

# Appendix G – Requirements for, and approach to the preparation of, the post-election report

## Legislative requirements

The post-election report of election commitments is a report that the Parliamentary Budget Officer is required to publish after each general election. The deadline for publishing this report is the later of 30 days after the end of the caretaker period, or seven days prior to the first sitting of the new Parliament.

This report must include estimates of the fiscal impacts of the election commitments made by major parliamentary parties and may include estimates for minor parties and independent parliamentarians if they choose to be included.<sup>1,2</sup> In the lead-up to this general election, the Parliamentary Budget Office (PBO) provided minor parties and independent parliamentarians with the option to be included, however none exercised this option.

For each parliamentary party that is included in this report, the post-election report must include the financial impact of all of the election commitments that the Parliamentary Budget Officer reasonably believes would have a material impact on the Commonwealth budget estimates. This report must also include the total combined impact of each party's election commitments on the budget estimates over the 2019–20 Budget forward estimates period (the budget year and the following three years). For the first time, the 2019 post-election report includes information on the aggregate medium term impact of election commitments, which extends the analysis to 10 years after the budget year.

## Major parliamentary parties

The major parliamentary parties of the 45<sup>th</sup> Parliament of Australia were:

- the Liberal Party of Australia, Country Liberal Party, Liberal National Party of Queensland and National Party of Australia, treated as a single party (the Coalition), with 74 members of the House of Representatives and 31 senators.
- the Australian Labor Party (Labor), with 69 members of the House of Representatives and 26 senators.
- the Australian Greens (the Greens), with one member of the House of Representatives and nine senators.

## Basis for inclusion of election commitments in the report

The election commitments in this report include all election commitments that have been identified by the PBO as policies that parties would seek to have implemented after the election and which

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<sup>1</sup> A major parliamentary party is a political party with at least five members in the Commonwealth Parliament immediately before the caretaker period. The Parliamentary Budget Officer may treat two or more parties as a single party for the purpose of preparing the post-election report. (See Section 7 of the *Parliamentary Service Act 1999*.)

<sup>2</sup> This is the first post-election report of election commitments to offer minor parties and independents the opportunity to have their election commitments costed and included. Further information can be found in *PBO Guidance 01/2018*.

would be expected to have a material impact on the budget. Election commitments that do not have material administrative or departmental impacts, such as those that are regulatory in nature, do not need to be included in this report.

The PBO determined the commitments that are included in this report, and the detailed specifications for these commitments, based on:

- the lists of election commitments that the parties provided to the PBO on the day before the election
- our tracking of election commitments and announcements before and during the caretaker period
- our assessment of the fiscal impact of commitments
- consultations with parties.

The PBO's independent tracking of election commitments has led to some additional election commitments being included in this report, beyond those identified by parties just before the election. It has also led to modifications to the specification of some individual election commitments, where announcements have been judged to have added components to, or otherwise modified, a commitment that relates to a particular area of policy.

## Basis for costing election commitments

The costings presented in this report use the same budget rules and costing conventions, and comparable models and data, as the government uses in preparing the budget. The baseline for the costings included in this report, and the economic parameters underpinning the analysis, were set out in the Pre-election Economic and Fiscal Outlook (PEFO) released on 17 April 2019 by the Secretary to the Treasury and the Secretary of the Department of Finance (the Secretaries).

The costings included in this report have been prepared by either the Parliamentary Budget Officer or by the Secretary of the Department of Finance, in keeping with the *Charter of Budget Honesty Policy Costing Guidelines*.<sup>3</sup> Where costings have been prepared by the Secretary of the Department of Finance, the Parliamentary Budget Officer has taken all reasonable steps necessary to determine that the costings are valid and appropriate for inclusion in the report.

The costings are an assessment of the financial impact of a proposed election commitment on the budget. They estimate how much an election commitment, if implemented, would change the budget surplus or deficit as presented in PEFO. These costings take into account the expected direct behavioural responses to the proposed policy change by people (or other entities) who are directly affected by the policy wherever those responses are likely to have a significant impact on the cost of a proposal.<sup>4</sup>

The costings do not include impacts that could arise due to the effects of a policy proposal on the wider economy, for instance through a change in prices, wages, investment or productivity that can

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3 The latest guidelines were issued by the Secretaries on 8 November 2018. They are available at: <https://www.finance.gov.au/publications/charter-of-budget-honesty-policy-costing-guidelines%3F%3D1/>.

