LABOUR'S FISCAL PLAN:
Balancing the budget while investing in New Zealand's future

JUNE 2014

Labour

Authorised by Tim Barnett, 160 Willis St, Wellington

About this paper

This paper lays out the fiscal consequences of Labour's first term policies. It forecasts those consequences through to Fiscal Year 2020/21, which will be the end of Labour's second term.

This is the most comprehensive forecast of the impacts of policies produced by any political party. Even with the resources of government behind it, National has not articulated how it will spend the new operating spending allowance in the next term; Labour has.

Labour uses the Net Core Crown Debt including the New Zealand Superannuation Fund measure of debt. It is logical to include the NZS in the measure of net debt as it is an asset that will be used to allow the Crown to reduce the need to borrow in the future. It is no different from any other Crown financial asset, only the time until the assets are expected to be realised is longer. Both the current government and the previous Labour government produced net debt including NZS figures in the Budget tables.

The first section of this paper shows how these policies achieve Labour's fiscal goals, as outlined above, of paying down the current government's debt; rebalancing government revenue to discourage speculation and back innovation; investing for New Zealand's future; and guaranteeing service levels in health and education.

The second section provides the fiscal tables showing how Labour's policies add up to restrained spending and reduced debt. It also provides an explanation of the major lines within those tables.

The third section provides further detail on the major policies with fiscal impacts. This paper will be updated following the Pre-Election Economic and Fiscal Update.

LABOUR WILL:

- Balance the Budget and run surpluses
- Reduce debt faster than the current government
- Pay off National's debt by the end of our second term
- Make sure the highest income New Zealanders and corporations pay their fair share of tax so we can afford to invest in health, education, and upgrading the economy
- Create fiscal headroom to allow the option of income tax reductions in the second term.

Labour's fiscal strategy

Labour is committed to paying down the debt that has built up under the current government while investing in the public services and economic policies that we need to support our families and transform our economy.

Specific targets:

- Reduce Net Core Crown Debt (including the New Zealand Superannuation Fund) back to 3.0% by the end of Fiscal Year 2020/21.
- Limit new operating spending from new policies to less than the new operating spending allowances for future years projected in Budget 2014 plus the net increase in revenue resulting new policies.
- Use revenue tools to drive economic transformation by removing loopholes that encourage property speculation, while reducing taxation on innovation and investment. This will help achieve Labour's goals of reducing unemployment to 4% by the end of our first term and increasing wages.
- Target tax avoidance, particularly by multi-national corporations.
- Restore contributions to the New Zealand Superannuation Fund.
- Raise working capital for KiwiBuild.
- Maintain and enhance public services that families rely on, particularly health and education, by reducing part of the tax cuts given to the wealthiest New Zealanders by the current government.
- Leave adequate fiscal headroom to allow for tax cuts, improved services, or faster debt repayment in Labour's second term.

Table of contents

Finance Spokesperson's Statement

A solid, growing economy underpins Labour's vision for New Zealand. We need enough jobs so that every Kiwi who wants one can get one. They need to pay well and be secure so our families and communities flourish. To get there, we need smart economic policies that help businesses grow and ensure that working New Zealanders get their fair share of the wealth they create.

It's been a tough six years with high unemployment, insecure work, meagre wage rises and weak growth. Many families have not seen any benefits from the long-promised recovery. Inequality is rising in New Zealand. Homeownership is at a 60-year low and falling. The number of children living in poverty has risen by 40,000 under the current government. Rising inequality is bad for our communities and the economy.

Exporters and manufacturers are still cutting jobs in the face of an over-valued dollar. Our economy is increasingly focused on housing speculation and a few commodity exports, the prices of which have plunged in recent months.

For sustainable growth, we need an economy built on a diverse range of sophisticated, job-rich exports.

That's why Labour has developed a series of policies to upgrade our high-value export sectors. We'll support forestry and manufacturing to create more, well-paying jobs. Monetary policy will be bought into the 21st century so that exporters aren't crippled by an overpriced exchange rate. We expect these policies will help drive unemployment down to 4% by the end of our first term.

The Economic Upgrade, including universal KiwiSaver, Capital Gains Tax, accelerated depreciation, industry training and KiwiBuild, will be at the core of the next Labour government. This will transform the New Zealand economy and support higher incomes and lower inequality.

Through KiwiBuild, Universal KiwiSaver with Variable Savings Rate, CGT, and restrictions on offshore speculation, Labour will stabilise the housing market to restore the Kiwi dream of home ownership and direct more investment into the productive economy.

Labour will invest in housing, education, children, and health so that New Zealand is a fairer and more prosperous place to live.

Underlying these policies are solid fiscal foundations. Labour will run surpluses every year unless there is another significant international downturn or natural disaster. We'll pay off National's record debt by the end of our second term, while building up public assets and, for the first time, putting aside money to make sure the real value of spending in health and education isn't eroded by inflation and population growth.

Rising revenue from the Capital Gains Tax will create the fiscal headroom for the option of income tax reductions in our second term.

That is an ambitious set of goals. It has meant making tough choices; not all the policies we would like to do can be funded. Getting the government's books in order and getting the economy growing after six years of the current government is the priority, and Labour has the plan to achieve it.

Hon. David Parker
Labour Finance Spokesperson

How Labour's policies affect the Crown accounts

Labour will reduce net debt back to the level the current government inherited ...

The previous Labour-led Government made reducing government debt a central priority. In 2008, the New Zealand Government's net debt was less than zero for the first time in history. It increased slightly during the recession to stand at 3.0% of GDP at the end of Fiscal Year 2008/09.

Since 2009, New Zealand's net government debt has increased, from less than $6 billion to $35 billion and from 3.0% to 15.1% of GDP.

Much of the borrowing undertaken by the current government was necessary to pay for government services because the recession hit the tax take and the economy failed to recover as fast under National as had been forecast. The Canterbury earthquakes have also led to billions of dollars of justified borrowing.

But National also contributed to the debt unnecessarily. They cut income tax for the wealthiest New Zealanders during the recession, at a cost of over $4 billion so far. They have failed to make the required contributions to the Cullen Fund for the past five years, during which the Fund has made a 76% return. The Fund estimates that decision has cost it $3.8 billion in net returns.

