Name of proposal costed: Australian Business Growth Fund – Equity Investment

Costing Identifier: COA047

Summary of costing: The proposal would provide a $100 million equity investment in the Australian Business Growth Fund (ABGF) that is to be established with funding from banks and superannuation funds.

The objective is for the ABGF to expand to $1 billion as it matures.

Ongoing or Terminating (including date)(a) Ongoing – however, where the opportunity arises in the future, the Government will look to sell down its stake in the ABGF to appropriate investors.

Person making the request: Prime Minister

Date costing request received: 9 May 2019

Date of public release of policy: 23 April 2019

Date costing completed: 15 May 2019

Additional information requested (including date): N/A

Additional information received (including date): N/A

(a) Ongoing policies continue indefinitely (until a decision is made to cease or alter the program). Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

Financial implications (outturn prices)(b)

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<tbody>
<tr>
<td>Underlying Cash Balance ($m)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Fiscal Balance ($m)</td>
<td>0.0</td>
<td>0.0</td>
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(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.
Where relevant, state that the proposal has been costed as a defined or specified amount.

The proposal has been costed as a defined amount.

Where relevant, include separate identification of revenue and expense components.

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<tbody>
<tr>
<td>Receipts (Dividends from the ABGF)</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Payments (PDI)</td>
<td>0</td>
<td>-1</td>
<td>-2</td>
<td>-2</td>
<td>-2</td>
</tr>
<tr>
<td>Underlying Cash</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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Where appropriate, include a range for the costing or sensitivity analysis.

Not applicable.

Qualifications to the costing (including reasons for the costing not being comprehensive).

The costing assumes, consistent with the costing request, that the increase in public debt interest will be offset by dividends paid by the ABGF to the Australian Government. Reliable predictions of the timing and amounts of returns cannot be made until greater details regarding the investment mandate and timing are known.

Where relevant, explain effects of departmental expenses.

Consistent with the costing request, the costing assumes the Department of the Treasury will absorb any costs associated with its role in supporting the establishment and administration of the ABGF, including reviews of the operation of the ABGF at two, five and nine years.

Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.

Not applicable.

Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).

The $100 million investment will impact on the Australian Government’s balance sheet and result in an equivalent increase in debt. Based on the assumptions in this costing, it does not have an underlying cash or fiscal balance impact beyond the Public Debt Interest (PDI) costs.

Where relevant, include an explanation of the medium term implications of the proposal\(^{(c)}\).

Not applicable.

\(^{(c)}\) Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period.
Background information
Costing methodology used:

The PDI impact is calculated based on an average annual weighted cost of borrowing of around 1.9 percent each year, which is consistent with the 2019-20 Budget and 2019 Pre-election Economic and Fiscal Outlook assumptions. The equity investment of $100 million is assumed to be made evenly over 2019-20.

The costing assumes that the ABGF will be majority controlled and owned by the private sector, with sufficient net returns on its investments to allow a dividend to be paid to the Australian Government equivalent to the PDI costs associated with the Australian Government’s $100 million equity investment.

Behavioural assumptions used.

Not applicable.