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The Treasury

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The Hon Tony Abbott MP
Leader of the Opposition
Parliament House
CANBERRA ACT 2600

Dear Leader of the Opposition

COSTING OF ELECTION POLICIES

We are writing to advise you of the methodology that the Treasury and the Department of Finance and Deregulation ('the Departments') will use to advise the independent Members of Parliament ('the Independents') on the costs of Government and Opposition policies and their net impact on the Pre-election Economic and Fiscal Outlook (PEFO).

Providing advice to the Independents is not contemplated by the *Charter of Budget Honesty Act 1998*. The process will therefore differ in that it will be undertaken in accordance with the Additional Guidelines for Post-Election Consultations with Independent Members.

The Departments will use the PEFO published on 26 July 2010 as the base for assessing the impact of the policies of the Government and the Opposition. The Departments will maintain the economic projections and assumptions set out in the PEFO. In preparing advice on public debt interest costs as part of this process, the Departments will use the interest rates used in the preparation of the PEFO.

In order to prepare the best possible advice for the Independents, the Departments will endeavour to cost as many of the policies as possible by Wednesday 1 September 2010. In preparing the costings the Departments will follow broadly the methodology (costing variables, assumptions and conventions) set out in the *Guidelines on the costing of election commitments* under the Charter of Budget Honesty released on 11 June 2010.

We will send to the Prime Minister and you our understanding of Government and Opposition policies on which the Independents have sought advice and some initial issues on which we will seek clarification. We will be seeking your urgent confirmation of the accuracy of these lists and responses to other issues. We will be seeking details of costing assumptions where required. The Departments will also meet with your office to clarify key assumptions or other relevant detail needed to cost the policies. This may be an iterative process, particularly for complex policy proposals.

On completion of their costings, the Departments will, consistent with the Additional Guidelines:


- brief the Government and the Opposition separately on our assessment of the costings of their respective policies and their net impact on the PEFO budget estimates;
- brief the Independents on our assessment of the Government's and the Opposition's policies and their net impact on the PEFO budget estimates; and
- brief the Government and Opposition separately on matters relevant to their particular policies that were discussed with the Independents and not previously discussed with the Government and the Opposition.

We undertake that confidential information provided to the Departments by you to enable the briefing of Independents in accordance with the Guidelines on Post Election Consultations with Independent Members will only be used for the purpose of those briefings. We undertake that it will not be disclosed to persons other than officials of our Departments and other departments where it will be necessary to consult in preparation of costings, unless in accordance with the requirements of law, or with your consent. It will not be disclosed to the Prime Minister or other Ministers or their personal staff.

We undertake that the terms of the briefings provided to the Independents in accordance with the Guidelines on Post Election Consultations with Independent Members will only be used for the purpose of those briefings or briefing in accordance with clause 6 of the Guidelines. I undertake that the terms of the briefings will not be disclosed to persons other than officials of our Departments and other departments where it will be necessary to consult in preparation costings, unless in accordance with clause 6 of the Guidelines, or in accordance with the requirements of law.

We have written in identical terms to the Prime Minister.

Yours sincerely



Ken Henry AC
Secretary to the Treasury



David Tune PSM
Secretary of the Department of
Finance and Deregulation

28 August 2010