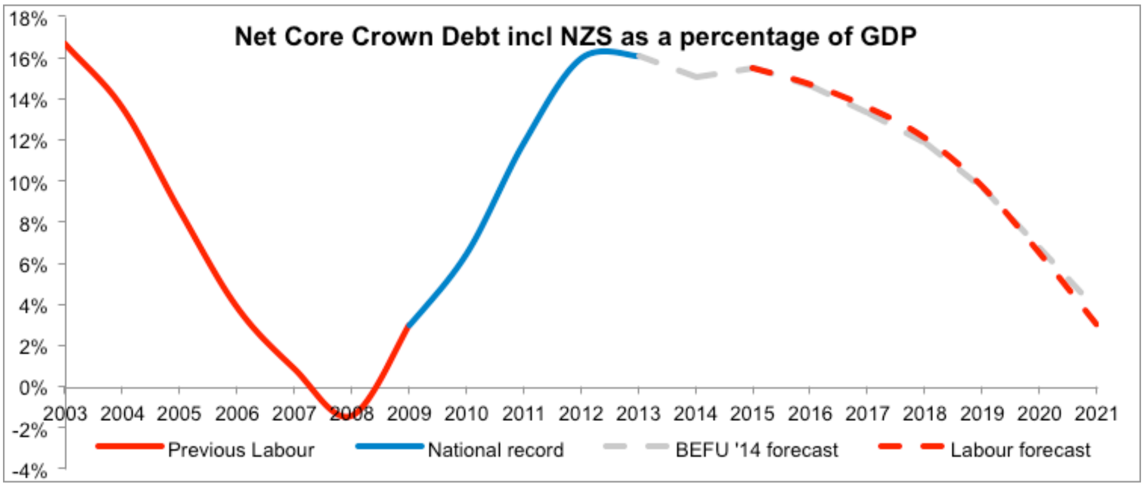
Fixing the mistakes made by the current government and paying down debt so that New Zealand is able to weather future economic storms will be a priority of the incoming Labour-led Government.

Labour will run surpluses and pay down National's debt. By the end of our second term, Fiscal Year 2020/21, our policies will have reduced net government debt back to 3.0%.

Labour will run larger surpluses than forecast in Budget 2014 throughout the forecast period. In the initial years, Labour's net debt track runs slightly (0.3% of GDP) above the Budget 2014 projection as we raise the $1.5 billion of capital that will fund the KiwiBuild programme. From 2018/19, Labour reduces net debt more quickly than the Budget 2014 forecast as Labour's net new spending is less than the new operating spending allowance in Budget 2014. In 2020/21, net debt reaches 3.0% under Labour's policies, which is less than the 3.7% projected in Budget 2014.

Surplus	15/16	16/17	17/18	18/19	19/20	20/21
Labour OBEGAL, billions $	1.291	2.376	3.694	6.473	8.108	9.340
BEFU '14, OBEGAL, billions $	1.262	2.369	3.485	6.055	7.504	8.422
Labour OBEGAL, % of GDP	**0.5%**	**0.9%**	**1.4%**	**2.3%**	**2.7%**	**3.0%**
BEFU '14 OBEGAL, % of GDP	0.5%	0.9%	1.3%	2.1%	2.5%	2.7%
New operating policies impact on OBEGAL	0.051	0.110	0.435	0.784	1.059	1.381
Capital policies impact on OBEGAL	-0.023	-0.104	-0.226	-0.366	-0.455	-0.463
Net Impact on operating balance	0.029	0.007	0.209	0.418	0.604	0.918

Debt track, billions $	15/16	16/17	17/18	18/19	19/20	20/21
Labour net debt including NZS, billions	37.121	35.765	33.024	27.760	19.356	9.426
BEFU'14 - Net Core Crown debt incl NZS, billions	36.962	34.998	32.135	27.405	20.099	11.595
Labour net debt including NZS, % of GDP	**14.7%**	**13.6%**	**12.1%**	**9.8%**	**6.5%**	**3.0%**
BEFU '14 net debt including NZS, % of GDP	14.6%	13.3%	11.8%	9.6%	6.8%	3.7%



... by limiting new spending to what can be afforded ...

Labour is committed to keeping our new spending policies within responsible fiscal limits.

Budget 2014 allows for $1.5 billion of new operating spending each year (rising with inflation). In 2015/16 new operating expenditure is $191 million above the allowance but this is more than offset by new revenue. In subsequent years, new operating expenditure is the same or less than the allowance.

Not all of Labour's policies have been made public yet, but their fiscal impacts have been determined and a total is provided for policies yet to be announced (see tables). Some of these unannounced policies will be revenue reductions and capital allocations but they are accounted for as operating expenditure for the purposes of this paper. As policies are released, these tables will be updated progressively online.

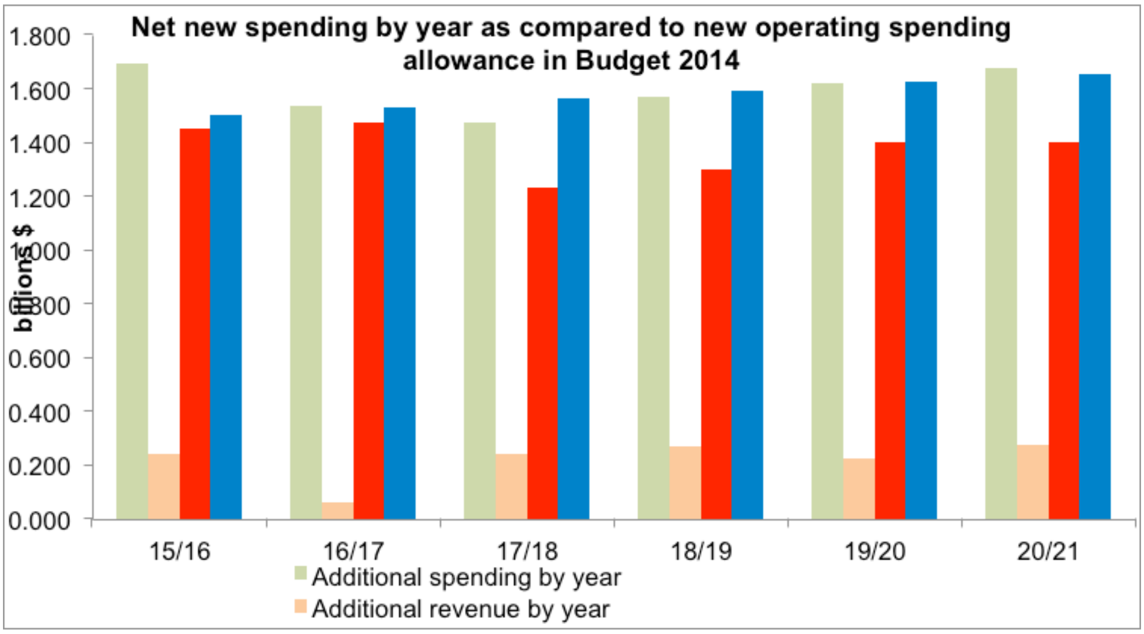
In each year of the forecast period, Labour's spending policies, when offset against new revenue totals less than the existing new operating spending allowance for that year.

In 2015/16 Labour's additional spending totals $1.691 billion, offset by $241 million in additional revenue for a net figure of $1.450, against the new operating allowance for that year in Budget 2014 of $1.500 billion.

By 2020/21, additional spending is $1.673 billion, partially offset by $274 million in additional revenue that year for net new spending of $1.400 billion, against the new operating allowance for that year of $1.656 billion in Budget 2014.

Operating policies by year, billions $*	15/16	16/17	17/18	18/19	19/20	20/21
BEFU '14 new operating spending allowance by Budget	1.500	1.530	1.561	1.592	1.624	1.656
Announced expenditure policies	0.194	0.008	0.099	0.022	0.022	0.009
Net cost of policies still to be announced by year	0.498	0.507	0.353	-0.073	-0.025	0.008
Allowance to maintain service levels, especially in health and education by year	1.000	1.020	1.040			
Second term new operating spending allowances by year (unallocated)				1.592	1.624	1.656
New expenditure by year	**1.691**	**1.536**	**1.492**	**1.541**	**1.621**	**1.673**
New revenue by year	**0.241**	**0.061**	**0.242**	**0.267**	**0.221**	**0.274**
Net new spending by year	**1.450**	**1.475**	**1.250**	**1.275**	**1.400**	**1.400**

***Labour accounts for revenue reductions, such as tax credits, as negative revenue, not expenditure.**



This commitment to restrained net spending means Labour will be able to pay down debt faster than National, and our new policies won't put more pressure on inflation.

