



## Policy costing

Use the Reserve Bank of Australia to establish a People's Bank to provide basic banking services	
Party:	Australian Greens
Summary of proposal:  The proposal would establish a People's Bank, which would make selected retail banking products available through the Reserve Bank of Australia (RBA). Products would include savings accounts with interest rates linked to the RBA cash rate, and mortgages tracking the RBA cash rate for owner-occupiers. Loans would be for up to 60 per cent of the value of a property, up to a maximum of \$500,000.  The proposal would have effect from 1 July 2019.	

## Costing overview

The proposal would be expected to have an ongoing but unquantifiable financial impact.

The Parliamentary Budget Office (PBO) does not have sufficient expertise to reliably estimate the fiscal implications of this proposal. There are substantial uncertainties surrounding the possible implications of the People's Bank for the banking sector and financial markets. The Commonwealth Government is not proposed to make a direct financial contribution to the People's Bank, so there would be no direct impact on the budget from this proposal. There would, however, be direct flow-on effects to the profitability of other loan providers as a result of the proposal. These direct flow-on effects, which depend on the detailed implementation of this proposal and how existing lenders respond to the People's Bank, could be expected to have impacts on the corporate taxes paid by these other institutions and therefore on the Commonwealth Government budget.

Detailed sector-specific analysis and modelling would be required to estimate the likely impacts of the proposal and its financial implications for the Commonwealth Government, and this type of analysis goes beyond the capability of the PBO.

- Modelling would be required to form an assessment of the likely extent to which borrowers would seek loans from the People's Bank. This would largely depend on the interest margin between the loans offered by the People's Bank and other loan providers which, in turn, would depend on sector-specific judgements about how the rest of the industry would respond to the establishment of this new institution. In addition, the responses of other financial institutions, and therefore the impact of the proposal on the Commonwealth Government budget, depend on specific institutional details of the People's Bank which remain to be determined.

- Forming an assessment of the fiscal impact of establishing the People’s Bank would also depend on the detailed administrative cost structure of the proposed People’s Bank and of those other institutions through whom it is proposed such loans could be administered. This information is not readily available to the PBO, or within the Commonwealth Government, for an institution of this scale and would need to be informed by sector-specific expertise and analysis.

**Table 1: Financial implications (\$m)**

	2019–20	2020–21	2021–22	2022–23	<b>Total to 2022–23</b>
Fiscal balance	*	*	*	*	*
Underlying cash balance	*	*	*	*	*

\* Indicates unquantifiable.