



Parliament of Australia
Parliamentary Budget Office

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

Dear Senator Di Natale

Please find attached a response to your costing request, *Forests for our Future* (letter of 29 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:	Forests for our Future
Summary of proposal:	<p>The proposal would</p> <ul style="list-style-type: none">• Provide \$25 million of capped funding for a comprehensive review of Regional Forest Agreements and native forest management, and to develop a transitional plan beyond the expiry of the current Regional Forest Agreements.<ul style="list-style-type: none">– This review is to report by 2018, including the transitional plan and associated recommendations.• Commit \$20 million of capped funding over the 2016-17 Budget forward estimates period for research and development in the plantation forestry sector.• Commit \$3 million of capped funding to contribute to the establishment of a national farm forestry cooperative for farmers. <p>Departmental costs would be met from outside the capped funding.</p> <p>The proposal would have effect from 1 September 2016.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	19 June 2016 http://greens.org.au/forests http://greens.org.au/sustainable-wood-products
Date costing request received:	29 June 2016
Date costing completed:	29 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$49 million over the 2016-17 Budget forward estimates period. This impact is due an increase in administered expenses of \$20 million and an increase in departmental expenses of \$29 million over the 2016-17 Budget forward estimates period.

A breakdown of the financial implications is provided at [Attachment A](#).

This costing is considered to be of high reliability as it is based on specified capped amounts. However, no analysis has been undertaken on whether the funding provided would be sufficient to achieve the policy objectives of the proposal.

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

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-26.0	-23.0	-	-	-49.0
Underlying cash balance	-26.0	-23.0	-	-	-49.0

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

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

- Indicates nil.

Key assumptions

The review of Regional Forest Agreements would take one year to complete.

Despite the implementation date of 1 September 2016, \$10 million in funding for research and development in the plantation forestry sector would be delivered in 2016-17.

The expenditure profile for the capped funding amounts in this costing is as set out in the estimated financial implications of the proposal in the costing request.

Methodology

Administered expenditure estimates are as specified in the request.

Departmental expenses for the Research and Development in the plantation forestry sector are in addition to capped amounts as specified, and are based on other comparable initiatives. These estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Departmental expenses for the review of Regional Forest Agreements and the establishment of a national farm forestry cooperative reflect the capped funding amounts specified in the request.

Data source

The Department of Finance provided indexation and efficiency dividend parameters.

Attachment A: Forests for our Future—financial implications

Table A1: Forests for our Future—Financial implications^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered					
Research and development in the plantation forestry sector	-10.0	-10.0	-	-	-20.0
Departmental					
Research and development in the plantation forestry sector	-0.5	-0.5	-	-	-1.0
Review of Regional Forest Agreements	-12.5	-12.5	-	-	-25.0
Establishment of a national farm forestry cooperative	-3.0	-	-	-	-3.0
Total - departmental	-16.0	-13.0	-	-	-29.0
Total	-26.0	-23.0	-	-	-49.0

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

- Indicates nil.