

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**SUPPLEMENTARY BUDGET ESTIMATES 2013-2014**

Finance Portfolio

**Department/Agency: Department of Finance**

**Outcome/Program: 1/1.1**

**Topic: Previous public estimates of unfunded liability**

**Senator: Wong**

**Question reference number: F14**

**Type of question: 'Hansard' with F&PA page 52, 19 November 2013**

**Date set by the committee for the return of answer: Friday 17 January 2014**

**Number of pages: 2**

**Question:**

**Senator WONG:** As I was saying, Ms Ong, I think it was published in a budget paper; I just cannot find it online. What was the previous public estimate of the increase in the unfunded liability arising from the coalition's policy?

**Ms Ong:** You are talking about the coalition policy for increased indexation?

**Senator WONG:** Yes, correct.

.....

**Senator WONG:** Sorry, Ms Ong. I am simply asking. Prior to the PBO costing—correct?—there was a publicly released figure. My recollection is \$6.1 billion or \$6.2 billion. Do you recall that?

**Ms Ong:** No, I am sorry. I do not recall that. I will have to check it and take it on notice.

**Answer:**

At Attachment A is a copy of a letter sent by the then Minister for Finance and Deregulation, Senator the Hon Penny Wong to Senator the Hon Michael Ronaldson in relation to the costs of the Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010 (the Bill). The letter was publicly available on the website of the then Minister for Finance and Deregulation. The letter references an increase in the unfunded liability of \$6.2 billion in the final paragraph.



**SENATOR THE HON PENNY WONG**  
Minister for Finance and Deregulation

Senator the Hon Michael Ronaldson  
Senator for Victoria  
Parliament House  
CANBERRA ACT 2600

Dear Senator Ronaldson,

I am writing in regard to the following private members bills which are scheduled for debate tomorrow, 10 February 2011:

- *Social Security Amendment (Income Support for Regional Students) Bill 2010*
- *Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010*

Prior to these Bills coming on for debate, and possible vote, I believe it is important that Senators are aware of the financial implication of legislation before the Senate.

The Government is committed to fiscal responsibility and has committed to offset all new spending as part of the Budget process. We will be returning the Budget to surplus in 2012-13.

As far as I am aware, no offsetting saves have been put forward by Senators Nash and Ronaldson respectively. This legislation will therefore negatively impact the Commonwealth Budget.

Attachment A sets out the costs of the proposed legislation. These costs have been provided by the Department of Finance and Deregulation and the Australian Government Actuary.

I also believe it is important that the Government's position on the constitutionality of the two bills is known to the Senate. Advice from the Attorney General, which has previously been tabled in the Senate, makes clear that: 'a proposed law that would appropriate revenue or moneys cannot originate as a private member's bill. A bill for such a law cannot, in any event, originate in the Senate.' This advice is applicable to the legislation listed above, and therefore the bills are unconstitutional.

I have written in similar terms to the Leader of the Australian Greens, Senator Xenophon, Senator Fielding, the Leader of the Opposition in the Senate and Senator Nash.

Yours sincerely

  
**Penny Wong**

Parliament House, Canberra ACT 2600 ~ Telephone: (02) 6277 7400 ~ Facsimile: (02) 6273 4110

**INSERT CLASSIFICATION**

**Attachment A**

Social Security Amendment (Income Support for Regional Students) Bill 2010

Start date of 1 July 2011

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Underlying Cash	\$0.0m	\$60.9m	\$83.1m	\$85.5m	\$87.6m	\$317.1m
Fiscal Balance	\$0.0m	\$61.0m	\$83.3m	\$85.4m	\$87.5m	\$317.2m

Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Underlying Cash	\$0.0m	\$14.0m	\$33.0m	\$53.0m	\$75.0m	\$175.0m
Fiscal Balance	\$0.0m	\$388.0m	\$407.0m	\$426.0m	\$446.0m	\$1,667.0m

Note that the costing includes the DFRB scheme, which is likely to be included in the Bill via an amendment in debate. The Bill as introduced excludes the DFRB.

The Defence Force Retirement and Death Benefits Amendment (Fair Indexation) Bill 2010 will also immediately increase the Commonwealth unfunded liability by \$6.2 billion.