... while investing in economic transformation including through revenue reform ...

The primary focus of Labour's revenue policies is using tax measures to enable economic transformation.

Labour will close off tax advantages that promote speculation and clampdown on tax avoidance, particularly by multi-nationals. At the same time, we will cut taxes to facilitate innovation and investment, support savings and reduce power costs to businesses and families.

The measures to discourage property speculation will help to shift money into the productive economy while the measures to discourage tax avoidance will mean that people pay their fair share rather than putting the burden on to others.

These measures are expected to bring in $277 million of additional revenue in 2015/16, rising to $1.706 billion by 2020/21. The increase is principally due to the ramp-up of Capital Gains Tax revenue as that policy takes force.

First term initiatives to discourage property speculation and avoidance, millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Capital Gains Tax	25	100	300	570	790	1035
Trust rate adjustment to maintain alignment with top personal income tax rate	202	282	294	308	322	336
Loss Ring-Fencing	30	130	135	135	135	135
Other Anti-Avoidance Measures	20	100	150	200	200	200
Total	**277**	**612**	**879**	**1213**	**1447**	**1706**

These measures are largely counter-balanced, especially in the initial years, by revenue reductions due to Labour's policies to back investment and innovation, and reduce business costs, while supporting savings.

These measures are expected to reduce revenue by $214 million in 2015/16, rising to $629 million in 2020/21. The increase is largely driven by the R&D tax credit, and partially negated by the lower cost of Universal KiwiSaver over time.

First term initiatives to discourage property speculation and avoidance, millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
R & D Tax Credit	-42	-245	-224	-272	-321	-382
Accelerated Depreciation	-31	-49	-61	-69	-74	-75
Universal KiwiSaver	-141	-112	-121	-130	-125	-77
NZ Power (Net Impact)	0	-88	-90	-92	-93	-95
Total	-214	-494	-496	-563	-613	-629

Together these policies form part of Labour's economic upgrade. They will help to stabilise the housing market and reduce illicit activities, reduce business costs, boost our most innovative, productive companies, deepen the local capital pool for investment, and build a better future.

… building our assets by restoring contributions to the New Zealand Superannuation Fund and investing in KiwiBuild …

Building New Zealand's assets will be a core focus of the Labour Government. Restoring contributions to the Cullen Fund and KiwiBuild are part of that agenda. They necessitate carrying slightly more gross debt than would otherwise be the case but that is offset by the assets created.

Cutting contributions to the New Zealand Superannuation Fund (the Cullen Fund) stands out as one of the current government's most ill-timed and costly mistakes. They have failed to make the required contributions to the Cullen Fund for the past five years, during which the Fund has made a 76% return. The Fund estimates that decision increased net government debt by $3.8 billion.

Labour will restore Cullen Fund contributions starting with payments of $750 million in 2015/16 and $1.5 billion in 2016/17, and returning to full contributions from 2017/18. This will help secure and sustain the future of New Zealand Superannuation.

This means reducing gross debt slightly more slowly than projected in Budget 2014, but that is more than offset by the extra returns that the Fund generates and the extra tax that it pays.

In the outyears, because of the way that the Cullen Fund contribution formula works under s43 of the New Zealand Superannuation and Retirement Income Act 2003, Labour's required contributions to the Cullen Fund become less than those required under the late restart projected in Budget 2014.

In 2015/16, Labour's investment in the Cullen Fund adds $1 million to net debt. By 2020/21, as the returns on the additional contributions compound and outstrip the additional borrowing cost, the earlier restart of contributions reduces net debt by $526 million.

Labour's KiwiBuild policy will see the government build 10,000 affordable houses each year for 10 years and sell them to families. This policy is fiscally neutral over its life. The houses are sold and the building costs are recouped. But an initial capital pool is needed to fund construction.

To finance this programme, Labour will commit $1.5 billion of capital, which will be used to build houses, then recycled as the houses are sold to pay for the next round of house construction. That will mean that reducing net debt slightly more slowly in the initial years of the Labour Government, but this will be more than offset over time by Labour's restrained spending and new revenue policies.

At the conclusion of the KiwiBuild programme, when all the houses have been sold, the net cost to the Crown will be zero and the capital fund will be returned, eliminating the impact on net debt, but that will occur after the forecast period.

Capital policies, billions $	15/16	16/17	17/18	18/19	19/20	20/21
Labour NZS contributions	0.750	1.500	1.679	2.288	2.289	2.259
BEFU '14 NZS contributions	0.000	0.000	0.000	0.000	2.529	2.505
Additional assets in NZS	0.758	2.329	4.191	6.727	6.887	7.052
Additional borrowing from NZS restart impact on debt	0.768	2.343	4.186	6.756	6.880	7.006
NZS restart impact on finance costs	0.018	0.076	0.164	0.282	0.364	0.372
Net impact on net debt of NZS contributions (excluding additional tax, counted elsewhere)	0.010	0.014	-0.005	0.029	-0.007	-0.046
KiwiBuild capital commitment	0.195	0.881	1.395	1.527	1.433	1.336
KiwiBuild impact on finance costs	0.005	0.028	0.062	0.084	0.091	0.091
KiwiBuild impact on net debt	0.200	0.914	1.490	1.706	1.703	1.697
Capital policies impact on OBEGAL	**-0.023**	**-0.104**	**-0.226**	**-0.366**	**-0.455**	**-0.463**
Capital policies impact on net debt	**0.210**	**0.928**	**1.485**	**1.735**	**1.696**	**1.651**

... maintaining and enhancing public services, particularly health and education, funded by reducing part of the tax cuts given to the wealthiest New Zealanders ...

The highest-income New Zealanders have received over $4 billion in tax cuts as a result of National's reduction of the top income tax rate to 33%. Everyone faced a GST increase but GST paid as a proportion of income is lower for people with higher incomes.

Labour will introduce a new Progressive Top Tax Rate to reduce the size of the tax cuts that the highest-income New Zealanders are receiving. This will allow us to fund important policies while paying down National's debt by the end of our second term.

The new Progressive Top Tax Rate will be 36 cents in the dollar on income over $150,000 a year. This will impact 2% of taxpayers, whose average income is over $260,000 a year. The trustee income tax rate will be raised to the same level to stop trusts being used as a tool to avoid tax (note that an exemption already exists so that disabled minors who are beneficiaries of trusts are not taxed at the trustee rate, as other minors are).