4 The frequently asked questions page on the PBO website provides answers to a wide range of questions about costings. ([https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Frequently\\_asked\\_questions](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Frequently_asked_questions)). The PBO has also issued two information papers that explain in more detail what a costing is and what factors determine the reliability of costings. These are available at: [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Publications/Information\\_papers](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Information_papers).

change the rate of growth of the economy, although the costing documents do include a qualitative statement where the potential for these effects is judged to be significant. These impacts are sometimes referred to as ‘broader economic’, ‘second round’, or ‘indirect’ effects. Broader economic impacts are generally not included in costings because they are highly uncertain in terms of their magnitude and timing. In some cases it is not even clear what the direction of the broader economic effects would be as it depends on additional details such as how the proposal is to be funded. An additional complication in considering broader economic impacts is that the baseline budget projections already include assumptions that may interact with these effects. For example, the medium term budget projections are based on an assumption that there will be ongoing productivity growth at around the average level of the past several decades. This implicitly assumes that there will be ongoing reforms to deliver such an outcome. Including productivity growth impacts for a particular proposal on top of these background assumptions risks overstating the likely level of productivity growth. The PBO’s approach to the treatment of broader economic impacts in costings is consistent with the approach taken in the budget and with the approach taken in other jurisdictions.<sup>5</sup>

Costings prepared by the PBO are based on the best information available, including known details of items already included in the budget. The PBO does not have access to the details of provisions for individual items included in the Contingency Reserve, therefore the PBO’s costings are prepared without any information on the possible impact of any provisions in the Contingency Reserve.

## Financial impacts included in this report

For every election commitment included in this report, estimates of the financial impacts of the commitment over the 2019–20 Budget forward estimates period (2019–20 to 2022–23) are provided.

In the detailed costing documents (included at Appendices D (Coalition), E (Labor), F (the Greens)) these impacts are provided on a fiscal, underlying cash and headline cash balance basis, where relevant. The costing documents also include a more detailed breakdown of the fiscal impacts of proposals by their individual components and by different sources of revenue or expenditure, where relevant. Individual costing documents have been provided for all commitments other than those that involve specified (or capped) amounts of funding. A consolidated table showing all of the capped costings for each party, including a breakdown of the figures into their administrative and departmental components, is provided at the end of these appendices.

This report also provides transparency on the medium term budget impact of selected election commitments for each party. Including the forward estimates period, the medium term covers the period 2019–20 to 2029–30. This information is provided for election commitments that fall into the following categories:

- the top ten proposals, by dollar value, over the period to 2029–30
- commitments that have an impact of over \$1 billion in any given year over the period to 2029–30
- proposals with a materially different impact beyond the 2019–20 Budget forward estimates period.

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<sup>5</sup> For further discussion on the treatment of broader economic effects in costings, see the PBO information paper *Including broader economic effects in policy costings at* [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Publications/Information\\_papers](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Information_papers).

The PBO has determined a ‘materially different impact’ by taking into account factors such as the proportional change in financial impact beyond the forward estimates period and the size of that change.

This report also provides the combined medium term impact of the election commitments for each party on the underlying cash balance as a share of gross domestic product (GDP), as well as the combined medium term impact on receipts and payments as a share of GDP. In assessing the combined medium term impact, the PBO has assumed that in any cases where it has not been made clear that a commitment is terminating, it is ongoing for the purposes of this calculation.<sup>6</sup>

## Aggregate budget impact of a party’s election commitments

The combined impact of each party’s election commitments on the budget is determined by:

- adding together the direct budget impacts of the individual election commitments
- adjusting for interactions between commitments
- applying any overarching commitments, such as the application of a tax cap
- adjusting for an estimate of the public debt interest (PDI) impact of the entire platform.

The PDI impacts of policies are not included in individual costings unless it is an explicit policy objective to affect the level of interest payments, or the policy involves transactions of financial assets (such as loan schemes). In such cases, the PDI impact is generally only included where it represents a material proportion of the aggregate impact of the individual policy on the budget. The total PDI impact of a party’s election commitments takes into account PDI impacts already included in individual policy costings.

There are four key reasons why the fiscal aggregates presented in this report may differ from those presented by parties in their election commitment documents. First, the PBO’s list of individual election commitments may differ from those presented by parties. Second, there may be differences between the PBO’s and party’s costings for individual commitments, including assessments of the impact of interactions between commitments. Third, the PBO’s estimates of the impact of any overarching commitments to cap taxes as a share of GDP may differ from those presented by parties. Fourth, the PBO’s estimates of the overall impact of party commitments on PDI payments may be different. The latter two calculations are complex, with the tax cap calculation depending on estimates of the expenditure and revenue components for each election commitment and an assessment of whether the revenue measures are classified as tax or non-tax revenue in the budget. Furthermore, each of these calculations depended on the final election platform announced by parties which is generally determined during the caretaker period after final costings for individual components against the PEFO baseline have been provided. The PBO legislation does not permit parties to submit confidential costing requests during the caretaker period.

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<sup>6</sup> Detailed guidance material (*PBO Guidance 02/2018: Post-election report of election commitments: medium-term reporting*) was released by the PBO prior to the election to outline the approach that would be undertaken in providing information on medium term budget impacts in the post-election report. This guidance material is available at: [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Guidance\\_for\\_Senators\\_and\\_Members](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Guidance_for_Senators_and_Members).

## Process for consultation with parliamentary parties

The PBO is required to consult with parties on the lists of election commitments included in this report and on the draft report. The consultation process that was undertaken in the finalisation of this report is summarised in Figure G-1 below.

**Figure G-1: Process for consultation with parliamentary parties**

