

Appendix F – Responses from parties on the draft report

Pursuant to Section 64MC of the *Parliamentary Service Act 1999*, and consistent with previous practice, the Parliamentary Budget Office (PBO) provided to each designated parliamentary party and the independent member for Indi, a copy of the part of the Election Commitments Report at least 48 hours before publicly releasing the report. This set out the costings of that party's election commitments and the total combined impact of those commitments on the budget estimates.

On Friday 13 June 2025, the PBO provided to each party the relevant sections of the report and election commitment costings. Comments were sought by close of business 17 June 2025.

The following formal comments were received:

- Australian Labor Party – advised no formal response
- Coalition – see letter received from Senator Paterson of 20 June 2025 (attached)
- Australian Greens – advised no formal response
- Independent Member for Indi – advised no formal response.



SENATOR JAMES PATERSON
SHADOW MINISTER FOR FINANCE
SHADOW MINISTER FOR GOVERNMENT SERVICES
SHADOW MINISTER FOR THE PUBLIC SERVICE
LIBERAL SENATOR FOR VICTORIA

20 June 2025

Sam Reinhardt
Parliamentary Budget Officer
Parliament House
Canberra ACT 2600

Dear Ms Reinhardt

2025 ELECTION COMMITMENTS REPORT

Thank you for providing an opportunity for the Coalition to provide a final formal response to the Parliamentary Budget Office's (PBO) 2025 Election Commitments Report. I thank you and your officers for your engagement throughout this process.

The recently appointed Leader of the Opposition the Hon Sussan Ley has asked me to respond on behalf of the Coalition as the Acting Shadow Treasurer and Shadow Finance Minister.

Formal Coalition comments for inclusion in the final report:

- 1) Forward estimates improvement: Aside from the impact of disagreement in relation to three policies outlined below, the Coalition notes that this report confirms the total savings over the forward estimates identified by the Coalition in its election costings (to within an aggregate difference of only a few hundred million dollars over four years). The report therefore confirms that the Coalition's election policies would have:
 - a) Improved the aggregate underlying cash balance (UCB) over the forward estimates relative to Labor; and
 - b) Achieved an even larger relative improvement in relation to the headline cash balance (HCB), as well as both gross and net debt.

The Coalition also notes the PBO's acknowledgement that, even with the adjustments noted below, "the PBO's estimates of the financial implications of the Coalition's platform are not materially different from those published by the Coalition prior to the election".

- 2) Entrepreneurship Accelerator Tax Incentive: The Coalition notes the difficult position in which it has been placed by the PBO in relation to the Entrepreneurship Accelerator Tax Incentive. The Coalition adopted this as an election policy on the basis of a PBO costing that its UCB impact would be around \$200 million in total over the forward estimates period. The PBO now advises that its previous costing was incorrect, and

this measure would in fact cost \$1.8 billion over the forward estimates. This means that the PBO is now booking an additional UCB cost to the Coalition of \$1.6 billion in this report, as a result of the PBO's own error. With limited resources, the Opposition relied on the PBO costing in good faith – had we been advised the cost of this measure was \$1.6 billion more, we may not have adopted it as policy.

- 3) Public service policy: The PBO books a reduced saving from the Coalition's public service policy primarily because it assumes the Albanese Government plans to cut the public service by 22,500, including 16,000 in 2026-27. This is despite clear public statements to the contrary from Department of Finance officials and senior Government Ministers. As discussed in depth at Senate Estimates in February 2025, Department of Finance officials explicitly disavowed this assumption, describing such a profile as "a hypothetical exercise" and stating that: "The PBO made their own assumptions in order to determine what the ASL might look like, over the forwards years. As Ms Wilkinson has indicated, we publish in the current year and the forward year but not beyond that. ... They [the PBO] made a series of assumptions to determine what they thought would happen to ASL over that period."

The savings from the Coalition's public service policy are effectively being discounted by being compared to a fictitious budget baseline which the Government has no intention of implementing.

