average per student) per year.

Qualifications.

- The costing assumes that the policy will not lead to an increase in the proportion of students living away from home.
- The costing of this proposal reflects the unwinding of policies which are yet to take full effect and therefore relies on data and assumptions used in related Government costings.
- The costing excludes other flow on entitlements available to Youth Allowance recipients such as Rent Assistance.
- The costing assumes that no tapering arrangements will apply to the proposed parental income threshold of \$150,000. Further, the costing assumes that this threshold would not increase for those Youth Allowance recipients whose parent's have more than one child receiving Youth Allowance payments.
 - Note that a static parental income test is inconsistent with current Youth Allowance arrangements. Under the current arrangement, Youth Allowance payments reduce by 20 cents for every dollar above a parental income of \$44,165 in 2010 (indexed). Based on a family with one Youth Allowance recipient, the current parental income cut-off point for Youth Allowance payments is \$93,309. The current cut-off point increases to \$142,454 for a family with two Youth Allowance recipients.

- Should this proposal be considered by Government, it would be formally costed in consultation with the Department of Education, Employment and Workplace Relations. This may lead to some refinement in the application of available data.

Further information

- The proposal has been costed as a demand driven initiative due to commence on 1 January 2012.
- Using the assumptions and methodologies outlined, the estimated administered impact (underlying cash) is:
 - 2010-11: nil
 - 2011-12: \$70.3 million
 - 2012-13: \$175.3 million
 - 2013-14: \$245.8 million
 - 2014-15: \$290.4 million
- The estimated departmental impact (underlying cash) for the service delivery component of the proposal is:
 - 2010-11: \$0.4 million
 - 2011-12: \$2.1 million
 - 2012-13: \$5.3 million
 - 2013-14: \$7.4 million
 - 2014-15: \$8.6 million
- The costing excludes those university students whose independence was established by the 2010-11 Budget measure *Student income support – extending eligibility*. This measure granted independent status to those students who needed to move away from home to study and whose parental home is located in an area defined as outer regional, remote and very remote.
- Departmental data including university student statistics published by the Department of Education, Employment and Workplace Relations was used to cost the proposal. Data was also sourced from the Australian Bureau of Statistics and the Review of Australian Higher Education (the Bradley Review).

Attachment A

Geographical Disadvantage Test, as a new criterion of Youth Allowance

- (1) What date will the policy apply from? The policy would require legislative change so it seems the earliest it could apply would be 1 July 2011.

Ideally 1st Jan 2012

- (2) The policy proposal refers to 'Independent Rate'. Can you confirm that 'independent rate' is intended to mean the 'away from home' rate?

Yes, the rate should be calculated on the maximum away from home rate.

The maximum rate of Youth Allowance is differentiated on the basis of whether the student lives at home or away from home, not on the basis of whether the student is dependent or independent. Independent YA students are not subject to the parental income test.

- (3) Can we confirm that the policy will extend the concessional arrangements available to 2008 gap year students (2010-11 Budget Paper 2, page 160) to all students. This would mean that students in the affected group would benefit by being able to establish their independence under a more generous set of workforce criteria (as per gap year students) but would still need to establish their independence through more than living away from home, having a parental home which is 90 minutes from the university of choice and a parental income less than \$150,000 per annum.

This would mean that from the start date, all students with a parental home which is 90 minutes from the university of choice, who are living away from home and whose parental income is less than \$150,000 per annum would be able to establish independent status on the basis of the full range of workforce independence criteria (three criteria). All other students would only be able to establish their independence on the basis of a reduced number of criteria (one criteria as per page 159, 2009-10 Budget Paper 2).

Under current arrangements, from 1 January 2011, only students living away from home whose parental home is located in a remote, very remote or outer regional area, from living away from home and with a parental income of less than \$150,000 will be able to establish independent status under the full range of workforce independence criteria. The Australian Greens proposal would apply this concessional arrangement more broadly.

No, this proposal is a separate criteria for eligibility. It is not intended to extend to the concessional arrangements that had been made for 2009 gap year students. It should also be noted that this is a new criteria that would replace the arrangements in place for students from remote, very remote or outer regional areas, who will be able to establish independent status under the full workforce independent criteria.

- (4) Can we confirm that while affected students would be eligible for the maximum rate (\$377 per fortnight) they would be subject to the full range of income and assets test (depending on whether they are able to establish their independence).

Yes.