Budget Review 2018–19
Research Branch

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Overview
Economics Section

This brief provides an overview of the key fiscal and economic numbers from the 2018–19 Budget.

A substantial improvement in the forecast economic and fiscal position since the 2017–18 Mid-Year Economic and Fiscal Outlook (MYEFO) is due largely to upward revisions to tax receipts driven by employment and GDP growth.

The Government is now forecasting that the Budget will return to an underlying cash balance surplus of $2.2 billion (0.1 per cent of GDP) in 2019–20. This is one year earlier than was forecast in the 2017–18 MYEFO. The surplus is expected to grow to $16.6 billion (0.8 per cent of GDP) in 2020–21 and build to at least 1 per cent of GDP over the medium term.

This improved fiscal position is primarily the result of improvements in underlying economic parameters (parameter variations)—most notably higher GDP and employment forecasts, which are expected to result in higher taxation receipts and lower payments over the forward estimates period.

Additional policy decisions taken by the Government in the 2018–19 Budget are expected to have a net negative impact on the Budget over the forward estimates period, offsetting some of the improvement in the underlying fiscal position as a result of parameter variations.

Figure 1: impact of underlying parameter and policy variations since the 2017–18 MYEFO

![Graph showing impact of parameter and policy variations](chart.png)

Note: UCB = underlying cash balance

**The Government’s medium-term fiscal strategy (tax receipts <23.9%)**

The Government’s medium-term fiscal strategy is to achieve budget surpluses, on average, over the course of the economic cycle. The budget repair strategy is designed to deliver budget
surpluses building to at least 1 per cent of GDP as soon as possible, consistent with the medium-term fiscal strategy.¹

A new component of the Government’s medium-term strategy in the 2018–19 Budget is a commitment to ‘maintaining a sustainable tax burden consistent with the economic growth objective, including through maintaining the tax-to-GDP ratio at or below 23.9 per cent of GDP’.² Taxation receipts are expected to grow to 23.9 per cent of GDP by the end of the forward estimates.

A number of commentators have questioned the economic rationale for the adoption of this ratio; noting that, in combination with the budget repair strategy, it gives the Government limited fiscal policy flexibility. As a result of these self-imposed constraints on revenue, future budget surpluses are likely to be small unless there are significant cuts to expenditure.³

**Views on the economic estimates**

As the improvement in the Australian government’s fiscal position is heavily reliant on improvement in the underlying economic parameters, this outcome is sensitive to considerable uncertainty.

A number of commentators have remarked upon the underlying economic assumptions used in the Budget. EY and the Grattan Institute argue that the forecasts are ‘optimistic’:

> The economic growth forecasts underpinning the budget are on the optimistic side. The budget projects a return to 3% trend growth, supported by an ongoing recovery in business investment, stronger household spending and a continuing public infrastructure spend.⁴

>[and]

> The budget forecasts for wages growth, driving much of the planned increase in personal income tax collections, also remain optimistic. Like the Reserve Bank, Treasurer Scott Morrison is banking on strong growth in full-time employment translating into higher wages. Wages growth is expected to accelerate from just over 2 per cent a year today to 3.5 per cent by 2020–21.⁵

Deloitte highlight the uncertainties about the Budget’s underlying assumptions:

> The new plan may work, but it is vulnerable to economic and budgetary conditions. If the economy takes a dive, then the Budget outlook would dive alongside it. And the extended period of a promised-but-never-materialised return to surplus may linger even longer.⁶

**Global risks**

The Government acknowledges that there are also global risks that may have a bearing on the Budget forecasts:

> Globally, these risks are broadly balanced in the short term, although they are tilted to the downside in the longer term. Key risks include a faster-than-expected tightening of monetary policy, geopolitical tensions and policy uncertainty in relation to trade protectionism. More broadly, a very sharp

---

2. Ibid.
3. D Richardson and B Browne, *The arbitrary 23.9 per cent tax revenue to GDP figure: from a convenient assumption to a ‘speed limit’*, Australia Institute, Briefing note, April 2018; National Australia Bank (NAB), *Federal Budget 2018–19*, May 2018.
adjustment in financial markets, which might occur from a range of factors including elevated debt levels in a number of economies, would pose a risk to both global and domestic activity.\(^7\)

**Headline Numbers**

**Economic numbers**

There are a few considerable changes to the Government’s assumptions around major economic parameters since the 2017–18 MYEFO (see Table 1). These upwards revisions are predominately in the 2017–18 financial year, which means that they have cumulative effects across the forward estimates period. The changes are as follows:

- Real GDP growth for 2017–18 has been revised up to 2.75 per cent from 2.5 per cent.
- Nominal GDP growth in 2017–18 has been revised up to 4.25 per cent from 3.5 per cent (but revised down for 2018–19 by 0.25 per cent).
- Employment growth in 2017–18 has been revised upwards by 1 per cent to 2.75 per cent.

Government forecasts of growth in the Wage Price Index are unchanged.

**Table 1: growth in key economic parameters at 2018–19 Budget relative to 2017–18 MYEFO**

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Forecasts</th>
<th>Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>2.1</td>
<td>2.75</td>
</tr>
<tr>
<td>Change since MYEFO</td>
<td>0.1</td>
<td>0.25</td>
</tr>
<tr>
<td>Nominal GDP</td>
<td>5.9</td>
<td>4.25</td>
</tr>
<tr>
<td>Change since MYEFO</td>
<td>0.1</td>
<td>0.75</td>
</tr>
<tr>
<td>CPI</td>
<td>1.9</td>
<td>2</td>
</tr>
<tr>
<td>Change since MYEFO</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Wage Price Index</td>
<td>1.9</td>
<td>2.25</td>
</tr>
<tr>
<td>Change since MYEFO</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Employment</td>
<td>1.9</td>
<td>2.75</td>
</tr>
<tr>
<td>Change since MYEFO</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Unemployment</td>
<td>5.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Change since MYEFO</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>


The Reserve Bank of Australia has forecast year-end real GDP growth of 2.75 per cent for 2017–18, but it expects stronger growth of 3.5 per cent in 2018–19 before falling to 3.0 per cent in 2019–20.\(^8\)

**Fiscal numbers**

The underlying cash balance is forecast to fall to a deficit of $14.5 billion (0.8 per cent of GDP) in 2018–19, and to return to a surplus of $2.2 billion (0.1 per cent of GDP) in 2019–20 (see Table 2 and Figure 2).

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Table 2: underlying cash balance

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying cash balance ($b)</td>
<td>–18.2</td>
<td>–14.5</td>
<td>2.2</td>
<td>11.0</td>
<td>16.6</td>
<td>15.3</td>
</tr>
<tr>
<td>Per cent of GDP</td>
<td>–1.0</td>
<td>–0.8</td>
<td>0.1</td>
<td>0.5</td>
<td>0.8</td>
<td></td>
</tr>
</tbody>
</table>


Figure 2: underlying cash balance


The structural budget balance—which removes those factors which have a temporary impact on revenues and expenditures—is estimated to improve from a deficit of 1.25 per cent of GDP in 2018–19 to a series of surpluses from 2020–21.

Total general government sector receipts are estimated to be $473.7 billion (24.9 per cent of GDP) in 2018–19, rising to $554.0 billion (25.5 per cent of GDP) in 2021–22 (see Table 3 and Figure 3).

Table 3: total general government sector receipts

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts ($ b)</td>
<td>445.1</td>
<td>473.7</td>
<td>503.7</td>
<td>525.5</td>
<td>554.0</td>
<td>2 056.8</td>
</tr>
<tr>
<td>Per cent of GDP</td>
<td>24.3</td>
<td>24.9</td>
<td>25.3</td>
<td>25.2</td>
<td>25.5</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: payments and receipts


**Tax receipts** are estimated to be $440.5 billion (23.1 per cent of GDP) in 2018–19 and $465.5 billion (23.3 per cent of GDP) in 2019–20, increasing to a projected $519.6 billion (23.9 per cent of GDP) by 2021–22. This projection is consistent with the updated medium-term fiscal strategy, which includes the maintenance of a tax-to-GDP ratio at or below 23.9 per cent of GDP.

General government sector **payments** are estimated to fall as a share of GDP, from 25.4 per cent of GDP in 2018–19 to 24.7 per cent of GDP in 2021–22 (see Table 4 and Figure 3).

