

## OPPOSITION BUDGET

The Opposition refuses to tell Australians how much their policies will cost and what they will cut to pay for them. This is despite having already admitted that they have a \$70 billion budget hole which would need to be filled through drastic cuts to services like health and education.

The table below outlines why the Opposition will need to cut \$70 billion in vital services to return the budget to surplus, as they have repeatedly committed to doing.

### ESTIMATED BUDGET IMPACT OF OPPOSITION POLICIES

<b>Underlying cash balance</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Budget balance at <i>Economic Statement</i></b>	<b>-30,100</b>	<b>-24,000</b>	<b>-4,700</b>	<b>4,000</b>	
<b>Reverse Government Savings in ES</b>	<b>-998</b>	<b>-2,910</b>	<b>-5,810</b>	<b>-7,633</b>	
Reduce the number of Public Service Employees	34	506	1,078	1,213	<b>2,831</b>
Scrap SchoolKids Bonus	-	1,296	1,319	1,336	<b>3,951</b>
Reduce the Humanitarian Intake	-	374	470	536	<b>1,379</b>
Privatisation of Medibank	-	615	86	84	<b>785</b>
Cuts to the Automotive Transformation Scheme	250	250	-	-	<b>500</b>
Repeal of the ETS Package	-	-2,439	-2,389	-3,748	<b>-8,576</b>
Repeal of the MRRT Package	-	2,369	2,741	2,483	<b>7,593</b>
Paid Parental Leave Policy & Company Tax Increase	-105	-1,390	-205	35	<b>-1,665</b>
Direct Action	-	-462	-667	-922	<b>-2,051</b>
Carbon Adjustment to meet 5% 2020 target		-2,838	-4,233	-5,878	<b>-12,949</b>
Green Army	-	-50	-100	-150	<b>-300</b>
Indexation of military superannuation	-	-12	-27	-42	<b>-81</b>
Infrastructure Projects	-912	-1,454	-2,280	-3,220	<b>-7,866</b>
Unwind the FBT changes	-	-334	-624	-781	<b>-1,739</b>
Unwind self education expenses cap	-	-	-	-270	<b>-270</b>
Company Tax Cut	-	-2,650	-3,000	-3,050	<b>-8,700</b>
Dams and Water Management Policy	-50	-500	-500	-1,000	<b>-2,050</b>
Remove means test on PHI rebate	-833	-844	-844	-844	<b>-3,365</b>
2010 Savings no longer available to offset policies	-2,235	-3,934	-6,531	-7,047	<b>-19,746</b>
<b>Opposition current budget balance</b>	<b>-34,949</b>	<b>-38,406</b>	<b>-26,216</b>	<b>-24,899</b>	
<b>Opposition Cuts required to achieve the budget position in the Economic Statement</b>	<b>-4,849</b>	<b>-14,406</b>	<b>-21,516</b>	<b>-28,899</b>	<b>-69,670</b>

## **THE ECONOMIC STATEMENT**

The Economic Statement demonstrates that the Government is on track to achieve a modest budget surplus within the forward estimates, while at the same time ensuring the economy is supported in the short term.

The Economic Statement demonstrates the Government's plan for medium term consolidation and a path back to budget surplus in 2016-17.

The Economic Statement includes \$17.4 billion of responsible saving decisions, which have made a significant contribution to offsetting the impact of revenue write-downs in 2015-16 and 2016-17.

## **REVERSE GOVERNMENT SAVINGS IN THE ECONOMIC STATEMENT**

This document assumes that the Opposition does not support any of the responsible savings decisions taken by the Government, as recorded in the Economic Statement.

In previous Budget updates and following individual savings announcements, the Opposition have been quick to criticise the Government's responsible savings measures while rarely putting forward their own. This is despite calling for savings to be made.

## **REDUCE THE NUMBER OF PUBLIC SERVICE EMPLOYEES**

The Opposition's stated policy is to see at least 12,000 APS employees leave the public sector through natural attrition.

Unlike the Government's expectation of departments and agencies that they focus on non-staffing efficiencies, the Opposition puts jobs cuts first. This is clear from their commentary about the public service.

## **SCRAP THE SCHOOLKIDS BONUS**

The Opposition has committed to scrap the SchoolKids Bonus. The costing assumes this will occur from 1 July 2014.

## **REDUCE THE HUMANITARIAN INTAKE**

The Opposition has committed to unwind the additional places provided for the Australian humanitarian intake. This would see numbers of asylum seekers accepted via the UNHCR reduce from 20,000 to 13,750 per year.

## **PRIVATISATION OF MEDIBANK**

The Opposition has committed to the sale of Medibank Private, a Government Business Enterprise.

The costing are Opposition figures from the 2010 election, adjusted to reflect the post-election costings update undertaken by the Department of Finance and the Treasury.

