



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, *Withdrawal from Afghanistan* (letter of 29 August 2013).

The response to this request will be released on the PBO website (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

} September 2013

COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Withdrawal from Afghanistan
Summary of proposal:	<p>The proposal would withdraw all Australian troops from Afghanistan as soon as possible and reduce the 2013-14 Budget Measure: <i>Middle East Area of Operations – continuation of Australia’s military contribution</i> by the amount that is not directly related to the withdrawal of Australian troops from Afghanistan.</p> <p>The proposal would have immediate effect following the 2013 Federal Election.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	29 August 2013
Date costing completed:	3 September 2013
Date of public release of policy:	14 July 2013
Agencies from which information was obtained:	Department of Defence

Costing overview

This proposal is expected to increase both the underlying cash balance and fiscal balance by \$559.3 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a decrease in expenses.

The figures in this costing differ from the figures in the costing request as this costing reflects troops being returned to Australia by the end of March 2014 as opposed to the figures in the applicant’s request which reflect troops being returned to Australia by the end of December 2013.

This costing is considered to be of medium reliability due to the uncertainty regarding the timing of withdrawal from Afghanistan.

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	170.7	178.1	130.2	80.3
Fiscal balance (\$m)	170.0	178.1	130.2	80.3

(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 PBO has assumed that:

- the ADF can withdraw all personnel from Afghanistan and the wider Middle East Area of Operations (MEAO) over the next six months (ie from October 2013 to March 2014). This timeframe is based on the time it took to withdraw troops from Timor-Leste after combat operations ceased (four months) taking into account the relative size of the Australian contingent in Afghanistan compared to the number deployed to Timor-Leste, and
- no additional costs would be encountered by withdrawing troops from Afghanistan at a quicker than anticipated rate.

Methodology

The cost estimate is based on information provided by the Department of Defence which split the cost of the current Budget measure, *Middle East Area of Operations – continuation of Australia's military contribution*, into 'Ongoing Effort' and 'Transition and Redeployment' components.

The PBO has reduced the 'Ongoing Effort' component of the Budget measure by 25 per cent in 2013-14 given the six month timeframe to withdraw troops, and 100 per cent for each remaining year of the forward estimates. The 'Transition and Redeployment' component of the current estimate has not been changed. This would reduce the Australian military contribution to only those personnel required to remediate and withdraw Australian Defence Force equipment from Afghanistan.

Data sources

The Department of Defence.