Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By:	Australian Labor Party	Proposal No:	A369
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Proposal Title: **LABOR'S PLAN TO ESTABLISH AUSTRALIA'S FIRST GREAT KOALA NATIONAL PARK**

Cluster: Planning and Environment

General Government Sector Impacts

	2014-15 $'000	2015-16 $'000	2016-17 $'000	2017-18 $'000	4 Year Total $'000
Expenses (ex. depreciation)				74,711	74,711
Depreciation					-
Less: Offsets					-
Revenue					-
Net Operating Result:	**-**	**-**	**-**	**(74,711)**	**(74,711)**
Capital Expenditure				1,809	1,809
Capital Offsets					-
Net Capital Expenditure:	**-**	**-**	**-**	**1,809**	**1,809**
Net Lending/(Borrowing):	**-**	**-**	**-**	**(76,520)**	**(76,520)**
Net Financial Liabilities:	**-**	**-**	**-**	**76,520**	

Total State Sector Impacts

	2014-15	2015-16	2016-17	2017-18
Net Financial Liabilities:	**-**	**-**	**-**	**76,520**

Notes and costing assumptions

The policy establishes a new Koala National Park that will stretch for 315,000 hectares from Coffs Harbour to Woolgoolga. The park encompasses 140,000 hectares of existing national park and assumes Forestry Corporation of NSW (FCNSW) will transfer over 170,000 to the National Parks and Wildlife Services (NPWS) on 1 July 2017 for reservation as national park.

Transfer of state forest from Forestry Corporation of NSW to National Parks and Wildlife Service

On the basis of similar past transfers, the transfer of state forest land from FCNSW to NPWS is assumed to occur via equity with no consideration payable. This will result in Office of Environment and Heritage (OEH), recognising land assets at the fair value for a national park, with a corresponding adjustment to equity. FCNSW is assumed to adjust its carrying value of the land to OEH's fair value amount prior to transfer and derecognise the land asset, with corresponding adjustments to its equity.

The effect of the transfer on General Government Sector assets is to increase non-financial assets, being property, plant and equipment, and decrease financial assets, being the investment in other sectors. However, this financial asset is excluded from the calculation of Net Financial Liabilities and no direct impact on this aggregate is expected. There is also no expected direct impact on Net Operating Result.

Impact on Forestry Corporation of NSW dividend and tax equivalent payments

The reduction in high quality sawlogs, low quality logs and poles as a consequence of the transfer of assets will likely result in reduced sales revenue for FCNSW and severance payments as a result of a decreased workforce. This could result in reduced dividend and tax equivalent payments from FCNSW to the General Government Sector.

Costing assumptions continued:

However, potential financial impacts arising from changes to these payments cannot be reliably estimated so have not been included in the costing.

Timber buyback and adjustment

The policy contemplates necessary timber buyback and adjustments packages. Based on past experience, business exit assistance of $64.1 million would be required, plus $50.8 million in redundancy payments. These estimates have regard to volumes of lost harvest, haul and processing and expected numbers of affected workers. Worker retraining, reliant business assistance and mill clean up costs of $4.6 million bring the total package estimate to $119.5 million expected to be incurred over two years from 1 July 2017. Administration costs of $1.5 million per annum are expected, which provides for eight staff and legal, probity and other costs.

On-going management of the new national park

Based on advice from OEH, the costing assumes an additional 150 staff will be employed to manage the new national park, with additional employee related and other recurrent expenditure of $13.5 million in the first year (2017-18), increasing to $26.9 million in the following year (this cost is not included as 2018-19 is outside the forward estimates), reflecting time needed to undertake establishment and recruitment. The costing assumes no significant cost would be incurred for new infrastructure or new visitor facilities at the park, with minor capital expenditure for ongoing maintenance of the land of $1.8 million in 2017-18. Consequential depreciation charges arise.

The policy does not provide any assumptions on possible visitor revenue from the new national park, the PBO notes there would be potential for such revenue to help offset operating costs.