Note, the sale receipts do not directly impact the budget balance as it is an asset sale (the Opposition have claimed that the privatisation could raise up to \$4.5 billion).

## **CUTS TO THE AUTOMOTIVE TRANSFORMATION SCHEME**

The Opposition has committed to reduce assistance to the automotive industry, by cutting \$500m from the Automotive Transformation Scheme by 2015, with no commitment of any assistance after 2015.

## **REPEAL OF THE EMISSIONS TRADING SCHEME**

The Opposition has committed to repeal the Government's Emission Trading Scheme and several related programs.

The costing for the repeal includes the forgone revenue (on the basis of international linking and an ETS), offset in part by unwinding the industry and innovation programs introduced as part of the Clean Energy Future package. For example, these include the Clean Technology Investment and Innovation Programs and Coal Sector Jobs program.

The costing further assumes that the Household Assistance Package is retained, as the Opposition have retracted their previous position to remove this assistance.

It is assumed that the repeal cannot occur before 1 July 2014. Were it to occur in 2013-14, the forgone fixed price permit revenue from this year would also need to be included.

The costing also includes the public debt interest (PDI) impact of abolishing the Clean Energy Finance Corporation and revenue forgone from not proceeding with commercial investments in clean energy. Although a budget costing typically does not include second round effects (such as the PDI impact), it is included for completeness.

## **REPEAL OF THE MINERALS RESOURCE RENT TAX AND COMPANY TAX INCREASE**

The Opposition has committed to repeal the Government's Minerals Resource Rent Tax and most related programs.

The costing for the repeal includes the forgone revenue, offset by abolishing most of the related programs and measures. For example, this includes cutting the small business instant tax write off, scrapping the Low Income Superannuation Contribution, as well as deferring the increase in the Superannuation Guarantee.

## **PAID PARENTAL LEAVE POLICY**

The Opposition has committed to replace the Government's PPL policy with a more generous scheme funded through an increase in taxes on big business.

Through a 1.5% tax increase on Australia's biggest businesses, the Opposition has committed to a PPL scheme that will provide 26 weeks PPL paid at the greater of the National Minimum Wage or the mother's replacement wage (up to a maximum salary of \$150,000 per annum).

## **DIRECT ACTION**

The Opposition announced a 'Direct Action Plan' as their main suite of programs to respond to climate change. The package of measures included an Emissions Reduction Fund to purchase abatement, a pledge to install solar panels on one million houses and funding for Clean Energy Employment Hubs.

The costing was released by the Opposition.

## **CARBON ADJUSTMENT TO MEET 5% BIPARTISAN 2020 TARGET**

The Opposition's Direct Action package of measures was determined by the Treasury to be insufficient to meet the 5% 2020 target. Assuming the policy could access least cost abatement through the Emission Reduction Fund, forgoing cheaper, internationally sourced abatement as committed to by the Opposition, would roughly double the economic cost of achieving the 2020 target.

The economic cost of direct action would be larger and less efficient than the Government's market-based Emission Trading Scheme.

Therefore the costings for achieving the 5% 2020 target would need to be adjusted upwards significantly, or the 5% 2020 target would not be achieved. The estimate is a lower bound, as it is extremely unlikely that a grant tendering scheme would yield lowest cost abatement.

The costing for the adjustment is net of the proposed Opposition spend on Direct Action.

## **GREEN ARMY**

The Green Army, a conservation workforce, was a 2010 commitment of the Opposition. The Opposition weakened their commitment in July 2013, by reducing the financial commitment from \$400m over the forward estimates to \$300m.

Beyond the forward estimates, the Green Army is meant to increase to 15,000 young people, which would significantly increase the annual costs above the current forward estimates.

## **INDEXATION OF MILITARY SUPERANNUATION**

The Opposition has committed to increase the indexation of military superannuation pensions (for the DFRB and DFRDB schemes only) to essentially the age pension methodology from age 55. The Government has recently committed to increase the indexation for members of these schemes by the Pensioner and Beneficiary Living Cost Index from age 65. The Government's commitment is more modest than the Opposition's commitment.

The costing of the Opposition policy is net of the costs of the Government's policy (as recorded in the Economic Statement).

The Opposition's policy has a fiscal balance cost of \$1.7 billion over four years and will increase the unfunded liability by \$6.2 billion.

## **INFRASTRUCTURE PROJECTS**

The Opposition has committed to several infrastructure projects across Australia, from major projects such as the East-West Link Melbourne (\$1.5 billion), to minor projects and feasibility studies.

The total cost of these projects exceeds \$18 billion. As some of these projects (marked with an \*) replicate in full or in part Government announcements, the net impact of these commitments would be lower.

Large infrastructure often has profiles that go beyond the forward estimates, therefore for the costing assumes that just over half of the funding would be required in the four years of the forward estimates. This is consistent with numerous comments from the Opposition that they will fast-track projects.