**Table 4: general government sector payments**

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual 2017–18 Payments ($b)</th>
<th>Estimates 2018–19 Payments ($b)</th>
<th>Projections 2019–20 Payments ($b)</th>
<th>Projections 2020–21 Payments ($b)</th>
<th>Projections 2021–22 Payments ($b)</th>
<th>Total Payments ($b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per cent of</td>
<td>25.1</td>
<td>25.4</td>
<td>25.0</td>
<td>24.7</td>
<td>24.7</td>
<td>2 034.0</td>
</tr>
</tbody>
</table>


General government **net capital investment** is expected to be $4.9 billion in 2018–19 (0.3 per cent of GDP), $4.8 billion higher than net capital investment in 2017–18. This change is due to funding associated with the implementation of the 2016 Defence White Paper.9 Over the four years to 2021–22, net capital investment in defence is projected to total $25.3 billion. Net capital investment in almost all other functions is projected to decline.10

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10. Ibid., Table 20, p. 6-48.
General government sector **net debt** is estimated to reach 18.4 per cent of GDP in 2018–19, before falling 14.7 per cent of GDP in 2021–22. It is projected to continue falling to 5.2 per cent of GDP by 2027–28 (see Table 5 and Figure 4).\(^{11}\)

**Table 5: net and gross debt**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt ($b)</td>
<td>341.0</td>
<td>349.9</td>
<td>344.0</td>
<td>334.3</td>
<td>319.3</td>
</tr>
<tr>
<td>Per cent of GDP</td>
<td>18.6</td>
<td>18.4</td>
<td>17.3</td>
<td>16.1</td>
<td>14.7</td>
</tr>
<tr>
<td>Gross debt ($b)</td>
<td>533.0</td>
<td>561.0</td>
<td>579.0</td>
<td>566.0</td>
<td>578.0</td>
</tr>
<tr>
<td>Per cent of GDP</td>
<td>29.0</td>
<td>29.5</td>
<td>29.0</td>
<td>27.2</td>
<td>26.6</td>
</tr>
</tbody>
</table>


**Figure 4: net debt**


**Gross debt** (the face value of CGS on issue) is projected to rise from 29.4 per cent of GDP in 2018–19 to 26.6 per cent of GDP by the end of the forward estimates, before falling to $532 billion by 2028–29 (see Table 5).\(^{12}\)

General government sector **net interest payments** are estimated to fall from $14.5 billion (0.8 per cent of GDP) in 2018–19 to $12.2 billion (0.6 per cent of GDP) in 2019–20, remaining at 0.6 per cent of GDP up to 2021–22 (see Table 6).\(^{13}\)

---

11. Ibid., Statement 11, p. 11-12.
12. Ibid., Statement 3, p. 3-12.
13. Ibid., Statement 3, p. 3-16.
**Net financial worth**, an indicator of fiscal sustainability, has improved over the forward estimates relative to 2017–18 MYEFO. It is estimated to be 25.4 per cent of GDP in 2018–19, improving marginally to 24.2 per cent of GDP in 2019–20. Another component of the medium term fiscal strategy is ‘improving net financial worth over time’. Government projections suggest that net financial worth will be 7.5 per cent of GDP by 2028–29.  

### Table 6: net financial worth and net interest payments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net interest payments ($ billion)</strong></td>
<td>13.1</td>
<td>14.5</td>
<td>12.2</td>
<td>12.4</td>
<td>12.2</td>
</tr>
<tr>
<td><strong>Per cent of GDP</strong></td>
<td>0.7</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Net financial worth ($ billion)</strong></td>
<td>–466.3</td>
<td>–482.9</td>
<td>–482.1</td>
<td>–471.3</td>
<td>–453.9</td>
</tr>
<tr>
<td><strong>Per cent of GDP</strong></td>
<td>–25.4</td>
<td>–25.4</td>
<td>–24.2</td>
<td>–22.6</td>
<td>–20.9</td>
</tr>
</tbody>
</table>


**Key revenue and expense measures**

Table 7 lists the major revenue measures—and Table 8, the major expense measures—with a significant impact in the 2018–19 Budget.

### Table 7: major policies—revenue measures

<table>
<thead>
<tr>
<th></th>
<th>2017–18 ($m)</th>
<th>2018–19 ($m)</th>
<th>2019–20 ($m)</th>
<th>2020–21 ($m)</th>
<th>2021–22 ($m)</th>
<th>Total ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax Plan</td>
<td>–</td>
<td>–360</td>
<td>–1 120</td>
<td>–4 420</td>
<td>–4 500</td>
<td>–13 400</td>
</tr>
<tr>
<td>Personal Income Tax – retaining the Medicare levy rate at 2 per cent</td>
<td>–</td>
<td>–400</td>
<td>–3 550</td>
<td>–4 250</td>
<td>–4 600</td>
<td>–12 800</td>
</tr>
<tr>
<td>Black Economy Package – Combatting Illicit Tobacco</td>
<td>–</td>
<td>–15</td>
<td>3 251</td>
<td>148</td>
<td>193</td>
<td>3 577</td>
</tr>
<tr>
<td>Better targeting the Research and Development Tax Incentive</td>
<td>–</td>
<td>314</td>
<td>641</td>
<td>764</td>
<td>719</td>
<td>2 438</td>
</tr>
<tr>
<td>Black Economy Package – New and enhanced ATO enforcement against the Black Economy</td>
<td>–</td>
<td>340</td>
<td>467</td>
<td>533</td>
<td>578</td>
<td>1 917</td>
</tr>
<tr>
<td>Personal Income Tax - ensuring individuals meet their tax obligations</td>
<td>–</td>
<td>180</td>
<td>258</td>
<td>277</td>
<td>277</td>
<td>991</td>
</tr>
<tr>
<td>Protecting Your Super Package – changes to insurance in superannuation</td>
<td>–</td>
<td>–</td>
<td>224</td>
<td>228</td>
<td>245</td>
<td>697</td>
</tr>
<tr>
<td>A firm stance on tax and superannuation debts</td>
<td>–</td>
<td>–149</td>
<td>–152</td>
<td>–156</td>
<td>–160</td>
<td>–617</td>
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</tbody>
</table>

13. Ibid.  
14. Ibid., p. 3-17.
<table>
<thead>
<tr>
<th>Policy Description</th>
<th>2017–18 ($m)</th>
<th>2018–19 ($m)</th>
<th>2019–20 ($m)</th>
<th>2020–21 ($m)</th>
<th>2021–22 ($m)</th>
<th>Total ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Economy Package – further expansion of taxable payments reporting</td>
<td>–</td>
<td>–4</td>
<td>47</td>
<td>264</td>
<td>299</td>
<td>606</td>
</tr>
<tr>
<td>Superannuation – better integrity over deductions for personal contributions</td>
<td>–</td>
<td>89</td>
<td>109</td>
<td>110</td>
<td>120</td>
<td>427</td>
</tr>
<tr>
<td>Supporting Our Hospitals – National Health Agreement – public hospital funding</td>
<td>–</td>
<td>–50</td>
<td>–</td>
<td>–331</td>
<td>–597</td>
<td>–977</td>
</tr>
<tr>
<td>Funding to Boost Services in the Northern Territory</td>
<td>–260</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–260</td>
</tr>
<tr>
<td>Managing the Skilling Australians Fund – revised implementation arrangements</td>
<td>–250</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–250</td>
</tr>
</tbody>
</table>


**Table 8: major policies—expense measures**

<table>
<thead>
<tr>
<th>Policy Description</th>
<th>2017–18 ($m)</th>
<th>2018–19 ($m)</th>
<th>2019–20 ($m)</th>
<th>2020–21 ($m)</th>
<th>2021–22 ($m)</th>
<th>Total ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting Our Hospitals – National Health Agreement – public hospital funding</td>
<td>–</td>
<td>–50</td>
<td>–</td>
<td>–331</td>
<td>–597</td>
<td>–977</td>
</tr>
<tr>
<td>Funding to Boost Services in the Northern Territory</td>
<td>–260</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Managing the Skilling Australians Fund – revised implementation arrangements</td>
<td>–250</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–250</td>
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</table>

Revenue 2018–19

<table>
<thead>
<tr>
<th>Function</th>
<th>$b</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax</td>
<td>222.9</td>
<td>45.9</td>
</tr>
<tr>
<td>Company &amp; resource rent taxes</td>
<td>92.6</td>
<td>19.0</td>
</tr>
<tr>
<td>Sales tax (incl. GST)</td>
<td>72.1</td>
<td>14.8</td>
</tr>
<tr>
<td>Fuels excise</td>
<td>19.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Other taxes</td>
<td>44.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Non-tax revenue</td>
<td>34.1</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>486.1</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Figure 5: revenue in 2018–19**


Government expenses by function 2018–19

<table>
<thead>
<tr>
<th>Function</th>
<th>$b</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security and welfare</td>
<td>176.0</td>
<td>36.0</td>
</tr>
<tr>
<td>Health</td>
<td>78.8</td>
<td>16.1</td>
</tr>
<tr>
<td>Education</td>
<td>34.7</td>
<td>7.1</td>
</tr>
<tr>
<td>Defence</td>
<td>31.2</td>
<td>6.4</td>
</tr>
<tr>
<td>General public services</td>
<td>23.1</td>
<td>4.7</td>
</tr>
<tr>
<td>All other functions</td>
<td>46.8</td>
<td>9.6</td>
</tr>
<tr>
<td>Other purposes</td>
<td>98.0</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>488.6</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Figure 6: expenses by function**

School education and early learning

Marilyn Harrington

School funding expenditure

The 2018–19 Budget embeds the new school funding arrangements that were put in place by the 2017–18 Budget and later modified through the passage of the *Australian Education Amendment Act 2017*. The increased funding for these later changes for the years 2017–18 to 2020–21 was provided in the *Mid-year Economic and Fiscal Outlook 2017–18*.16

Using its Consumer Price Index (CPI) forecasts and projections, the Budget shows that total school funding will increase by an estimated 4.0 per cent in real terms from 2017–18 to 2018–19 and by an estimated 12.4 per cent in real terms from 2018–19 to 2021–22.17

Expenses in the government school sub-function are expected to increase in real terms by almost double that for the non-government schools sub-function from 2018–19 to 2021–22 (17.8 per cent compared to 8.8 per cent). However, the historic pattern of Australian Government funding for schools remains; that is, the majority of Australian Government funding is provided to non-government schools and state and territory governments provide most of their funding to government schools. Thus, in 2021–22, government schools will receive an estimated 41.4 per cent of total school funding. However, since the school funding arrangements legislated by the *Australian Education Act 2013* were implemented in 2014, the proportion of funding to government schools has increased. In 2012–13, government schools received 34.8 per cent of Australian Government funding.18

Indexation of base per student funding

Under the Australian Government’s school funding arrangements, schools are funded according to a Schooling Resource Standard (SRS) which comprises a base per student amount (with different amounts for primary and secondary school students) and various disadvantage loadings.

