



**Parliament of Australia**  
**Parliamentary Budget Office**

**Phil Bowen PSM FCPA**  
**Parliamentary Budget Officer**

Senator Christine Milne  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request, *Cancel the Joint Strike Fighter Program* (letter of 14 August 2013).

The response to this request will be released on the PBO website ([www.aph.gov.au/pbo](http://www.aph.gov.au/pbo)).

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

20 August 2013

## COSTING – ELECTION CARETAKER PERIOD

<b>Name of proposal to be costed:</b>	<b>Cancel the Joint Strike Fighter Program</b>
Summary of proposal:	The intention of the proposal is to cancel the purchase of Joint Strike Fighters.  The proposal will have effect from October 2013.
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	14 August 2013
Date costing completed:	20 August 2013
Date of public release of policy:	28 February 2013
Agencies from which information was obtained:	Department of Defence (Defence)

### Costing overview

This proposal is expected to increase both the underlying cash balance and fiscal balance by \$805 million over the 2013-14 Budget forward estimates period. This is entirely due to a decrease to expenses.

This proposal will have an impact that extends beyond the forward estimates period. Total savings are estimated to be approximately USD \$13 billion, based on the ANAO audit report (see Data section) estimate of the full cost of the Joint Strike Fighter project.

This costing reflects the Pre-Election Economic and Fiscal Outlook 2013 (PEFO) and a start date of October 2013. The costing has been undertaken consistent with exchange rates used in PEFO 2013.

This costing is considered to be of high reliability as it is based on updated expense amounts for the Joint Strike Fighter program over the 2013-14 Budget forward estimates period.

The estimates in this costing differ from those presented in the applicant's costing request because of changes to the estimated costs over the 2013-14 Budget forward estimates period, principally the change between the 2013-14 Budget and PEFO in the AUD to USD exchange rate assumption.

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	7.8	140.9	205.5	451.2
Fiscal balance (\$m)	7.8	140.9	205.5	451.2

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms.

## **POLICY COSTING – ELECTION CARETAKER PERIOD**

### **Key assumptions**

The expense profile is as specified in the information provided by Defence for the 2013-14 Budget forward estimates period, which also includes commitments requiring repayment in the event of contract terminations.

### **Methodology**

The estimates are those provided by Defence for the 2013-14 Budget forward estimates period.

### **Data sources**

ANAO audit report, No. 6, 2012-13, Management of Australia's Air Combat Capacity – F-35A Joint Strike Fighter Acquisition, available:

<http://www.anao.gov.au/~//media/Files/Audit%20Reports/2012%202013/Audit%20Report%206/201213%20Audit%20Report%20No%206%20OCRed.pdf>