

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Budget Estimates 2014  
3 June to 5 June 2014

**Department/ Agency:** Treasury

**Question:** BET 39

**Topic:** Economic parameters

**Reference:** Hansard pg 111, 4 June 2014

**Senator:** Wong

**Question:**

Senator WONG: Okay. You gave an answer in response to me—see on the second page, the last paragraph—where I asked you to talk about the parameter variations, which I think total \$54.4 billion over the forward estimates, and I asked you to break it down. You say in this you decline to provide it to the Senate on the basis 'it would require significant resources to undertake this work'. That is not a basis on which the Senate agrees answers cannot be provided. I am happy to be helpful; if there is a way in which we can construct the question such that it matches better with how you construct the aggregate, I am happy to do that. But I do want to do that, so how would you like us to proceed?

Mr Ray: I will be very honest and say it is the first time I have seen that.

Senator WONG: You construct the aggregates. You have the 54.4. You are affirming it to major variations on page 38-39. The context of this discussion is what the changes in economic parameters do. Do you want to have a look at it?

Mr Ray: We can have a look at that, yes. You are not worried about \$1 million here in a particular program?

Senator WONG: No. If that is the bit that means there is all this work we are going to have a huge fight about—

Mr Ray: That would take us through thousands of entries.

Senator WONG: Yes. I want to get some sense of what is driving the 54.4. Then I will ask the same question in relation to this budget as well.

Mr Ray: What you are asking is for us to split out to the extent we can what the economic parameters are doing rather than other variations.

Senator WONG: And are you able to give me the top 10 variations?

Mr Ray: The top 10 variations are probably already in the budget papers.

Senator WONG: I do not know if that is right, but perhaps we should go to that. You do not do that strictly by quantum. Page 326?

Mr Ray: It is done by quantum in the size of the first year—in this case the budget year—rather than the quantum across the four years.

Senator WONG: I want more detail of the 3.25 and 3.26, particularly on the economic program changes.

Mr Ray: Yes, I understand where you are going. Why don't we take that on notice and see what we can provide?

Senator WONG: Thank you. I would appreciate that. I go to the budget overview, which I am told is a Treasury document.

**Answer:**

**Variations at the 2013-14 MYEFO**

Table 1 shows variations at the 2013-14 Mid-Year Economic and Fiscal Outlook (MYEFO).

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Budget Estimates 2014  
3 June to 5 June 2014

**Table 1**

	Estimates		Projections		Total
	2013-14	2014-15	2015-16	2016-17	
	\$m	\$m	\$m	\$m	\$m
<b>Variations</b>					
<b>Receipts</b>	<b>-6,196</b>	<b>-6,680</b>	<b>-11,359</b>	<b>-12,531</b>	<b>-36,765</b>
Tax receipts	-6,304	-7,995	-11,202	-12,310	-37,810
Non-tax receipts	109	1,315	-157	-221	1,045
<b>Payments(a)</b>	<b>-462</b>	<b>-2,600</b>	<b>-6,609</b>	<b>-8,082</b>	<b>-17,752</b>
<b>less Net Future Fund earnings</b>	<b>-75</b>	<b>-9</b>	<b>-51</b>	<b>-20</b>	<b>-156</b>
Total parameter and other variations impact on underlying cash balance	<b>-6,582</b>	<b>-9,272</b>	<b>-17,916</b>	<b>-20,592</b>	<b>-54,362</b>
<b>Includes</b>					
Impact of economic parameter variations(b)	-641	-884	-2,707	-3,217	-7,449

(a) Impact on underlying cash balance.

(b) This only includes the impact of economic parameters on payments and non-tax receipts.

Variations over the forward estimates totalled \$54.4 billion. Variations to payments and non-tax receipts due to changes in economic parameters (including the impact of changes in unemployment benefit recipients, changes in prices and wages and changes in interest rates and foreign exchange rates) resulted in a decrease in the underlying cash balance of \$641 million in 2013-14 and a decrease in the underlying cash balance of \$7.5 billion over the forward estimates. Revisions to tax receipts forecasts due to parameter and other variations cannot be specifically disaggregated into a separate economic parameter component because the components do not act independently. For example, weakness in tax collections is likely to be also reflected in the economic parameters.

Part 3 of the 2013-14 MYEFO details variations with major impacts on payments and receipts. The profiles of these variations over the forward estimates are shown in Table 2.