From 2018 to 2020 the base per student amounts are to be indexed by 3.56 per cent (slightly less than the previous indexation factor of 3.6 per cent).19 From 2021, this indexation factor will change. It will be made up of 75.0 per cent of the Wage Price Index (WPI) and 25.0 per cent of the CPI, or it will be a set minimum threshold of 3.0 per cent, whichever is higher. Based on the Budget’s forecasts for the WPI and CPI, the indexation factor for the base per student amount from 2021 to 2022 will amount to an estimated 3.25 per cent, which is less than the current indexation factor of 3.56 per cent, but more than the set minimum of 3.0 per cent.

The National School Chaplaincy Programme

There are few new school education budget measures. Of these, the National School Chaplaincy Programme (NSCP) is the most significant. With funding of $247.0 million over four years from 2018–19 (which will fund about 3,000 schools to employ a school chaplain), the NSCP has been identified in the budget papers as one of the top ten expense initiatives in the entire budget.20

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16. S Morrison (Treasurer) and M Cormann (Minister for Finance), *Mid-year economic and fiscal outlook 2017–18*, p. 146.

17. The budget figures in this article have been taken from the following document unless otherwise sourced: *Australian Government, Budget strategy and outlook: budget paper no. 1: 2018–19*.


Moreover, the Treasurer in his budget speech announced that it would be funded on a ‘permanent basis’.  

The Government has also announced that the program will have a new focus—school chaplains will be required to upgrade their skills by undertaking cyber-bullying training provided by the eSafety Commissioner.

**Budget reaction**

The Labor Party and other critics of the Government’s school funding arrangements maintain that the Government is providing $17.0 billion less over ten years and $2.19 billion less from 2018 to 2019 than would have been provided under the previous Labor Government’s original plan for school funding. The National Catholic Education Commission (NCEC) is also disappointed that the Budget has not addressed its concerns, particularly in relation to the various reviews that have been undertaken (see below).

The NSCP’s renewal has been welcomed by the non-government schools sector, but criticised by various secular groups. The Australian Education Union argues that the funds should have been used instead for ‘professional school counselling services, ongoing professional development for principals and teachers and student wellbeing programs’.

**The future of school funding**

The Budget does not contain any school education measures as a result of the recent Gonski review which examined school reform or the Review into Regional, Rural and Remote Education. The reports of these reviews will be considered further by the Council of Australian Governments’ Education Council and both will have implications for school education.

Another review, yet to be completed, that will also have an impact on school funding arrangements, is the National School Resourcing Board’s Review of the Socio-economic Status (SES) Score Methodology. Commonwealth funding to non-government schools is adjusted by a school’s ‘capacity to contribute’ which is based on its SES score, which, in turn, provides a relative ranking of all non-government schools based on the income, education and occupation characteristics of the areas in which their students reside.

**Early learning**

The extension of the National Partnership Agreement Universal Access to Early Childhood Education (the NP), that was first announced in February this year, is the most significant of the early learning budget measures. The NP, which provides funding for preschool programs for children in the year before full-time school, has once again been extended by one year only. The
Government is providing $441.6 million over two years from 2018–19 to extend the NP for the 2019 calendar year and to undertake the National Early Childhood and Care Collection in early 2020.30

This yearly extension of the NP has been the practice since 2015 in spite of continuing concerns by the early childhood education sector about the uncertainty that this creates—there are also calls for the NP to be extended to three-year-olds.31 The Shadow Minister for Early Childhood Education and Development, Amanda Rishworth, has warned that funding uncertainty may mean ‘fees will have to rise or services will have to close’.32

The Government has not provided an explanation for the continuing annual renewal of the NP. And it seemingly runs counter to the consensus about the importance of early childhood education to children’s learning outcomes, which has been most recently canvassed by the Gonski review and the Review to Achieve Education Excellence in Australian Schools through Early Childhood Interventions, which was commissioned by the Education Council.33

None of the budget measures discussed in this article require separate legislation.

31. For example: Early Childhood Australia, Missed opportunity on quality early learning, media release, 8 May 2018; Mitchell Institute, Funding announcement hurts preschools, media release, 5 February 2018.
32. A Rishworth (Shadow Minister for Early Childhood Education and Development), Budget leaves families in limbo without funding certainty, media release, 9 May 2018.
Tertiary education
Hazel Ferguson

This is not a major budget for tertiary education. However the Government has addressed a number of outstanding issues arising from earlier announcements in both vocational education and training (VET) and higher education.

Vocational education and training

The most significant 2018–19 budget measure in VET addresses the future of the apprenticeship-focused Skilling Australians Fund (SAF), which was announced in the 2017–18 Budget, but has not yet been implemented.34

Skilling Australians Fund announcement: 2017–18 Budget

In the 2017–18 Budget, the Government announced a four-year National Partnership Agreement worth approximately $1.5 billion, to replace the expired National Partnership Agreement on Skills Reform.35 The new Agreement was funded from 2017–18, subject to negotiations with the states and territories. However, funding for the measure was based on revenue from a levy on skilled visas from March 2018, which is yet to commence.36 The legislation to give effect to the levy passed Parliament on 9 May 2018.37

With the National Partnership Agreement on Skills Reform having expired on 30 June 2017, skills training providers have raised concerns about the delay in implementing the SAF and uncertainty about the stability of revenue from the levy.38 This has been particularly pressing given declining apprenticeship numbers and trade skill shortages in recent years.39

2018–19 budget measure—‘Managing the Skilling Australians Fund’

The 2018–19 Budget makes a number of changes to manage the delayed implementation of the SAF:

• $250.0 million is provided in 2017–18, to allow the SAF to commence
• an additional $50.0 million is available each year from 2017–18 to 2021–22, to be shared between states and territories—the first year is only available to those that sign on to participate in the SAF by 7 June 2018 and
• the proposed Agreement with the states and territories will be delayed by one year, shifting the four-year Agreement from 2017–18 to 2020–21, to 2018–19 to 2021–22.40

The total value of the SAF remains the same as in the 2017–18 budget announcement (although running over five years rather than four), at approximately $1.5 billion.41 However, the funding for

34. Information on the Skilling Australians Fund (SAF) is available from Department of Education and Training (DET), ‘Skilling Australians Fund’, DET website.
36. Migration Amendment (Skilling Australians Fund) Bill 2018.
37. At the time of writing, these bills, the Migration Amendment (Skilling Australians Fund) Bill 2018, and Migration (Skilling Australians Fund) Charges Bill 2017, are yet to receive Royal Assent.
2017–18 will not be included in the Agreement, leaving total funding for the National Partnership on the Skilling Australians Fund at $1.2 billion. It is not clear what the implementation arrangements for the first year of SAF funding (2017–18) will be.

While these changes provide some additional certainty to states and territories being asked to commit to matched funding through a National Partnership Agreement, levy revenue is also predicted to be lower than estimated in the 2017–18 Budget, partly due to amendments to its application, which are discussed elsewhere in the Budget Review 2018–19.

In the 2017–18 Budget, total funding available through the SAF in 2017–18 was $350.0 million, with only $90.0 million of this coming from revenue from the levy. Therefore, while the 2018–19 Budget makes available $300 million in 2017–18, it does not appear that this whole amount is new spending.

The full implementation of the SAF remains subject to negotiation with the states and territories.

**Higher education**

The *Mid-year Economic and Fiscal Outlook 2017–18* (MYEFO) addressed the major outstanding funding issue in higher education by announcing that unlegislated reform measures from the 2017–18 Budget would not be pursued. Unlike these recent higher education reform announcements the most significant MYEFO saving was achieved without legislation through a 2018 and 2019 freeze on funding for Commonwealth Supported Places (CSPs). CSPs provide subsidised higher education courses for domestic students, primarily at undergraduate level. The challenge in higher education in this budget has therefore been in balancing between strategic growth in some areas, particularly regional universities, with the overall pause in demand-driven funding.