The Labor Party clearly committed during the election to maintaining the size of the public service (i.e. retaining the Government's total announced increase of over 41,000 in public service ASL since mid-2022).

For example, in an Anzac Day report (just eight days before the election), when asked about the size of the APS in the future under Labor (in the specific context of its projected size of 213,000 in 2025-26), Labor's Minister for the Public Service and Finance Minister, Katy Gallagher, said "We actually think that the staffing level is about right". She further went on, in the same article, to state:

"Look, there may be some changes across departments and agencies as programs finish and other priorities ramp up, but I think, roughly, the public service is the appropriate size".

Minister Gallagher also repeatedly, in social media statements and interviews during the election campaign regarding the Coalition's proposed 41,000 public service reduction, made explicit statements such as "I will fight to protect these jobs everyday".

None of these numerous public statements, from either Minister Gallagher or her Labor colleagues, ever indicated that Labor would actually be cutting the public service – just by a smaller amount (22,500) than the Coalition.

The only savings measure announced by the Government during the election in relation to the public service was to external contractors, not public servants.

Labor's public position on fully opposing all of the Coalition's proposed public service reductions was so clear that SBS, in its election-morning assessment of the top

10 points of difference between the Coalition and Labor, summarised the Albanese government's position as "pledging no cuts to public servants".

The Coalition therefore notes that in this report, in its section on Labor's election commitments, consistent treatment of the Government and the Opposition would require the PBO to likewise include a multi-billion dollar adjustment to Labor's election costings – to allow for the additional expenditure of not carrying through the 22,500 reduction in public service ASL over the forward estimates that the PBO assumes.

- 4) Nuclear policy: During the last term as part of our nuclear power policy development process, the Coalition sought the assistance of the PBO to cost the construction of nuclear power plants in Australia. We were informed by the PBO that they were unable to cost the building or commissioning of nuclear reactors. As a result, the Coalition sought independent and expert external advice on the basis that the PBO was unable to do such a costing.

Those experts used their significant experience in energy economics and nuclear power to cost our program which had been designed to minimise cost blowouts by incorporating lessons learnt from international programs. It is notable that the expert advice, and our equity profile, used a capital cost slightly higher than that of the CSIRO. Our assumed construction timelines were also consistent with the advice of ANSTO and the IAEA.

The Coalition notes the PBO's views on different historical experiences in nuclear project costs internationally, and we note that different experiences in costs also apply to other infrastructure projects. Where the PBO illustrates a range of international nuclear project costs, the Coalition objects to the inclusion of projects which bear little relation to our program and where there were extreme cost blowouts, especially given our policy was designed to avoid the shortcomings of such projects.

Given the PBO has nevertheless chosen to include such projects, the Coalition further objects to the PBO's decision to exclude lower cost nuclear projects which have a direct relation to the design of the Coalition's policy, including those of South Korea, Japan, Canada, and China.

- 5) Medium term: The PBO assumes a lower gross deficit for Labor over the medium term (to 2035-36) primarily because it assumes the Coalition will stick to a tax-to-GDP ratio of 23.9 per cent, while Labor will allow taxes to rise as a proportion of the economy far beyond that.

Specifically, this report books a UCB cost of over \$140 billion to the Coalition in years six to eleven of the PBO's medium-term projections period, because of the Coalition's commitment to a 23.9 per cent tax-to-GDP cap.

It does not include this cost in the baseline – or hence, presumably, for Labor – on the basis that the Government does not formally commit to this rule – even though, whenever pressed on the matter, Treasurer Chalmers ridicules the idea that Labor will allow the tax-to-GDP ratio to rise to the record levels projected in this report for the early to mid-2030s.

This results in a budget bottom line that appears stronger due to record high tax levels as a share of GDP, even as Labor publicly dismisses criticism of such high tax levels as an unfounded scare campaign.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jim Paterson', with a stylized, flowing script.

SENATOR JAMES PATERSON