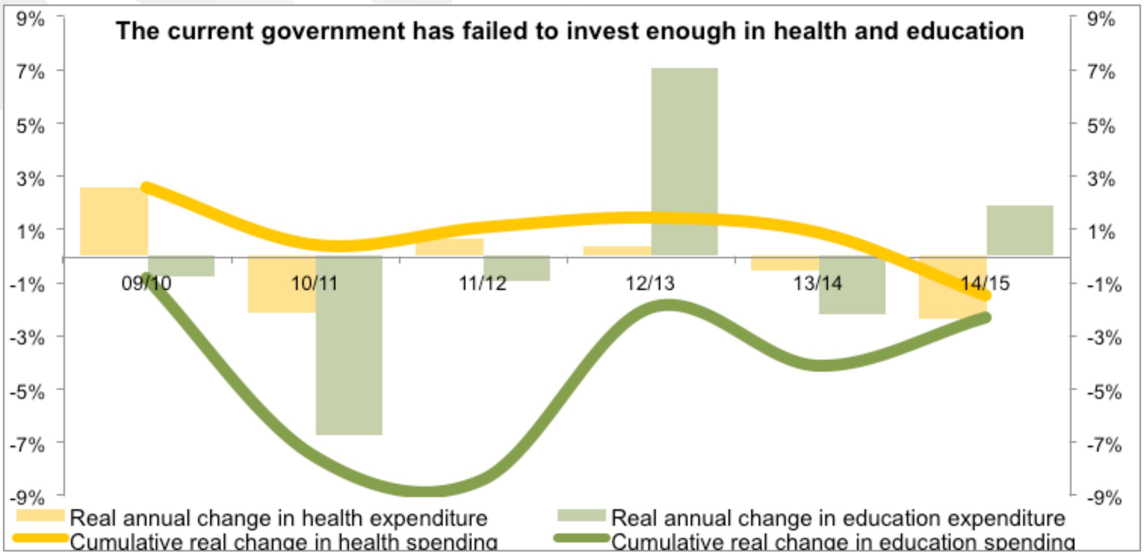
The new Progressive Top Tax Rate will apply from October 1 2015. It will raise $198 million in 2015/16, with a full fiscal year impact of $280 million. This will increase to $350 million in 2020/21 as incomes rise. The revenue from the trustee income tax rate is presented in the table on page 10.

Revenue from new Progressive Top Tax Rate, millions $	15/16	16/17	17/18	18/19	19/20	20/21
New Progressive Top Tax Rate	198	280	295	312	331	350

Every year, health, education, and other public services need a non-automatic funding increase to cope with inflation, the growing population, and the effects of the ageing population.

The current government has failed to put enough new money into health and education to maintain real spending levels. According to Treasury, the current government has failed to invest enough to maintain real spending levels in education in four out of six Budgets and in health in three out of six Budgets. Expenditure on health fell by 2.3% in real terms in Budget 2014 alone.

In total, the real value of health expenditure has declined by 1.5% under the current government while education expenditure is down 2.3% in real terms.



To maintain the real level of investment in health and education services, over $700 million a year is needed. The following table shows the additional funding in excess of what is projected in Budget 2014 that is needed to maintain the real value of health and education spending in future years.

Increase needed to maintain real value of health and education, billions S	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Budget 2015	0.709	0.709	0.709	0.709	0.709	0.709
Budget 2016		0.786	0.786	0.786	0.786	0.786
Budget 2017			0.707	0.707	0.707	0.707
Total required in first three Budgets	0.709	1.495	2.203	2.203	2.203	2.203

Labour is putting aside $1 billion (rising with inflation) each year to meet these cost pressures in health, education, and other public services. This is a commitment of a billion dollars of additional funding each year so that the public services families will rely on won't be squeezed by inflation and demographic change.

Allowance to maintain real value of spending in public services, billions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Budget 2015	1.000	1.000	1.000	1.000	1.000	1.000
Budget 2016		1.020	1.020	1.020	1.020	1.020
Budget 2017			1.040	1.040	1.040	1.040
Total allowance allocated in first three Budgets	1.000	2.020	3.060	3.060	3.060	3.060

This is the first time that any government has allocated money in future Budgets, guaranteeing to maintain the real level of spending in vital services.

It also means that when we announce new policies in these areas it will genuinely be an additional investment, not a cost adjustment in disguise.

Labour has announced the Best Start package of policies that will give our children the best start in life.

Labour will create the Best Start Payment of $60 per week during a baby's first year of life, commencing when Paid Parental Leave finishes and universal for all families earning under $150,000 per year. A Best Start Payment of up to $60 per week between the child's first and third birthdays will be targeted at modest and middle income families. This will replace the current Parental Tax Credit.

Labour will introduce 25 hours of Free Early Childhood Education for New Zealand's three, four and five year old children, an increase from 20 hours. The policy will save all families with a three, four or five year old in ECE full-time or nearly full-time around $25 each week.

Labour will restore the funding cut in Budget 2010 for centres with high numbers of qualified staff, and we will work with the sector to reinstate the policy of 100 percent qualified staff in all teacher-led services. Labour will extend the policy of Free Early Childhood Education for the most vulnerable children earlier than three years of age.

Labour will introduce 26 weeks of Paid Parental Leave. This will provide around 26,000 families a year extra time with their new-born babies. The policy will be phased in over three years: 22 weeks from April 2015 and 26 weeks in July 2017.

Best Start will cost $125 million in the first year, rising to half a billion dollars a year once fully implemented. (Note: these figures have been updated since the policy was launched in January 2014 to take account of relevant policy changes in Budget 2014).

Millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Best Start Payment (revenue reduction)	-33	-150	-229	-272	-280	-273
Abolition of Parental Tax Credit (revenue increase)	6	22	21	21	21	21
Total revenue impact	-27	-128	-208	-251	-259	-252
25 Hours Free ECE	0	0	57	59	61	63
Extend 20 hours free ECE to vulnerable children under 3	5	15	35	50	70	71
Increased funds for 10% qualified ECE centres	32	32	33	34	35	36
Paid Parental Leave - Expand to 26 Weeks	50	40	75	80	80	85
Free Antenatal Classes	3	3	3	3	3	3
10-Week Antenatal Assessment	2	4	4	4	4	4
Expansion of Well Child services	6	6	6	6	6	6
Total expenditure	98	100	213	236	259	268
Total cost of Best Start package	125	229	421	487	518	520

... and leaving options open for the second term.

As Labour pays down National's debt, there will be fiscal headroom in our second term.

Labour has not allocated the new spending allowances in our second term. Most of this will be needed to maintain investment levels in health and education. Any tax cuts in the second term will need to benefit the vast majority of New Zealanders and be fiscally sustainable while not cutting into the money needed to maintain our health and education systems.

Unallocated new operating spending allowance in second term, billions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Budget 2018				1.592	1.592	1.592
Budget 2019					1.624	1.624
Budget 2020						1.656
Total Unallocated new operating spending allowance in second term				1.592	3.216	4.872

Fiscal tables

The following tables detail the projected fiscal impact of Labour's *first term policies* through the first and second terms of the next Labour-led Government. The projection through the second term assumes that first term policies continue and the Budget 2014 new operating spending allowances for those years is fully expended. It may be that those allowances aren't fully expended and debt is reduced more quickly or taxes are cut, instead.

This is the most comprehensive forecast of the impacts of policies produced by any political party. Even with the resources of government behind it, National has not articulated how it will spend the new operating spending allowance in the next term; Labour has.