**Response to the Review into Regional, Rural and Remote Education**

The 2018–19 Budget provides $96.1 million over four years from 2018–19 to implement the Government’s response to the higher education components of the Review into Regional, Rural and Remote Education.

Of this funding, $28.2 million will support an estimated 500 additional sub-bachelor (including enabling) places at higher education providers in regional areas from the 2019 academic year. Another $14 million is allocated for 185 additional bachelor CSPs per year for students studying through a Regional Study Hub (RSH)—funding for up to eight RSHs was included in the 2017–18 Budget. According to the Department of Education and Training (DET), RSHs will ‘provide infrastructure such as study spaces, video conferencing, computing facilities and internet access, as well as pastoral and academic support for students studying via distance at partner

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46. Other higher education reform measures announced in MYEFO are still before Parliament in the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018*. Previous higher education reform bills are the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017* (the HESLA Bill), which was a post-consultation replacement for the *Higher Education and Research Reform Bill 2014*, which was an amended version of the *Higher Education and Research Reform Amendment Bill 2014*, which sought to legislate the far-reaching 2014–15 Budget reform announcements, including the deregulation of undergraduate higher education fees and an average 20 per cent cut to funding for CSPs.
universities. The response also includes $53.9 million for expanded access to Youth Allowance, which is discussed elsewhere in the Budget Review 2018–19. The Regional Universities Network has supported the Government’s response but ‘looks forward to a further Government response to the Halsey review recommendations’. There is no response, for instance, to the Review’s recommendations to expand the affordability and availability of VET in the regions.

**Other support for regional universities**

Additionally, $123.6 million funding is committed over five years from 2017–18 for additional CSPs at the University of Sunshine Coast, University of Tasmania and Southern Cross University. These places were announced following the MYEFO funding freeze.

Funding of $83.3 million over five years from 2017–18 is also committed to establish a Murray-Darling medical schools network under the Stronger Rural Health Strategy. No additional funding for medical CSPs is committed in the Education and Training Portfolio for this measure, although a new pool of medical CSPs is being created from 2021. Instead, places are being made available through partnerships with universities which already have medical places allocated. More information on the Stronger Rural Health Strategy, including the Murray-Darling medical schools network, is available in elsewhere in the Budget Review 2018–19.

**Cost recovery and regulation**

The Budget includes cost recovery measures in both higher education and VET.

New charges will apply to higher education providers from 1 January 2019, moving Higher Education Loans Program (HELP) administration to partial cost recovery and Tertiary Education Quality and Standards Agency (TEQSA), the higher education regulator, towards full cost recovery. Consultation will be undertaken on both charges. The new TEQSA charge offsets the cost of an additional $24.3 million over four years from 2018–19 for TEQSA to manage increased workload resulting from growth in provider applications, and to address contract cheating. Innovative Research Universities, while welcoming the Budget overall, is ‘disappointed with “pointless” new university charges’.

The Australian Skills Quality Authority (ASQA), the national VET regulator, already operates on a partial cost recovery basis and is moving toward full cost recovery in line with a 2009 Council of Australian Governments (COAG) decision, with provider application and ongoing charges in place under the VET Student Loans Act 2016 and VET Student Loans (Charges) Act 2016. The Budget
Budget Review 2018–19

commits $18.6 million over four years from 2018–19 to support ASQA to move to full cost recovery. This is estimated to achieve $52.7 million in revenue, or a net saving of $34.1 million.\(^{60}\)

An additional $1.0 million in 2018–19 has also been allocated to the Office of the Commonwealth Ombudsman to support the workload of the [VET Student Loans Ombudsman](#) in managing and investigating student complaints about VET FEE-HELP and VET Student Loans providers.\(^ {61}\)

Legislation would be required to apply new charges to providers.

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Student payments
Michael Klapdor

The 2018–19 Budget includes a number of measures to increase assistance to Indigenous students and students from regional and rural areas and to prevent students from accessing student payments if they are undertaking courses not approved for the Higher Education Loan Program (HELP).

50 years of ABSTUDY

The Budget includes a $38.1 million measure over four years to provide additional assistance to Indigenous secondary school students who receive assistance through the Aboriginal and Torres Strait Islander Assistance Scheme (ABSTUDY) program.62 The ABSTUDY program assists Aboriginal or Torres Strait Islander students and apprentices where they need to travel for study.63

The precursor of ABSTUDY, the Aboriginal Study Grants Scheme was introduced in 1969 as part of a Gorton Government ‘commitment to implement special measures to assist Australian Aboriginal and Torres Strait Islander people to achieve their educational, social and economic objectives through financial assistance to study’.64 The grants scheme was initially limited to tertiary students. A scheme for secondary students was introduced from 1970 and the two were amalgamated into ABSTUDY in 1988.65

Today, the ABSTUDY scheme consists of seven different ‘awards’ which provide a range of allowance payments for students and apprentices with eligibility for a particular award depending on the individual’s study, training and personal circumstances. The allowances are means tested.

In recognition of the 50th anniversary of ABSTUDY in 2019, the Government will:

• combine the boarding supplement rate with the Living Allowance at the Away from Home rate for all ABSTUDY recipients under 16 years of age—rates will increase by around $5,258.60 per year for almost 1,900 students
• implement new travel arrangements for secondary students receiving Fares Allowance with increased trips and greater flexibility for students travelling to or from locations other than home and school
• provide more frequent payments to boarding providers to support students who move to a new school or boarding arrangement and encourage providers to ensure continued attendance66
• streamline the ABSTUDY approval process for secondary school scholarships
• no longer apply the maintenance (child support) income test to some ABSTUDY awards.67

Most of the changes will not require legislation as ABSTUDY is administered through policy guidelines approved by the Minister for Social Services. The maintenance income test changes require legislation.

62. The budget figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2, 2018–19, pp. 94–95, 170–171.
64. Department of Social Services (DSS), ABSTUDY Policy Manual, DSS, Canberra, 1 May 2018, p. 6.
65. Ibid., pp. 6–7.
66. A 2016 study of Northern Territory boarding schools suggested some were focused on pursuing enrolments for funding purposes and that students were returning to their communities after a short time. J Guenther, G Milgate, B Perrett, T Benveniste, S Osborne, and S Disbray, ‘Boarding schools for remote secondary Aboriginal learners in the Northern Territory: smooth transition or rough ride’, Australian Association for Research in Education Annual Conference, Melbourne, November 2016, p. 7
67. DSS, Student measures, factsheet, DSS website, May 2018, pp. 1–2; DHS, 50 years of ABSTUDY — strengthening ABSTUDY for secondary students, factsheet, DHS, May 2018, pp. 1–4.
Access to Youth Allowance for rural students

The Government will raise the family income limit that applies to regional students claiming ‘independence’ for Youth Allowance purposes by supporting themselves through paid employment. A young person considered independent for Youth Allowance does not have their parent’s income taken into account when determining their rate of payment.

There are different criteria under which a person can be considered independent and one such route is through participation in paid work. This criterion can be satisfied either through full-time paid work for at least 18 months in any two-year period, or through two less restrictive ways that apply only to students in regional and remote areas:

- over a 14-month period since leaving secondary school, earn 75 per cent or more of Wage Level A of the National Training Wage Schedule included in a modern award (for someone who finished school in 2016 this would be equivalent to $24,042) or
- work at least 15 hours a week for at least two years since leaving secondary school.68

For regional and remote students to be eligible for these two self-supporting independence criteria, their parent’s combined income for the financial year before the calendar year they apply for Youth Allowance must be less than $150,000. This parental income limit was introduced from January 2011, after the then Labor Government attempted to remove the less restrictive self-supporting criteria altogether but eventually negotiated to save the income-limited version for regional and remote students.69 This Budget includes a measure to raise the limit to $160,000 (plus $10,000 for any additional child) and to assess the income for the financial year preceding the student’s self-support period.

The Government has stated that this measure is part of its response to the Independent Review into Regional, Rural and Remote Education undertaken by John Halsey.70 However, the report of the Halsey Review did not raise the income limit as a matter of concern nor did it recommend amending the limit.71

The measure will allow more regional students from families with high incomes to qualify for Youth Allowance. The measure will cost $53.9 million over four years from 2018–19 and will require legislation.

Limiting student payments to HELP-approved courses

The Government estimates it will save $101.1 million over five years by limiting eligibility for student payments for higher education courses to students undertaking courses approved for the HELP. The measure was first announced in October 2017 but not detailed in the December 2017 Mid-Year Economic and Fiscal Outlook.72 The new limits for students in higher education builds on a 2017–18 budget measure which limited access to student payments for vocational education and training (VET) students to those studying courses approved for VET student loans.73 Affected student payments are Youth Allowance, Austudy, ABSTUDY and the Pensioner Education Supplement.

