



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, *Innovation – Driving research and development through the Future Fund* (letter of 28 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

29 June 2016



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

Name of proposal:	Innovation – Driving research and development through the Future Fund
Summary of proposal:	This proposal would require 3 per cent of the Future Fund’s total asset holdings to be dedicated to Australian innovation, venture capital and impact investing. This proposal would commence on 1 September 2016.
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	21 May 2016
Date costing request received:	28 June 2016
Date costing completed	29 June 2016
Additional information requested (including date):	On 28 June 2016, the Parliamentary Budget Office contacted advisers in Senator Di Natale’s office to clarify the amount of the Future Fund’s investments that would be subject to the 3 per cent requirement.
Additional information received (including date):	On 28 June 2016, Senator Di Natale’s office confirmed that the proposal would require the Future Fund to dedicate 3 per cent of its total asset holdings to Australian innovation, venture capital and impact investing (approximately \$15 billion over 4 years).
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would not be expected to have an impact on the fiscal or underlying cash balances as it represents a redirection of existing investments which would be unlikely to have a material impact on the Future Fund’s overall rate of return on investment.

This costing is considered to be of medium reliability. The costing relies on the assumption that the Future Fund would continue to achieve the same rate of return on its investments overall.

Table 1: Financial implications (outturn prices)

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-	-	-	-
Underlying cash balance	-	-	-	-	-

- Indicates nil.

Key assumptions

- There would be no impact on departmental costs as the aggregate investment of the Future Fund would not change.
- There would be no costs or barriers to redirecting 3 per cent of current Future Fund investments.
- New investments would not materially alter the Future Fund’s overall rate of return on investment.

Data sources

- Future Fund Investment Mandate, available at:
<https://www.legislation.gov.au/Details/F2015L00104>