Underlying these figures are Treasury's economic and fiscal forecasts in Budget 2014. The Labour forecasts simply show the change against those forecasts induced by Labour's policies.

Although Labour's policies to boost economic activity and create jobs such as NZ Power, R&D tax credit, monetary policy reform, and industry upgrades will increase GDP more rapidly than forecast in Budget 2014, the conservative approach that has been taken is for these forecasts to use the same GDP forecasts and consequent fiscal measures as Budget 2014.

Treasury forecasts of the Crown borrowing rate are also used for all calculations involving the impact of policies on finance costs and debt.

Treasury will be updating its forecasts in the Pre-election Economic and Fiscal Update. Labour will update its forecasts accordingly.

Line by line analysis of the fiscal impact of Labour's policies

Surplus	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Labour OBEGAL, billions $	1.291	2.376	3.694	6.473	8.108	9.340
BEFU '14, OBEGAL, billions $	1.262	2.369	3.485	6.055	7.504	8.422
Labour OBEGAL, % of GDP	**0.5%**	**0.9%**	**1.4%**	**2.3%**	**2.7%**	**3.0%**
BEFU '14 OBEGAL, % of GDP	0.5%	0.9%	1.3%	2.1%	2.5%	2.7%
New operating policies impact on OBEGAL	0.051	0.110	0.435	0.784	1.059	1.381
Capital policies impact on OBEGAL	-0.023	-0.104	-0.226	-0.366	-0.455	-0.463
Net Impact on operating balance	0.029	0.007	0.209	0.418	0.604	0.918

Debt track, billions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Labour net debt including NZS, billions	37.121	35.765	33.024	27.760	19.356	9.426
BEFU'14 - Net Core Crown debt incl NZS, billions	36.962	34.998	32.135	27.405	20.099	11.595
Labour net debt including NZS, % of GDP	**14.7%**	**13.6%**	**12.1%**	**9.8%**	**6.5%**	**3.0%**
BEFU '14 net debt including NZS, % of GDP	14.6%	13.3%	11.8%	9.6%	6.8%	3.7%
New operating policies impact on net debt	-0.051	-0.161	-0.596	-1.380	-2.439	-3.820
Capital policies impact on net debt	0.210	0.928	1.485	1.735	1.696	1.651
Total impact of Labour policies on net debt	0.159	0.767	0.889	0.335	-0.743	-2.169

Operating policies by year, billions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
BEFU '14 new operating spending allowance by year	**1.500**	**1.530**	**1.561**	**1.592**	**1.624**	**1.656**
Net increase in revenue/(cost) of announced polices by year	0.048	0.052	0.143	0.244	0.199	0.265
Net cost of policies still to be announced by year	0.498	0.507	0.353	-0.073	-0.025	0.008
Allowance to maintain service levels, especially in health and education by year	1.000	1.020	1.040			
Second term new opeating spending allowances by year (unallocated)				1.592	1.624	1.656
Net new spending by year	**1.450**	**1.475**	**1.250**	**1.275**	**1.400**	**1.400**
New operating policies impact on OBEGAL	**0.051**	**0.110**	**0.435**	**0.784**	**1.059**	**1.381**
New operating policies impact on net debt (cumulative)	**-0.051**	**-0.161**	**-0.596**	**-1.380**	**-2.439**	**-3.820**

Capital policies, billions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Labour NZS contributions	0.750	1.500	1.679	2.288	2.289	2.259
BEFU '14 NZS contributions	0.000	0.000	0.000	0.000	2.529	2.505
Additional assets in NZS	0.758	2.329	4.191	6.727	6.887	7.052
Additional borrowing from NZS restart impact on debt	0.768	2.343	4.186	6.756	6.880	7.006
NZS restart impact on finance costs	0.018	0.076	0.164	0.282	0.364	0.372
Net impact on net debt of NZS contributions (excluding additional tax, counted elsewhere)	0.010	0.014	-0.005	0.029	-0.007	-0.046
KiwiBuild capital commitment	0.195	0.881	1.395	1.527	1.433	1.336
KiwiBuild impact on finance costs	0.005	0.028	0.062	0.084	0.091	0.091
KiwiBuild impact on net debt	0.200	0.914	1.490	1.706	1.703	1.697
Capital policies impact on OBEGAL	**-0.023**	**-0.104**	**-0.226**	**-0.366**	**-0.455**	**-0.463**
Capital policies impact on net debt	**0.210**	**0.928**	**1.485**	**1.735**	**1.696**	**1.651**

Fiscal impacts of First term operating expenditure/ revenue policies, billions $* **						
Announced policies						
Revenue	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Capital Gains Tax	0.025	0.100	0.300	0.570	0.790	1.035
New Progressive Top Tax Rate	0.198	0.280	0.295	0.312	0.331	0.350
Trust rate adjustment to maintain alignment with top personal income tax rate	0.202	0.282	0.294	0.308	0.322	0.336
Loss Ring-Fencing	0.030	0.130	0.135	0.135	0.135	0.135
Other Anti-Avoidance Measures	0.020	0.100	0.150	0.200	0.200	0.200
R & D Tax Credit	-0.042	-0.245	-0.224	-0.272	-0.321	-0.382
Accelerated Depreciation	-0.031	-0.049	-0.061	-0.069	-0.074	-0.075
Universal KiwiSaver	-0.141	-0.112	-0.121	-0.130	-0.125	-0.077
NZ Power (dividend and tax impact)	0.000	-0.088	-0.090	-0.092	-0.093	-0.095
Best Start Payment Tax Credit	-0.033	-0.150	-0.229	-0.272	-0.280	-0.273
Abolition of Parental Tax Credit	0.006	0.022	0.021	0.021	0.021	0.021
Extra tax revenue from restarting NZS Fund contributions	0.008	0.034	0.073	0.099	0.127	0.130
Net increase in revenue from announced policies	**0.241**	**0.302**	**0.544**	**0.810**	**1.032**	**1.305**
Expenditure	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
25 Hours Free ECE	0.000	0.000	0.057	0.059	0.061	0.063
Extend 20 hours free ECE to vulnerable children under 3	0.005	0.015	0.035	0.050	0.070	0.071
Increased funds for 10% qualified ECE centres	0.032	0.032	0.033	0.034	0.035	0.036
Paid Parental Leave - Expand to 26 Weeks	0.050	0.040	0.075	0.080	0.080	0.085
Free Antenatal Classes	0.003	0.003	0.003	0.003	0.003	0.003
10-Week Antenatal Assessment	0.002	0.004	0.004	0.004	0.004	0.004
Expansion of Well Child services	0.006	0.006	0.006	0.006	0.006	0.006
Reading Recovery	0.020	0.040	0.040	0.040	0.040	0.040
Food in schools	0.010	0.020	0.020	0.020	0.020	0.020
Forestry & Wood Products Upgrade	0.008	0.008	0.006	0.006	0.005	0.005
Bowel Screening extension	0.014	0.014	0.014	0.014	0.014	0.014
Extension of Veterans Pension	0.011	0.010	0.008	0.008	0.008	0.008
Action on flood-prone houses; and area-wide rockfall protection structures	0.010	0.010	0.000	0.000	0.000	0.000
100% pay-out for bare land and commercial premises in red-zone	0.023	0.000	0.000	0.000	0.000	0.000
Net increase in expenditure from announced policies	**0.194**	**0.202**	**0.301**	**0.324**	**0.346**	**0.355**
Net increase in revenue/(expenditure) from announced policies	**0.048**	**0.100**	**0.242**	**0.486**	**0.685**	**0.950**
Policies still be announced	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Net cost of policies still be announced* **	**0.498**	**1.005**	**1.357**	**1.284**	**1.259**	**1.267**

*excludes policies funded from baselines or by dedicated new revenue.
** Labour accounts for revenue reductions, such as tax credits, as negative revenue, not expenditure
***These policies are all accounted for here as operating expenditure but some are actually revenue reductions and capital investment
Note: There is doubt as to whether there is proper allowance in the Budget for the Crown's contribution to the Canterbury recovery. We expect this to be fixed in the PREFU. If it is not, we will consider an adjustment for this issue at that time.