The projects included in this costing include:

- Bridges to Recovery
- Outback Highway (Outback Way)
- 500 rest stops - built over 10 years
- Inland rail - Bris to Melb\*
- Local roads in Blackwood
- Main Rd upgrade
- 2nd freeway interchange at Mt Barker
- Upgrade of Gorge Rd and Fosters Rd

- Morrison Rd & Charles St, Putney
- Bells Line of Roads Upgrade - Expressway
- Local roads in Cowper
- Planning for Ellerton Drive Ring Road
- Princes Highway
- Princes Hwy - upgrade to 4 lane freeway to Nowra
- Narellan Road widening
- Batemans Bay Spine Rd project
- Passing lanes on The Bucketts Way
- Upgrade the Lakes Way
- Towards the Nelson Bay to Fingal bypass
- MR7778 between Paterson, Vacy & Gresford
- MR 301 between Raymond Terrace & Dungog
- Casino to Murwillumbah rail line
- Gocup Road Upgrade
- F6 extension - alignment and feasibility study
- Landsborough Hwy
- Toowoomba Bypass
- Evandale Rd access to Launceston Airport
- Midland Highway \*
- Road upgrades in Hervey Bay
- Upgrade to D'Aguilar Hwy - blackspots
- Improvement to Lismore to Bangalow Rd
- Barton Hwy upgrade
- Road upgrades - Richmond, Wilberforce, Faulkenbridge
- Bridge across the Tamar River
- Heavy Vehicle Inspection around Launceston
- Sydney's WestConnex project\*
- East-West Link (MEL)
- Gateway Motorway upgrade\*
- Duplication of the Pacific Highway (Newcastle - QLD)\*
- Upgrade of Riverside Drive in Nambucca Heads
- Continued upgrade of the North-South Road Corridor (ADL)
- Jubilee Bridge replacement
- Warrego Highway \*
- Bruce Highway\*

### **UNWIND THE FBT CHANGES**

The Opposition has committed to unwind the Fringe Benefit Tax changes announced to offset the termination of the carbon tax.

### **UNWIND THE SELF EDUCATION EXPENSES CAP**

The Opposition has committed to unwind changes announced to the Self Education Expenses Caps.

The costing incorporates the Government's decision to delay introduction of this change until 2016-17 to continue consultation as recorded in the Economic Statement.

### **COMPANY TAX CUT**

The Opposition has committed to business not paying any additional tax. With their PPL levy at 1.5%, a 1.5% tax cut would be required to achieve this objective.

The costing is an estimate of a 1.5% company tax cut.

### **DAMS AND WATER MANAGEMENT POLICY**

The Opposition's 'Dams and Water Management' policy was reported in The Daily Telegraph in February 2013. The total cost of the projects under consideration by the Opposition was approximately \$30 billion.

The costing assumes that 20% of the projects in the policy paper are funded, and that the Commonwealth would contribute one-third of the funding required for each project.

This assumption is consistent with the partnership approach lauded in the report, usually through a joint venture between the Commonwealth Government, the State Government and private irrigators.

### **REMOVE MEANS TEST ON THE PRIVATE HEALTH INSURANCE REBATE**

The Opposition has committed to remove the means test on the Private Health Insurance Rebate, introduced by the Government.

The costing is based on the figures included in the Fairer Private Health Insurance Incentives (Medicare Levy Surcharge) Bill 2012 Explanatory Memorandum, with the costings assumed constant from 2014-15. Note, this is a conservative estimate.

### **2010 SAVINGS NO LONGER AVAILABLE TO OFFSET OPPOSITION POLICIES**

To fund policies announced in the 2010 election, the Opposition put forward a number of savings. The Opposition have regularly referenced this saving effort in their budget comments.

However, many of these savings are no longer available to fund Opposition plans and therefore further savings would be needed to meet the cost of their policies.

These savings are no longer available for various reasons. For example, the Opposition committed to match a number of Government savings, which are now incorporated in the budget estimates. Also, many savings were only possible in the years prior to the current forward estimates period (i.e. in the years 2011-12 and 2012-13), and therefore are no longer available to offset Opposition policy.

The costing of this item includes the \$10.6 billion of errors made by the Opposition in the 2010 election, and uncovered by the Department of Finance and the Treasury post-election.

Other savings no longer available include the discontinuation of the Renewable Energy Future Fund, the reduction in the Green Car Innovation Fund, the discontinuation of GreenStart, the discontinuation of funding for the retraining and redeployment of Telstra Staff, and the discontinuation of the Global Carbon Capture and Storage Institute.

Savings that matched saving commitments made by the Government in the 2010 election, and that are now already accounted for in the estimates (and not available for savings), totalled over \$2 billion.