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68. DSS, ‘3.2.5.80 YA & DSP – Self-supporting through Paid Employment’, Guide to social security law, DSS website, last reviewed 7 May 2018.
69. J Gillard (Minister for Education), Government delivers on Youth Allowance, media release, 16 March 2010.
70. Australian Government, op. cit., p. 94.
72. C Porter (Minister for Social Services), Improving outcomes for students through a stronger student payments system, media release, 16 October 2017.
While courses at all public universities and some private higher education providers are approved for the HELP (available to domestic students only), a small number of private providers are not approved. The Tertiary Education Quality and Standards Agency lists 169 registered higher education providers in Australia while the Australian Government’s StudyAssist website lists 147 providers approved to offer Commonwealth assistance (through the HELP).  

The measure has already been implemented via a legislative instrument which commenced on 1 January 2018. The Government estimates that up to 2,000 students will be affected by the changes. Student payment recipients studying at non-HELP approved providers were protected from the measure for the duration of their current course.

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75. Student Assistance (Education Institutions and Courses) Amendment Determination 2017 (No. 3).

76. Porter, op. cit.
Environment
Bill McCormick

Great Barrier Reef 2050 Partnership Program

The Reef was the stand-out environmental item in this Budget, although parts of the package were announced beforehand. The Government has committed $535.8 million over five years from 2017–18 to accelerate the delivery of the Reef 2050 Plan.77 In January 2018 the Government announced $57.9 million (contained in additional Budget Estimates of February 2018) to provide:

- $6.0 million to the Australian Institute of Marine Science and CSIRO to scope and design a research and development (R&D) program for coral reef restoration.
- $10.4 million to accelerate the control of crown-of-thorns starfish (COTS) by increasing the number of vessels targeting COTS from three to eight.
- $36.6 million to further reduce polluted water entering the Reef.
- $4.9 million to increase the number of field officers to improve compliance and provide an early warning of coral bleaching.78

In April 2018 the Government announced a $443.3 million Reef Trust partnership with the Great Barrier Reef Foundation (with money administered through the Department of Environment) to tackle COTS, reduce pollution flowing into the Reef and mitigate the impacts of climate change.79 The funding will be:

- $201.0 million to support farming practices that improve water quality flowing into the Reef.
- $100.0 million to support R&D on reef restoration, reef resilience and adaptation.
- $58.0 million to expand the control of COTS.
- $45.0 million to increase community engagement, such as Indigenous traditional knowledge for sea country management, coastal clean-up days and awareness-raising.
- $40.0 million to enhance reef health monitoring and reporting to facilitate better management.80

While the initial $57.9 million is to be spent over the next 18 months there is little information about the period over which the rest of the funds will be spent.81 The Great Barrier Reef Marine Park said that it will receive an additional $42.7 million for its joint field management program over the next six years.82

Interested parties have welcomed the additional funding for the Reef but some don’t feel the funds are enough to protect it, and they criticised the Government for not providing additional

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77. The budget figures have been taken from the following document unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2: 2018–19, 2018.
78. M Turnbull (Prime Minister), M Cash (Minister for Jobs and Innovation) and J Frydenberg (Minister for the Environment and Energy), Investing in the future of our Great Barrier Reef, media release, 22 January 2018; Australian Government, Portfolio additional estimates statements 2017–18: Environment and Energy Portfolio, pp. 14, 82.
80. Ibid.
81. M Turnbull, M Cash and J Frydenberg, op. cit.
82. Great Barrier Reef Marine Park Authority, $500 million funding “game changer” for the Great Barrier Reef, media release, 29 April 2018.
money for actions to mitigate climate change itself rather than just to mitigate the impacts. The federal Department of the Environment and Energy stated that ‘climate Change is the most significant threat to the Great Barrier Reef’. The chair of the Reef 2050 Advisory Committee, Penny Wensley, said that both global warming and cyclones had contributed to the Reef’s ill health and that funding was still not enough, although it was more than the committee had hoped for.

Enhancing Australia’s Biosecurity System

The 2017 Intergovernmental Agreement on Biosecurity Review stated that the erosion of biosecurity budgets is hampering the efforts of biosecurity agencies, and that funding needs to be more sufficient, more sustainable and better directed. It recommended imposing levies on incoming shipping and air containers, with the revenue being directed to those areas of the national biosecurity system that are currently most underfunded.

In the Budget, the Government committed $86.8 million to the Department of Agriculture and Water resources to increase funding to biosecurity programs over four years from 2018–19, and $14.8 million to address the cost of biosecurity clearances associated with increased sea and air passenger number growth from 2017–18. Among other things, the Government will fund the development of national action plans for priority pests and diseases, increase the capacity to deal with pest and disease incursions and permit greater assurance and verification of biosecurity import conditions.

As recommended in the Biosecurity Review, the Government has decided to impose a new biosecurity import levy from 1 July 2019 that is expected to raise $360 million over the following three years. Legislation for this levy has not yet been introduced into Parliament. This will apply to incoming shipping containers at a rate of $10 per twenty-foot container and $1/tonne on non-containerised cargo. It will be used to fund onshore surveillance, diagnostics, data analytics, research and adoption of new technology. The levy represents one per cent of the current cost of importing a container. It would appear the Government has decided not to implement the recommended levy on aircraft containers.

Per- and Poly-Fluorinated Alkyl Substances (PFAS)

The use of the highly persistent chemicals, per- and poly-fluorinated alkyl substances (PFAS), in fire-fighting foams has resulted in the contamination of surface and groundwater in and adjacent to some military bases and civilian airports. The Hunter River wetlands, a Ramsar wetland downstream of RAAF Base Williamtown, may be one of the contaminated areas. Remediation of these areas may be necessary to stop PFAS in contaminated soil, ground water and surface water from migrating into adjoining environments.

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83. E Bagshaw, ‘$500m reef rescue pledge’, The Sunday Age, 29 April 2018; R Yosufzai, ‘Is $500m enough to save the Great Barrier Reef’, SBS News, 30 April 2018; Footprint Latest News, Tourism operators demand strong action on climate change, Footprint, 4 May 2018 [paywall].
89. Ibid.
The Government will provide $34.1 million over five years from 2017–18 for research into the remediation of PFAS contamination through the establishment of the $13 million PFAS Remediation Research Program and for the Department of the Environment and Energy.¹⁰

There is debate about the health effects of PFAS due to the limited evidence presently available. The US Environmental Protection Agency states that ‘there is evidence that exposure to PFAS can lead to adverse health outcomes in humans’.¹¹ In Australia, the recent Expert Panel for PFAS Report stated that ‘there is mostly limited or no evidence for any link with human disease’ but ‘important health effects for individuals exposed to PFAS cannot be ruled out based on the current evidence’.¹² In 2017, the Department of Health released daily guidance values for PFAS in drinking water.¹³ To help with the issue, the Government will provide $55.2 million over five years from 2018–19 to establish a drinking water program, including supply of bottled water, to communities surrounding Army Aviation Centre Oakey, RAAF Base Williamtown, RAAF Base Tindal, and RAAF Base Pearce where environmental site assessments have identified property owners who use bores as their primary source of drinking water.

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¹¹ United States Environmental Protection Agency (EPA), ‘Basic information on PFAS’, EPA website.
¹³ Department of Health (DoH), ‘Health-based guidance values for PFAS for use investigations in Australia’, DoH website.
Energy
Dr Emily Hanna

Energy is a significant issue for parliament, with discussion since the last Budget focusing on the reliability and security of the electricity system as well as the inclusion of renewable sources into our energy mix. Significantly, since the last Budget, the Independent Review into the Future Security of the National Electricity Market – Blueprint for the Future (the Finkel Review) has been published and the National Energy Guarantee (NEG) introduced. The states and Commonwealth have been in dispute over levels of renewable energy that should be included in our energy supply, and the Council of Australian Governments (COAG) Energy Council has not reached agreement on the NEG.

This Budget has two main energy measures. These relate to the acquisition of Snowy Hydro Limited and further funding of $41.5 million over six years from 2018–19 to broaden the ‘Powering Forward’ initiative. The latter, which was introduced in the 2017–18 Mid-Year Economic and Financial Outlook, aims to deliver ‘more affordable, reliable and sustainable energy’.

**Snowy Hydro Acquisition**

Snowy Hydro Limited is an operational power company, which was jointly owned by the governments of New South Wales (NSW), Victoria, and the Commonwealth, with share allocations of 58%, 29% and 13% respectively. It features 16 power stations with a combined generation capacity of 5,500 megawatts, including the Snowy Mountains Hydro Electricity Scheme, and more than one million retail customers. The Australian Government will soon become the sole shareholder, due to an agreement reached with the two states to transfer their shareholdings to the Commonwealth in July 2018. In return, NSW and Victoria will receive $4.2 billion and $2.1 billion respectively in funds for infrastructure. This arrangement appears as a new capital appropriation worth $6.1 billion for the Department of the Environment and Energy (DEE), paid for in 2017–18 using ‘capital appropriation and interim dividends payable from Snowy Hydro Limited in respect of their profits for the half year period to 31 December 2017’. This purchase was reported in *The Australian* in March as being ‘excluded from the budget bottom line’ with the asset ‘classified as a government business, “off the books”, similar to the Western Sydney Airport and NBN Co’. The report claims that, nevertheless, this will ‘add to the nation’s debt, with the government increasing its borrowings to fund the multi-billion dollar deal’.