Explanation of significant lines in the fiscal tables

Labour OBEGAL

This is the sum of the Budget 2014 OBEGAL (ie. surplus/deficit) forecasts plus Labour's first term policies as they impact on the OBEGAL.

Labour net debt

This is the sum of the Budget 2014 Net Core Crown Debt including New Zealand Superannuation Fund forecast plus the impact of Labour's first term policies on net debt.

Labour's policies affect the net debt track in different ways:

- Labour's operating policies reduce net debt because net expenditure is less than the existing operating allowances plus the net increase in revenue from Labour's policies.
- The capital commitment to KiwiBuild increases net debt over the forecast period.
- The earlier restart of NZS contributions increases net debt slightly in the first years before reducing net debt in the outyears.

Net new spending by year

This line is the sum of the net increase in revenue and the net increase in expenditure from Labour's policies, both announced and unannounced, plus the allowance to maintain service levels in each year. The box shows how that impacts on the OBEGAL and net debt.

In the second term, it is assumed that the whole of the new operating allowance as described in Budget 2014 is expended in each year.

Capital policies

This summarises the capital expenditure of Labour's capital policies: KiwiBuild and the NZS contributions restart. The box shows how that impacts on the OBEGAL and net debt.

Net increase in revenue from announced policies

This line shows the net operating impact of Labour's announced revenue policies. This includes the new Progressive Top Tax Rate, measures to close loopholes and stop avoidance, and tax cuts such as the R&D tax credit and the Best Start Payment.

Net increase in expenditure from announced policies

This line shows the net operating impact of Labour's announced expenditure policies. The principal costs within this line are the elements of the Best Start package (for example, extending Paid Parental Leave to 26 weeks and Early Childhood Education subsidies) and the reduced revenue to the Crown as a result of NZ Power lowering power prices.

Net increase in revenue/(expenditure) from announced policies

This line shows the net increase in revenue from the announced revenue policies minus the net increase in expenditure from the announced expenditure policies.

Net cost of policies still to be announced

This line shows the net cost of Labour's yet to be announced policies. Note that some of these policies are revenue reductions and capital expenditures but they have all been accounted for as operating expenditure in this paper. As policies are announced ahead of the election, they will be added to the announced lines and this line will decrease accordingly in the online version of our fiscal tables.

Major policies with fiscal impacts

More information on the policies that have previously been launched is available at www.labour.org.nz

A table of the full fiscal impacts of these policies can be found at the end of this paper.

Capital gains tax

Labour will introduce a capital gains tax, excluding the family home, so that people who make money speculating on the housing market and other assets have to pay tax on that income, just as people who work for their income do. The parameters of this policy are as follows:

- **Rate:** The CGT will be set at a simple low flat rate of 15% with no indexation for inflation
- **Gain:** The tax will be applied to net gains.
- **Exemptions:** The family home, personal assets, collectables, small business assets sold for retirement and payouts from retirement savings schemes, including KiwiSaver, will be exempt.
- **Scope:** The CGT is broad based and comprehensive.
- **Implementation:** The CGT will be forwarding-looking and only apply to gains accrued after implementation. Past gains will not be affected.
- **Point of Taxation:** The tax will be applied on realisation. In most cases this will be the point of sale.
- **Treatment of Gains at Death:** Capital gains on inheritance passed on after death will be rolled over to the heir, and not payable until the gain on the asset is realised.
- **Trusts:** We will ensure trusts are not used as a means of avoiding a CGT.
- **Capital Losses:** Losses can be carried forward and offset against future capital gains.
- **Treatment of traders:** Assets currently taxed at the individual's marginal or at the business tax rate will continue to fall under the existing regime.
- **Expert Panel :** An Expert Panel will be established to deal with issues that are technical in nature and involve areas where a high degree of specialised knowledge is required before a final decision can be reached.

This policy will raise an additional $25 million in its first year, growing in outyears to reach $1 billion a year by 2020/21.

Increase in revenue, millions $	15/16	16/17	17/18	18/19	19/20	20/21
Capital Gains Tax	25	100	300	570	790	1035

Progressive top tax rate

Labour will introduce a new progressive tax rate on income over $150,000 a year of 36 cents in the dollar.

When the new income tax rate comes into effect in 2015/16, it will affect 2% of taxpayers, whose average income is $260,000 a year.

This policy will raise an additional $198 million in its first year, growing in outyears. With this additional revenue, Labour will be able to afford to maintain and enhance public services while paying off National's debt.

Increase in revenue, millions $	15/16	16/17	17/18	18/19	19/20	20/21
New Progressive Top Tax Rate	198	280	295	312	331	350

Trust rate adjustment to maintain alignment with top personal income tax rate

In the past, when the top income tax rate was misaligned with the trustee income tax rate, trusts were commonly used as a tool to avoid that top tax rate. Aligning the top income tax rate with the trustee income tax rate avoids this issue.

The trustee income tax rate will be raised to 36%. Raising the trustee income tax rate will stop trusts being used as a tool to avoid the new progressive tax rate (note that an exemption already exists so that disabled minors who are beneficiaries of trusts are not taxed at the trustee rate, as other minors are).

Increase in revenue, millions $	15/16	16/17	17/18	18/19	19/20	20/21
Trust rate adjustment to maintain alignment with top personal income tax rate	202	282	294	308	322	336

Loss ring-fencing

Labour is reaffirming its policy to remove the ability of landlords to avoid paying tax by offsetting rental property losses against their personal income. This measure targets negatively geared rental properties and means that losses may only be offset against future rental profits. This is expected to raise $135 million a year once it is fully in place.

Increase in revenue, millions $	15/16	16/17	17/18	18/19	19/20	20/21
Loss Ring-Fencing	30	130	135	135	135	135

Clamping down on tax avoidance

Tax avoidance reduces government revenue by up to $5-7 billion a year. When a small percentage of people don't pay their fair share, everyone else has to pick up the cost through higher taxes, reduced services, or higher public debt.

Labour will set a target of reducing tax avoidance by $20 million a year in 2015/16, rising to $200 million a year in 2018/19.

A special commissioner for tax avoidance will be created within the IRD who will be adequately resourced to target all forms of tax avoidance, particularly the actions of multi-national corporations.

