



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Richard Di Natale
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Defence Spending* (letter of 23 June 2016).

The response to this request will be released on the PBO website (www.pbo.gov.au).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

24 June 2016



Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Defence Spending
Summary of proposal:	<p>The proposal would reduce the amount of expenditure on defence from 2017-18 to arrive at 75 per cent of total Defence expenditure projected for 2020-21. Defence funding would thereafter be maintained at 1.5 per cent of Gross Domestic Product (GDP).</p> <p>The proposal would have effect from 1 July 2017.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	23 June 2016
Date costing request received:	23 June 2016
Date costing completed:	24 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by \$14,111 million over the 2016-17 Budget forward estimates period. This impact reflects a decrease in departmental expenses including capital investment. This proposal would have an ongoing impact that extends beyond the forward estimates period. The impacts over 2016-17 to 2026-27 are included at [Attachment A](#).

This costing is considered to be of medium to high reliability. Although the costing is based on the 2016 Defence White Paper projections, the amount of future uncommitted funds is uncertain.

Table 1: Financial implications (outturn prices)^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	2,159.0	4,597.0	7,355.0	14,111.0
Underlying cash balance	-	2,159.0	4,597.0	7,355.0	14,111.0

(a) A positive number represents an increase in the relevant budget balance, a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Key assumptions

It has been assumed that there would be sufficient future uncommitted funds to meet the savings profile.

Methodology

Baseline estimates of defence expenditure used in this costing are the 2016-17 Budget estimates over the period 2016-17 to 2019-20 and 2016 Defence White Paper projections across the medium term.

Defence expenditure estimates under the proposal were calculated by reducing the baseline estimates by 6.25 per cent per annum cumulatively over the period 2017-18 to 2020-21. For 2021-22 onwards, annual defence expenditure was calculated at 1.5 per cent of projected GDP.

Data sources

- 2016-17 Defence Portfolio Budget Statements, p. 104
- 2016 Defence White Paper, p.180

Attachment A: Defence Spending—financial implications

Table A1: Defence spending – Financial implications (outturn prices)^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Impact on fiscal and underlying cash balances – expenses													
Defence expenditure	-	2,159.0	4,597.0	7,355.0	14,111.0	10,596.0	14,287.0	16,464.0	17,795.0	18,723.0	19,758.0	20,845.0	132,579.0
Total	-	2,159.0	4,597.0	7,355.0	14,111.0	10,596.0	14,287.0	16,464.0	17,795.0	18,723.0	19,758.0	20,845.0	132,579.0

(a) A positive number for the underlying cash and fiscal balances indicates a decrease in expenditure.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.