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1 September 2010

- The joint Treasury and Finance paper *Budget Impact of Coalition Policies* was provided to the Independents and Mr Abbott.
- This paper included a reduction of \$900 million over four years to expected public debt interest (PDI) savings from reversing the Government's policy to build the National Broadband Network (NBN).
 - This amount is the difference between the NBN saving identified in *The Coalition's Plan for Real Action for Australia's Future* statement (\$2.436 billion over four years) and the costing that Treasury and Finance prepared.
 - Treasury in consultation with Finance calculated the PDI savings arising from the Coalition's policy not to proceed with the NBN. The saving was \$1.536 billion over the forward estimates (see **Attachment B**).
 - Consistent with the *Costing Election Commitments 2010* Guidelines (released by the Finance and Treasury Secretaries on 11 June 2010), rates and assumptions used in the Pre-Election Fiscal and Economic Outlook (PEFO) were used in the costing. That is, the NBN equity profile and yields included in PEFO were used as the starting point for the costing.

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2. Opposition policy – 31 August 2010 costing

- Amended NBN profile used – **\$1,692m of the \$2,400m in BAF funding** + \$15,900 in non-BAF funding
- Economic Statement/PEFO yields (average rate of **4.9 per cent**)
- This costing of **\$1,536 million** was the basis of the **\$900 million** reduction in the Opposition's save of **\$2,436 million**.

NBN Estimates and PDI - 31 August 2010

(\$m)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Total NBN equity unwind			1,992	4,500	6,400	4,700	17,592
1. BAF funds to be returned or not distributed	0	0	1,692	0	0	0	1,692
2. Non-BAF profile	0	0	300	4,500	6,400	4,700	15,900
3. PDI save on BAF funds to be returned or not distributed ¹	0	0	41	86	90	94	311
4. PDI save on total non-BAF profile (UCB)	0	0	7	127	400	691	1,225
Total PDI saving (UCB)	0	0	48	213	490	785	1,536

¹ The PDI has been calculated only on the 2010-11 funds no longer required from the BAF or that would be returned from NBN Co. This is estimated by Finance to be \$1,692 million.

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