After the transfer of shares in July this year, all future dividends from Snowy Hydro Limited will go to the Australian Government, and therefore the forward estimates show the acquisition creating revenue for the Commonwealth of $1.1 billion over four years from 2018–19. This is an increase...
in earnings from the shares of $941.1 million over the four years. In addition, the Commonwealth will no longer need to compensate Victoria and NSW for their relative shares of income tax paid by Snowy Hydro Limited, reducing Department of the Treasury expenses by $225 million over three years from 2019–20 ($75 million per year).

The Budget includes no further funding specifically for Snowy Hydro or the Snowy 2.0 scheme (estimated in the Snowy 2.0 feasibility study to have a base cost of $3.8–4.5 billion). However, this is likely due to the Government reporting that the feasibility study found ‘Snowy Hydro can finance the project itself using retained earnings and borrowing’.

‘Powering Forward’ program

‘Powering Forward – delivering more affordable, reliable and sustainable energy’ is a measure designed to ‘support long-term energy affordability, security and governance’. Funding of $11.7 million over five years from 2017–18 is provided ‘to support recommendations from the Finkel Review and the Energy Security Board’, including establishing the Government’s current energy and emissions reduction policy, the NEG, and ‘developing a distributed energy register to improve and lower the costs of system security and grid management, and allow consumers to receive a benefit from their demand reduction’. In addition, the measure aims to improve the functionality of the gas market, with funding of $2.5 million over two years from 2018–19 to improve gas pipeline regulations, and to improve the national gas law and rules’. The development and implementation of the NEG will also continue with funding of $7.5 million for the Council of Australian Governments Energy Council’s ‘agreed work program’ over two years from 2018–19. Episodic assessments of national energy security and resilience are also funded, with $12.8 million over six years from 2018–19 as well as a further $4.9 million every three years from 2024–25 (with no end date given for this commitment). These assessments will include the recently announced investigation into Australia’s domestic liquid fuel security.

As well as coming under DEE’s Energy program (program 4.1), the Powering Forward measure is listed as part of DEE’s programs 2.1 and 2.2, Reducing Australia’s Greenhouse Gas Emissions and Adapting to Climate Change, respectively. This appears to be the only place in the Budget where new funds related to climate change are provided:

- $0.9 million over two years ‘to undertake modelling for a long-term whole-of-economy emissions reduction strategy as recommended by … the Finkel Review’ and
- $6.1 million over three years (from 2018–19) ‘to improve climate change information for the energy sector’.

The Treasurer used the Budget speech to reaffirm the Government’s commitment to an emissions reduction target of 26–28 percent on 2005 levels by 2030. He stated:

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105. Ibid.
107. M Turnbull (Prime Minister) and J Frydenberg (Minister for the Environment and Energy), *Green Light for Snowy Hydro 2.0*, media release, 21 December 2017.
110. Ibid.
113. Ibid., p. 20.
114. Ibid., p. 21.
‘...we will not adopt the 50 per cent renewable energy target demanded by the Opposition’ and ‘[a]ll energy sources and technologies should support themselves without taxpayer subsidies. The current subsidy scheme will be phased out from 2020’. 115

This is reflected in the absence of extra funding for the Emissions Reduction Fund (ERF), which has approximately $265 million left. 116 The Clean Energy Finance Corporation, which under the Clean Energy Finance Corporation Act 2012 had its last financial year of legislatively prescribed funding of $2 billion last year, will receive $530 million in 2018–19 from DEE—only about one quarter of its previous year payment. 117

Commentary

The majority of commentary around the energy-related parts of the Budget relates to the absence of new funding, and concerns the lack of extra funds for the ERF may make it harder to achieve the national emissions reduction target. 118 The chief executive of the Carbon Market Institute, Peter Castellas, is reported as saying that without more ERF-funded abatement, ‘the need for the Safeguard Mechanism and the National Energy Guarantee to do the heavy lifting of emissions reduction’ is elevated. 119 The Climate Council stated that ‘Budget 2018 ... fell short on new funding to embrace the rollout of clean, affordable and reliable renewable energy and storage technology’. 120 Environmental and climate groups were also generally disappointed in the lack of funding for climate change. 121

115. Scott Morrison (Treasurer), Budget speech 2018–19, p. 82.
118. ‘No Budget top-up for Emissions Reduction Fund’, Footprint, 8 May 2018.
119. Ibid.
121. For example, Australian Conservation Foundation (ACF), ‘Budget 2018-19: Investment in a healthy environment cut to bare bones, while fossil fuel subsidies continue’, 8 May 2018, ACF website and Climate Council, op. cit.
Science and technology

Dr Hunter Laidlaw

A number of budget measures affect the science and technology sector and these have generally been met with stakeholder enthusiasm. Support for many of the main programs is relatively steady or modestly improved, while a number of new initiatives are funded—perhaps most notably the establishment of a domestic space agency. Many of these initiatives fall under the Australian Technology and Science Growth Plan; this will also be discussed under the ‘Innovation Incentives’ topic.

Space agency

The Budget provides $26.0 million over four years to establish a national space agency to oversee and coordinate domestic space activities. An additional $15.0 million over three years from 2019–20 is also allocated to an International Space Investment initiative to generate opportunities for strategic space projects; however the design of this initiative has not yet been finalised. These expenditures are designed to boost Australia’s involvement in the space sector and to help break further into the global space market. This funding secures the commitment made by the Government in September 2017 to establish a space agency. A review of Australia’s space industry capabilities commenced in 2017 and the report was delivered to the Government on 29 March 2018; it has not yet been released. A number of states and territories have expressed interest in hosting the agency and additional details are eagerly anticipated.

Science and research funding

Funding for Commonwealth research agencies appears to be relatively stable across the sector, although the overall picture will become clearer when the Science, Research and Innovation Budget Tables are released later in the year. The Commonwealth Science and Industrial Research Organisation (CSIRO) received a 5% increase in funds. The Australian Research Council (ARC) received higher than expected funding for key programs including the Discovery program (2.5% increase) and Linkage program (2.7% increase) compared with the 0.2% increase indicated in last year’s forward estimates. There are no unexpected changes to total appropriation for the ARC or the National Health and Medical Research Council (NHMRC) compared with previous forward estimates. A Bill to amend and update the funding caps for the ARC was introduced into Parliament on the 10 May 2018.

The Antarctic Gateway Partnership will be extended and an Antarctic Science Collaboration Initiative will be established with $35.7 million over four years through the ARC, however this will be met using existing funds from the ARC and the Department of Industry, Innovation and Science.

122. The budget figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2: 2018–19, 2018.
Approximately $4.5 million over four years has also been allocated to encourage more women into science, technology, engineering and mathematics (STEM) education and careers.

**Medical Research Future Fund (MRFF)**

Accumulation of capital in the Medical Research Future Fund (MRFF) remains on track for the fund to reach $20 billion by 2020–21. Budget papers indicate a 2017–18 balance of $7.1 billion, with the fund to increase to $9.5 billion next financial year. Disbursements are still expected to rise each year. Two broad announcements for the MRFF were in the Budget: investments in health and medical research, and an Industry Growth Plan for the sector. The Growth Plan aims to ‘improve health outcomes and develop Australia as a global destination for medical sector jobs, research and clinical trials’ by providing $1.3 billion over ten years. Specific initiatives include $500.0 million over ten years for precision medicine and genomics (the Genomics Health Futures Mission) and $248.0 million for an expanded clinical trial programs. Research programs were also announced that will receive $275.4 million from the MRFF, including $75.0 million over four years to extend the Rapid Applied Research Translation program.

In contrast to most other science grant funding mechanisms (such as those administered through the ARC and NHMRC), the government determines the programs and funding amounts to be disbursed from the MRFF, following advice provided by the Australian Medical Research Advisory Board and taking into consideration the Australian Medical Research and Innovation Strategy (set every five years) and the Australian Medical Research and Innovation Priorities (set every two years). The sector is looking forward to more details on the competitive processes to be used when allocating these research funds.

**Technology**

Besides funding for the space agency, the Budget also provides support for space-related technologies, particularly GPS and satellite imagery. Improvements to GPS through more comprehensive positioning, navigation and timing (PNT) data received significant funds: $160.9 million over four years for PNT data to the resolution of ten centimetres across all of Australia, and $64.0 million over four years to the resolution of three to five centimetres in near real-time for regional and metropolitan areas with mobile phone coverage. Additional ongoing funding is also provided from 2022–23 (total of $50.9 million across both initiatives). More reliable and standardised satellite imagery data will also be developed with $36.9 million over three years from 2019–20 (and $12.8 million ongoing) through Digital Earth Australia.

