



29 June 2016

Media release

Reliability of policy costings

“All policy costings, no matter who they are prepared by, are subject to uncertainty,” Parliamentary Budget Officer Phil Bowen stated today. “This can manifest itself in higher or lower outcomes relative to central point estimates.”

“The Parliamentary Budget Office (PBO) explicitly recognises this fact by assigning reliability ratings to all of its costings. The United Kingdom’s independent Office of Budget Responsibility has adopted the PBO’s approach and assigns uncertainty ratings to its costings.”

The Australian Government’s Budget papers also acknowledge uncertainty surrounding the budget aggregates. In the 2016-17 Budget the 90 per cent confidence interval for the underlying cash balance is 3.4 per cent of GDP (\$60 billion).

“The level of uncertainty surrounding a costing varies depending on such factors as data quality, strength of the underpinning assumptions, and the volatility of the costing base. The reliability rating is not a reflection on the quality of the policy proposal or the quality of the costing analysis.”

The PBO issued Technical Note 01/2015 on 30 June 2015 which explains in more detail the PBO’s rationale for, and approach to, the assignment of reliability ratings to its policy costings.

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