**Table 2**

	Impact (cash payments)				Total(a)
	2013-14	2014-15	2015-16	2016-17	
	\$m	\$m	\$m	\$m	\$m
Family Tax Benefit	368	385	112	143	1009
Child Care Benefit and Child Care Rebate	303	530	756	1004	2,594
Private Health Insurance Rebate	237	239	196	200	873
National Disaster Relief and Recovery Arrangements	198	1	-413	0	-214
Unclaimed Monies - refunds	176	0	0	0	176
Medicare Benefits Schedule	164	176	171	148	659
Disability Support Pension	145	143	147	152	587
Research and Development Tax Incentive	128	134	128	-129	519
Age Pension	75	161	206	278	721
Residential Care Subsidies	-26	113	222	168	479
Pharmaceutical Benefits Scheme	-526	-694	-728	-764	-2712
Immigration Detention Network	-358	-687	-512	-549	-2106
Annual revision to schools funding	-125	0	0	0	-125

(a) Totals may not add due to rounding.

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
 Budget Estimates 2014  
 3 June to 5 June 2014

**Variations at the 2014-15 Budget**

Table 3 shows variations at the 2014-15 Budget.

**Table 3**

	Estimates		Projections		Total
	2013-14	2014-15	2015-16	2016-17	
	\$m		\$m	\$m	\$m
<b>Variations</b>					
<b>Receipts</b>	<b>-1,432</b>	<b>2,362</b>	<b>-573</b>	<b>1,247</b>	<b>1,604</b>
Tax receipts	-1,836	1,155	-990	-1,240	-2,911
Non-tax receipts	404	1,207	417	2,487	4,515
<b>Payments(a)</b>	<b>-1,102</b>	<b>167</b>	<b>1,761</b>	<b>-4,430</b>	<b>-3,603</b>
<b>less Net Future Fund earnings</b>	<b>-182</b>	<b>114</b>	<b>124</b>	<b>126</b>	<b>182</b>
Total parameter and other variations impact on underlying cash balance	<b>-2,352</b>	<b>2,416</b>	<b>1,065</b>	<b>-3,309</b>	<b>-2,180</b>
<b>Includes</b>					
Impact of economic parameter variations(b)	-23	-81	100	913	910

(a) Impact on underlying cash balance.

(b) This only includes the impact of economic parameters on payments and non-tax receipts.

Variations over the four years to 2016-17 totalled \$2.2 billion. Variations to payments and non-tax receipts due to changes in economic parameters (including the impact of changes in unemployment benefit recipients, changes in prices and wages and changes in interest rates and foreign exchange rates) resulted in a decrease in the underlying cash balance of \$23 million in 2013-14 and an increase in the underlying cash balance of \$0.9 billion over the four years to 2016-17. Revisions to tax receipts forecasts due to parameter and other variations cannot be specifically disaggregated into a separate economic parameter component because the components do not act independently. For example, weakness in tax collections is likely to be also reflected in the economic parameters.

Statement 3 of the 2014-15 Budget details variations with major impacts on payments and receipts. The profiles of these variations over the four years to 2016-17 are shown in Table 4.

**Table 4**

	Impact (cash payments)				Total(a)
	2013-14	2014-15	2015-16	2016-17	
	\$m	\$m	\$m	\$m	\$m
Disability Support Pension	271	325	245	121	962
Private Health Insurance Rebate(b)	143	300	520	834	1,797
Child Care Fee Assistance	147	298	339	363	1,146
National Disaster Relief and Recovery Arrangements	-316	244	-24	0	-96
Defence payments, mainly in relation to capital purchases	48	186	96	106	436
National Disability Insurance Scheme – State and Territory contributions	62	176	411	2,436	3,085
Illegal Maritime Arrival management costs	-314	-309	-628	-339	-1,590
Income Support for Seniors	-163	-307	-597	-1,070	-2,137
National Health Reform Agreement	-104	-243	-259	-427	-1,034
National Rental Affordability Scheme	-51	-121	-70	-70	-312
Fuel Tax Credits	-22	-119	0	0	-140

(a) Totals may not add due to rounding.

(b) Reflects correction noted on the 2014--15 Budget website

(<http://www.budget.gov.au/2014-15/content/bp1/html/index.htm>).