Advanced computing technology received a boost with $70.0 million to assist with upgrades of supercomputing infrastructure at the Pawsey Supercomputing Centre in Western Australia, to help the Centre maintain its position in the Top500 global supercomputer list and attract international research. Australia’s capabilities in Artificial Intelligence (AI) and Machine Learning will also be strengthened through investment of $29.9 million over four years. The funds will support projects through the Cooperative Research Centres Program, additional postgraduate scholarships and school-level programs, and additional planning for AI technology including a national ethics framework.

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131. Department of Health (DoH), ‘How does MRFF funding work?’, DoH website; DoH, ‘How is the MRFF governed?’, DoH website.
132. Association of Australian Medical Research Institutes (AAMRI), *$2 billion MRFF investment secures Australia’s future as medical research leader*, media release, 8 May 2018.
Research infrastructure

The National Collaborative Research Infrastructure Strategy (NCRIS) will be expanded and receive an additional $393.3 million over five years from 2017–18. The NCRIS provides partial funding for national research infrastructure projects that are intended to generate maximum benefit to the research sector and broader community. This brings total funding under the Research Infrastructure Investment Plan to $4.1 billion over 12 years ($1.9 billion of this total is announced in the Budget). A 2015 review proposed that $6.6 billion ($3.7 billion from government) was required to support long term investment in national research infrastructure.133 The National Research Infrastructure Roadmap, completed in 2016, identifies nine focus areas as priority sectors for investment.134 The Roadmap specifically identified the Pawsey Supercomputing Centre (noted above) as an immediate priority.135

Capital works within CSIRO have been allocated $341.5 million over nine years; this will be met from existing resources and the planned disposal of part of CSIRO’s property portfolio.136 Property, plant and equipment sales are expected to generate $141.4 million over the forward estimates.137 The only specifically noted capital works relate to maintaining regulatory requirements at the Australian Animal Health Laboratory in Geelong, Victoria, the highest level biosecurity containment laboratory in the country.

Reaction

The science and technology measures announced in the Budget have received a relatively enthusiastic reception from sector representatives.138 This contrasts with previous budgets that have been met with a mixed reaction.139 Establishment of a space agency has been welcomed by both industry lobby groups and the broader scientific community, although some have questioned whether the level of funding for the new agency will be sufficient to boost the local industry into the highly competitive world market.140

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135. Ibid., p. 43.
138. Association of Australian Medical Research Institutes (AAMRI), 2018-19 Federal Budget – what’s in it for medical research?, media release, 8 May 2018; Australian Academy of Science, Good outcomes for science in Budget 2018, media release, 8 May 2018; Research Australia, Budget 2018-19: Budget analysis, media release, 8 May 2018; Science & Technology Australia, STEM a standout winner in this year’s budget, media release, 8 May 2018; Universities Australia, Budget boosts for research infrastructure & regions a downpayment on future prosperity, media release, 8 May 2018.
140. Space Industry Association of Australia (SIIA), Space funding in the 2018 budget, media release, 9 May 2018; D Sadler, ‘Just $26m for new space agency’, InnovationAus.com website, 8 May 2018.
Personal income tax cuts and the Medicare levy

Phillip Hawkins

The Treasurer, Scott Morrison, announced the Government’s Personal Income Tax Plan (PITP) in the 2018–19 Budget. The PITP reduces personal income taxes over the next seven years through a combination of changes to tax offsets for low and middle income earners and changes in income tax thresholds. The changes will be implemented over three steps, commencing in 2018–19, 2022–23 and 2024–25. The 2018–19 changes are targeted at low and medium income earners, with the changes in 2022–23 and 2024–25 applying to individuals on higher taxable incomes.

The Government also announced in the Budget that it will not proceed with its proposal to increase the Medicare levy from 2 per cent to 2.5 per cent to fund the National Disability Insurance Scheme (NDIS).

Impact of the PITP

Figure 1 indicates the dollar value of total tax reductions provided under each stage of the PITP by taxable income. This demonstrates:

- the changes commencing in the 2018–19 income year are beneficial across all taxable incomes. However, the benefit is larger for those individuals with taxable income below $125,333
- the changes commencing in the 2022–23 income year primarily provide additional tax reductions to individuals with taxable incomes over $90,000
- the changes commencing in the 2024–25 income year primarily provide an additional tax reduction to individuals with taxable income over $120,000

Figure 1: Combined impact of PITP changes (tax reduction per annum ($) by taxable income in 2018–19, 2022–23 and 2024–25)


**Why is the Government taking this approach?**

While the approach taken by the Government adds some complexity to the personal income tax system, utilising tax offsets to provide most of the income tax reductions in 2018–19 means that the initial tax cuts can be targeted to low and middle income earners. Tax offsets, as described further below, can be limited to taxpayers at particular taxable income levels and phased out for higher income earners.

In contrast, changes in income tax thresholds cannot be targeted in the same way. Australia’s progressive tax system applies higher marginal tax rates to income above particular income thresholds (zero for the first $18,200, 19 per cent between $18,200 and $37,000 and so on). This means that lifting an income tax threshold reduces the amount of tax paid by anyone with taxable income above that threshold. For example, increasing the tax threshold for the 32.5 per cent marginal tax rate from $87,000 to $90,000 benefits all individuals with taxable income over $87,000, not just those earning between $87,000 and $90,000. Anyone with taxable income above $87,000 would pay 32.5 per cent on any taxable income between $87,000 and $90,000 rather than the current 37 per cent.

**Tax Offsets**

**What is a tax offset?**

In order to understand the Government’s PITP it is important to understand tax offsets and how they differ from tax deductions.

Both deductions and offsets are ultimately used to reduce a taxpayer’s tax liability, but they operate differently:

- deductions, such as expenses incurred in earning assessable income, are applied at the start of the tax return calculation to reduce an individual’s taxable income (the base to which the person’s marginal tax rate applies)
- in contrast, tax offsets are applied at the end of the tax return calculation to directly reduce an individual’s tax liability.

The following is a simplified example (it ignores the Medicare levy):

An individual has assessable income of $100,000, work-related deductions of $30,000 and non-refundable tax offsets of $10,000.\(^{142}\)

- the person’s taxable income is $70,000 ($100,000 less $30,000 of deductions)
- the tax amount on a taxable income of $70,000 (before offsets are applied) would be $14,297 based on 2016–17 marginal tax rates
- after the $10,000 tax offset is applied the individual’s tax liability for the year would be $4,297
- if the taxpayer was entitled to a tax offset of $15,000, then their tax liability would be zero (if the offset is a non-refundable one) or $703 (if the offset were a refundable one ($14,297 – $15,000))

Given that the Australian Tax Office (ATO) collects personal income tax throughout the year (income tax withholding), and deductions and offsets are effectively applied when the ATO processes a tax return (on assessment), an individual may be entitled to a refund of tax paid throughout the year.

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\(^{142}\) Tax offsets may be non-refundable or refundable, the difference being that a non-refundable tax offset can only reduce the amount of tax that someone pays to zero in a financial year. Refundable tax offsets can reduce the amount of tax antax liability to an amount less than zero, which results in a refund.
Low and middle income tax offset (LAMITO)

In the 2018–19 income year a new Low and Middle Income Tax Offset (LAMITO) will be introduced. The LAMITO is a non-refundable tax offset of up to $530 per annum for resident taxpayers with a taxable income of up to $125,333. It will be applied as a lump-sum amount on assessment. The LAMITO will commence in the 2018–19 income tax year and will be in place for 4 years until 2021–22 (at which time other tax changes will effectively ‘lock-in’ these tax cuts).

LAMITO will provide the following tax benefit:

- individuals earning up to $37,000 will receive a LAMITO amount of up to $200 per annum
- individuals earning more than $37,000 but less than $48,000 will have their LAMITO amount increased by 3 cents in the dollar, to a maximum rate of $530
- individuals earning between $48,000 and $90,000 will receive the maximum value of LAMITO of $530
- individuals earning more than $90,000 will have their LAMITO amount reduced by $1.5 cents in the dollar until it phases out entirely for incomes of $125,333 and above.

LAMITO is provided in addition to the existing Low-Income Tax Offset (LITO) which provides an offset of up to $445 for individuals earning less than $37,000, and reduces by 1.5 cents in the dollar for every dollar over $37,000 until it phases out entirely for incomes over $66,667. Figure 2 illustrates the combined amount of LAMITO and LITO available for the 2018–19, 2019–20, 2020–21 and 2021–22 income years.

Figure 2. LAMITO and LITO for the 2018–19, 2019–20, 2020–21 and 2021–22 income years


144. Because LAMITO and LITO are non-refundable, the maximum amount of LAMITO and LITO that can be claimed will be limited to the person’s tax liability prior to applying the offset.
Low-income tax offset
In the 2022–23 income year the LAMITO will be rolled into the existing LITO and the LITO will be increased from $445 to $645 per year. The new LITO, as illustrated in Figure 3, will provide the following tax offset amount:  

- individuals earning up to $37,000 will receive a LITO amount of up to $645 (equal to the combined amount of LITO and LAMITO in previous years)
- individuals earning between $37,000 and $41,000 will have the new LITO amount reduced by 6.5 cents in the dollar for each dollar of income above $37,000 until their income reaches $41,000
- individuals earning over $41,000 will have their LITO amount reduced further by 1.5 cents in the dollar until it phases out entirely for individuals earning more than $66,667.