A corporate tax unit will 'embed' IRD auditors in corporations that have a history of tax avoidance in New Zealand or abroad, with a particular focus on multi-nationals and their subsidiaries, to review 'line-ball' decisions before avoidance occurs. This policy is not directed at banks, which are now subject to a high level of scrutiny through their Reserve Bank disclosure obligations.

IRD's target is that every additional dollar spent on tax auditing results in an extra $7.70 dollars of tax paid. This very high return on investment indicates that additional resources in this area will yield significant additional net revenue. Labour will increase resources for this programme.

By aligning the trust rate with the new progressive income tax rate, avoidance via trusts will be minimised.

Increase in revenue, millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Other Anti-Avoidance Measures	20	100	150	200	200	200

Backing business innovation – R&D

Labour introduced a R&D tax credit in Budget 2007. It was intended to address New Zealand's acute R&D expenditure disparity by encouraging greater business investment in R&D.

One of National's first acts in government was to axe the R&D Tax Credit to help pay for their first round of personal income tax cuts. It went against Treasury advice that an R&D tax credit would produce net benefits to the economy through innovation and higher productivity over the medium term.

Labour will bring back the R&D Tax Credit from April 2016. We will partly fund this by scaling back by 50 percent two of National's 'replacement' grants programmes: Research and Development Growth Grants, and Targeted Business R&D Funding.

This will cost $42 million in 2015/16, rising to $382 million in 2020/21, net of savings from cutting back the grant-based initiatives.

Reduction in revenue, millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
R & D Tax Credit	-42	-245	-224	-272	-321	-382

Backing business innovation – Accelerated depreciation

To enable businesses to invest in upgrading their plant and equipment, and thereby boost productivity, Labour will introduce accelerated depreciation for selected industries.

We will start with advanced manufacturing, which delivers the greatest spill-over benefits to the rest of the economy, and with wood products, where there is a huge opportunity to reverse simplification and create jobs. This will cost $30 million in the first year rising to $70 million per annum. We envisage extending accelerated depreciation to all manufacturers over time.

Reduction in revenue, millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Accelerated Depreciation	-31	-49	-61	-69	-74	-75

Universal KiwiSaver

Labour will make KiwiSaver universal and gradually increase the employee and employer contribution rates from 3% each to 4.5%.

On October 1 2015, all employees aged 18 to 65, with certain exceptions listed below, will be automatically enrolled in KiwiSaver and the opt-out provision will be removed.

Automatic enrolment will not apply to students and beneficiaries. Labour's plans to substantially increase the minimum wage and promote a Living Wage will help make saving for a nest egg through KiwiSaver affordable for low income workers. However, people who are self-employed and people whose annual income is below a certain threshold (to be determined in consultation with business and unions) will be exempted from universal enrolment.

This process will bring around half a million more New Zealanders into KiwiSaver.

People who are automatically enrolled will receive the government contribution of up to $521 a year and the $1,000 Kick-start, as other members do. To spread the fiscal impact of universality, the $1,000 Kick-start payment to people who are automatically enrolled will be paid over five years, rather than as a lump sum.

The additional Kick-start payments and ongoing government contributions will be $141 million in the first year. The cost to the Crown declines as the Kick-start payments are paid out, with the long-term cost of universal KiwiSaver being $40-$50 million a year.

Reduction in revenue, millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Universal KiwiSaver	-141	-112	-121	-130	-125	-77

NZ Power

Since National's reforms of the 1990s, New Zealand's power prices have been rising at an unjustifiable rate. Most of the electricity produced in this country is from hydrodams and is amongst the cheapest in the world, yet we pay for it as if it is coming from the most expensive thermal plants.

Labour will introduce NZ Power, which will stand on the side of consumers and break the market power of the electricity companies. NZ Power will buy electricity from power plants at its true cost plus a reasonable rate of return. NZ Power will pass on the savings it realises as a monopoly buyer to businesses and households. Savings will total around $700 million a year, most of that going to the residential market, and saving households around $300 a year on average.

As the Crown is the majority owner of three of the Big Five power companies, the reduction in power prices will flow on to reduced profits to the Crown. That will be largely offset because lower power bills for businesses and families will mean increased economic activity and more jobs, boosting the Crown's overall tax take. The net reduction in revenue resulting from NZ Power will be around $90 million a year.

Reduction in revenue, millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
NZ Power (Net Impact)	0	-88	-90	-92	-93	-95

Best Start package

Labour has announced the Best Start package of policies that will give our children the best start in life.

Labour will create the Best Start Payment of $60 per week during a baby's first year of life, commencing when Paid Parental Leave finishes and universal for all families earning under $150,000 per year. A Best Start Payment of up to $60 per week between the child's first and third birthdays will be targeted at modest and middle income families. This will replace the current Parental Tax Credit

Labour will introduce 25 hours of Free Early Childhood Education for New Zealand's three, four and five year old children, an increase from 20 hours. The policy will save all families with a three, four or five year old in ECE full-time or nearly full-time around $25 each week.

Labour will restore the funding cut in Budget 2010 for centres with high numbers of qualified staff, and we will work with the sector to reinstate the policy of 100 percent qualified staff in all teacher-led services. Labour will extend the policy of Free Early Childhood Education for the most vulnerable children earlier than three years of age.

Labour will introduce 26 weeks of Paid Parental Leave. This will provide to around 26,000 families a year, extra time with their new-born babies. The policy will be phased in over three years: 22 weeks from July 2015 and 26 weeks in July 2017.

Best Start will cost $125 million in the first year, rising to half a billion dollars a year once fully implemented (note: these figures have been updated since the policy was launched in January 2014 to take account of relevant policy changes in Budget 2014).

Millions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Best Start Payment (revenue reduction)	-33	-150	-229	-272	-280	-273
Abolition of Parental Tax Credit (revenue increase)	6	22	21	21	21	21
Total revenue impact	-27	-128	-208	-251	-259	-252
25 Hours Free ECE	0	0	57	59	61	63
Extend 20 hours free ECE to vulnerable children under 3	5	15	35	50	70	71
Increased funds for 10% qualified ECE centres	32	32	33	34	35	36
Paid Parental Leave - Expand to 26 Weeks	50	40	75	80	80	85
Free Antenatal Classes	3	3	3	3	3	3
10-Week Antenatal Assessment	2	4	4	4	4	4
Expansion of Well Child services	6	6	6	6	6	6
Total expenditure	98	100	213	236	259	268
Total cost of Best Start package	125	229	421	487	518	520

Restarting Cullen Fund contributions

National failed to make the required contributions to the Cullen Fund for the past five years, during which the Fund has made a 76% return. The Fund estimates that decision has reduced the size of the Fund by $13.3 billion. If contributions had continued, the Fund would have made an extra $3.8 billion in returns in excess of the Treasury Bill rate.

Labour will restore contributions to the Cullen Fund. We will invest $750 million in 2015/16, $1.5 billion in 2016/17, and return to full contributions from 2017/18. The nature of the NZS contribution calculation means that from 2019/20 Labour's contributions will be lower than those National would make but the Fund's assets will be larger and we will reduce net government debt faster as a result.

The earlier resumption of contributions and the larger fund that results in also means increased tax revenue to the Crown paid by the Fund, starting at $8 million in 2015/16 and rising to $130 million by 2020/21.

Fiscal impacts of Labour's restart of Cullen Fund contributions, billions $	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Additional annual contributions compared to Budget 2014 forecasts	0.750	1.500	1.679	2.288	-0.240	-0.246
Cumulative impact on gross debt	0.768	2.343	4.186	6.756	6.880	7.006
Cumulative impact on financial assets in the Cullen Fund	0.758	2.329	4.191	6.727	6.887	7.052
Additional tax paid including impact on debt	0.009	0.044	0.122	0.229	0.372	0.526
Total impact on net debt	0.001	-0.030	-0.127	-0.200	-0.379	-0.572
Size of Cullen Fund, Budget 2014 forecasts	28.359	30.486	32.732	34.666	39.290	44.174
Size of Cullen Fund, Labour restart	29.117	32.815	36.923	41.393	46.177	51.226

KiwiBuild

Labour will oversee and invest in a large-scale 10 year programme of home building focussed on modest entry-level houses for sale to first home buyers.

We will partner with the private sector, community agencies and local government to build these houses. Our target is to ramp up to building 10,000 houses a year by the end of our first term (or as swiftly as the availability of skilled labour allows), and to continue at this level for around ten years.

This policy is fiscally neutral over its life. The houses are sold and the building costs are recouped. To kick-start the programme, there will be a $1.5 billion capital fund to pay for building costs, which will be recycled as each house is sold. At the end of the programme, once all the houses have been sold, the initial investment plus borrowing costs will be repaid.

Billions,$	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
KiwiBuild capital commitment	0.195	0.881	1.395	1.527	1.433	1.336
KiwiBuild impact on finance costs	0.005	0.028	0.062	0.084	0.091	0.091
KiwiBuild impact on net debt	0.200	0.914	1.490	1.706	1.703	1.697

Allowance to maintain service levels, especially in health and education

Every year, health, education, and other public services need a non-automatic funding increase to cope with inflation, the growing population, and the effects of the ageing population. In Budgets 2010, 2013, and 2014, National failed to put enough new money into health for the sector to even tread water. According to Treasury, expenditure on health fell by 2.3% in real terms in Budget 2014 alone.

Labour is putting aside $1 billion (rising with inflation) each year to meet these cost pressures in health, education, and public services. This is a commitment of a billion dollars of additional funding each year so that the public services families will rely on won't be squeezed by inflation and demographic change. Labour will maintain the real level of spending in these vital services.

It also means that when we announce new policies in these areas it will genuinely be an additional investment, not a cost adjustment in disguise.

Increase needed to maintain real value of health and education, billions S	15/16	16/17	17/18	18/19	19/20	20/21
Budget 2015	0.709	0.709	0.709	0.709	0.709	0.709
Budget 2016		0.786	0.786	0.786	0.786	0.786
Budget 2017			0.707	0.707	0.707	0.707
Total required in first three Budgets	0.709	1.495	2.203	2.203	2.203	2.203

Allowance to maintain real value of spending in public services, billions $	15/16	16/17	17/18	18/19	19/20	20/21
Budget 2015	1.000	1.000	1.000	1.000	1.000	1.000
Budget 2016		1.020	1.020	1.020	1.020	1.020
Budget 2017			1.040	1.040	1.040	1.040
Total allowance allocated in first three Budgets	1.000	2.020	3.060	3.060	3.060	3.060

Future announcements

The revenue and expenditure policies that Labour has announced mean we will achieve our target of paying off National's debt by the end of our second term while leaving a significant amount of money for policies that we haven't announced at this time. Some of these as-yet unannounced policies will be operating expenditure and revenue reductions, others will be capital expenditure.

The total impact of these policies will be $498 million in 2015/16, an additional $507 million in 2016/17, and a further $353 million in 2017/18. As policies are announced ahead of the election, they will be added to the announced lines and this line will decrease accordingly online. There is leeway within this line to fund policies of Labour's governing partners.

	15/16	16/17	17/18	18/19	19/20	20/21
Net cost of policies still be announced, millions $	0.498	1.005	1.357	1.284	1.259	1.267

How announced policies were costed

Revenue	
Capital Gains Tax	• Modelled by BERL, updated for 2014
New Progressive Top Tax Rate	• Top tax rate modelled using the standard methodology and IRD data
Trust rate adjustment to maintain alignment with top personal income tax rate	• Trust rate modelled using IRD data on the tax base for trusts
Loss Ring-Fencing	• Figure taken from Treasury estimate; conservatively scaled down by 50% to allow for behavioural change
Other Anti-Avoidance Measures	• Target based on expert advice
R & D Tax Credit	• Cost based on Treasury/MoRST estimates prior to abolition in 2008/09, scaled up for size of economy (GDP); partially offset by cuts to other grants
Accelerated Depreciation	• Industry model with advice from economic agency
Extra tax revenue from restarting NZS Fund contributions	• Calculations using Treasury NZSF model
Universal KiwiSaver	• Detailed model using 2011 Treasury estimate of additional numbers from universalism, adjusted for baseline revisions since 2011, plus existing data on kickstart and MTC
NZ Power (Net Impact)	• Modelled based on specified reduction in prices, with flow-on impacts modelled by BERL
Best Start Payment	• First year component – simple model based on number of children and rate with small deduction for those over $150k & offset by numbers receiving Paid Parental Leave • Subsequent years – Detailed model of existing Working for Families system including estimates of income and family characteristic distribution.
Abolition of Parental Tax Credit	• From Treasury Fiscal Strategy Model (FSM)

Expenditure	
25 Hours Free ECE	• Detailed model using MoE data and assumptions about increased usage, informed by 2007 experience with 20 hours
Extend 20 hours free ECE to vulnerable children under 3	• Simple model based on 5% of children between 18 months and 3 years and the top rate of ECE payment.
Increased funds for 10% qualified ECE centres	• Amount cut in 2009 scaled up by population and rate growth
Paid Parental Leave - Expand to 26 Weeks	• Modelled based on scaling up existing policy, with offsets as worked out with MBIE officials at select committee.
Free Antenatal Classes	• Current funding scaled up by estimates of unmet need.
10-Week Antenatal Assessment	• Conservative estimate based on modelling of increased incidence in First & Second Trimester claims by midwives etc.
Expansion of Well Child services	• Modelled based on scaling up existing service
Reading Recovery	• Estimate based on scaling up current spending based on proportion covered by schools.
Food in schools	• Estimates based on public figures from KidsCan and the Children's Commissioner Expert Advisory Group
Forestry & Wood Products Upgrade	• Legacy forests modelled based on US experience - capped • Forestry Taskforces modelled on estimate number and flat-rate payment
Bowel Screening extension	• Scaled from Ministry of Health estimate
Extension of Veterans Pension	• Estimated by officials
Action on flood-prone houses; and area-wide rockfall protection structures	• Estimated by Christchurch City Council
100% buy-out offer for bare land and commercial premises in red-zone	• Derived from Cabinet papers

Capital	
KiwiBuild	• Detailed model using data on the range and distribution of land and house prices, and estimates on construction costs
NZS contributions	• Calculations using Treasury NZSF model

Labour