There are no further proposed changes to these tax offsets in the third step commencing from the 2024–25 income year.

Figure 3: Maximum LITO amount from 2022–23 onwards


Tax thresholds
The PITP also makes changes to income tax thresholds in three steps in 2018–19, 2022–23 and 2024–25. These changes predominately affect middle and high income earners.

- in the 2018–19 income year the threshold for the 32.5 per cent marginal tax rate will increase from $87,000 to $90,000  
- in the 2022–23 income year the threshold for the 32.5 per cent marginal tax rate will increase from $90,000 to $120,000
- the final change in 2024–25 income year will abolish the 37 per cent tax bracket entirely and extend the marginal tax rate of 32.5 per cent to all taxable incomes between $40,001 and $200,000.

146. Ibid., p. 13.
147. Ibid., pp. 13–14.
As changes in income tax thresholds will change the amount that the ATO withholds from individuals' income, these tax cuts will effectively be provided throughout the year instead of on assessment (as with tax offsets).

The new proposed income tax schedules under each step (as estimated by the Parliamentary Library) are included at Attachment A.

**Financial Impact**

According to the 2018–19 Budget Papers the proposed PITP is estimated to reduce revenue by $13.4 billion over the Budget forward estimates period. However, the forward estimates period does not include the changes scheduled to commence in 2022–23 and 2024–25. The Government has confirmed that the estimated cost of the proposal over 10 years will be $140 billion but has stated a year by year estimate of this figure would be unreliable.

**Legislation**

The Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018 (the Bill), which seeks to implement the Government’s PITP was, introduced into the House of Representatives on 9 May 2018. The Bill seeks to implement all elements of the PITP. The Treasurer has confirmed that the Government will seek to legislate all elements of the PITP in the same Bill. This is despite reported calls from the Opposition and other cross-bench senators to consider each set of changes separately.

**ALP position**

The Australian Labor Party (ALP) has announced that it will support the introduction of the PITP changes that commence in 2018–19; namely the introduction of the LAMITO and the increase in the 32.5 per cent tax rate threshold to $90,000.

The ALP has also announced that from the 2019–20 income year they would provide a permanent tax offset with a maximum amount of $928 per year for individuals with taxable income less than $125,000, $398 more than the maximum amount of LAMITO.

**Not proceeding with the increase in the Medicare Levy**

In the 2018–19 Budget the Government announced that it would no longer proceed with its plan (announced in the 2017–18 Budget) to increase the Medicare levy. This is expected to reduce Government revenue by $12.8 billion over the forward estimates period. In a speech to Australian Business Economists on 26 April 2018 the Treasurer stated that the increase in the Medicare levy was no longer needed as a result of the better fiscal position outlined in the Budget. The Government has indicated that it intends to fully fund the NDIS by ‘continuing to deliver a stronger economy and by ensuring the Government lives within its means.’ The ALP has also stated that it would not proceed with its proposal to increase the Medicare levy for individuals with taxable income greater than $87,000.

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150. S Morrison (Treasurer), *Interview with Barrie Cassidy, ABC Insiders*, transcript, 13 May 2018.
151. Ibid.
153. B Shorten (Leader of the Opposition) and Chris Bowen (Shadow Treasurer), *Tax Refund For Working Australians – Bigger, Better & Fairer*, Media release, 10 May 2018
154. Ibid.
157. Ibid.
Attachment A: Proposed personal income tax rates for resident individuals under the PITP\textsuperscript{158}

Table 1: Personal income tax rates applying in the 2017–18 income year

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Tax on this taxable income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $18,200</td>
<td>Nil</td>
</tr>
<tr>
<td>$18,201 - $37,000</td>
<td>19 cents for each $1 over $18,200</td>
</tr>
<tr>
<td>$37,001 - $87,000</td>
<td>$3,572 plus 32.5 cents for each $1 over $37,000</td>
</tr>
<tr>
<td>$87,001 - $180,000</td>
<td>$19,822 plus 37 cents for each $1 over $87,000</td>
</tr>
<tr>
<td>$180,001 and over</td>
<td>$54,232 plus 45 cents for each $1 over $180,000</td>
</tr>
</tbody>
</table>

Source: ATO website.

Table 2: Personal income tax rates applying in the 2018–19, 2019–20, 2020–21 and 2021–22 income years

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Tax on this taxable income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $18,200</td>
<td>Nil</td>
</tr>
<tr>
<td>$18,201 - $41,000(a)\</td>
<td>19 cents for each $1 over $18,200</td>
</tr>
<tr>
<td>$41,001(b) - $120,000(b)\</td>
<td>$4,332 plus 32.5 cents for each $1 over $41,000</td>
</tr>
<tr>
<td>$120,001(b) - $180,000\</td>
<td>$30,007 plus 37 cents for each $1 over $120,000</td>
</tr>
<tr>
<td>$180,001 and over</td>
<td>$52,207 plus 45 cents for each $1 over $180,000</td>
</tr>
</tbody>
</table>

\(a\) $37,000 income threshold raised to $41,000 from 2022-23 income year
\(b\) $90,000 income threshold raised to $120,000 from 2022-23 income year


Table 3: Personal income tax rates applying in the 2022–23 and 2023–24 income years

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Tax on this income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $18,200</td>
<td>Nil</td>
</tr>
<tr>
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</tr>
<tr>
<td>$120,001(b) - $180,000\</td>
<td>$30,007 plus 37 cents for each $1 over $120,000</td>
</tr>
<tr>
<td>$180,001 and over</td>
<td>$52,207 plus 45 cents for each $1 over $180,000</td>
</tr>
</tbody>
</table>

\(a\) $37,000 income threshold raised to $41,000 from 2022-23 income year
\(b\) $90,000 income threshold raised to $120,000 from 2022-23 income year


\textsuperscript{158} The following tables do not include the impact of the Medicare levy.
Table 4: Personal income tax rates applying from the 2024–25 income onwards

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Tax on this income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $18,200</td>
<td>Nil</td>
</tr>
<tr>
<td>$18,201 - $41,000</td>
<td>19 cents for each $1 over $18,200</td>
</tr>
<tr>
<td>$41,001 - $200,000(a)</td>
<td>$4,332 plus 32.5 cents for each $1 over $41,000</td>
</tr>
<tr>
<td>$200,001* and over</td>
<td>$56,007 plus 45 cents for each $1 over $200,000</td>
</tr>
</tbody>
</table>

37 cents in the dollar threshold abolished*

(a) 37 cents in the dollar tier abolished and 32.5 cents in the dollar threshold raised to $200,000.

Targeting the black economy
Joseph Ayoub

The Black Economy Taskforce

The Black Economy Taskforce (the Taskforce) is chaired by Michael Andrew AO (the current Chair of the Board of Taxation) and was established in December 2016 to develop a multi-pronged policy response to combat the black economy in Australia.159

The Taskforce provided the Black Economy Taskforce: final report—October 2017 (Final Report) to the Government in October 2017, which was publicly released with this year’s budget.160 The release was also accompanied by the Government’s response Tackling the Black Economy: Government Response to the Black Economy Taskforce Final Report (Government Response).161 The Final Report contains 80 recommendations which span the whole economy.162

What is the black economy?

There is no internationally agreed definition of the black economy and definitions vary within Australia. According to the Taskforce it generally covers activities which take place outside the tax and regulatory systems involving both legal and illegal activities.163 Examples of black economy activity are listed in the adjacent box.164

What is the size of the black economy?

In 2012, the Australian Bureau of Statistics (ABS) estimated that ‘underground production’ or the ‘cash economy’ accounted for 1.5% of Australia’s Gross Domestic Product (GDP).165 According to the Taskforce, this amounted to approximately $25 billion. Earlier this year KPMG estimated that the total, annual, aggregate tax gap including losses to Pay As You Go (PAYG) income tax, GST and self-assessed personal income tax to be $5.8 billion.166

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164. Ibid., pp. 12–18.
In its Final Report the Taskforce stated that the black economy is larger than estimated by the ABS in 2012 and could be as large as 3% of GDP—in 2015–16 this equated to $50 billion.\(^{167}\) It is also likely that certain elements of the black economy are continuing to grow as a result of a combination of ‘strong incentives, poor transparency and limited enforcement’.\(^{168}\) Figure 1 shows the Taskforce’s estimation of the breakdown of black economy activity.

**Figure 1: Partial indicators of black economy related activity (citations excluded)**\(^{169}\)

![Diagram of black economy indicators](image)

**International experience**

In the Taskforce’s *Black Economy Taskforce: interim report–March 2017* to Government, it estimates Australia’s black economy may be at the lower end of the range, close to the UK and Canada.\(^{170}\) However, this was based on the above ABS 2012 data which estimated that ‘underground production’ accounted for 1.5% of Australia’s GDP and on data collected by the Organisation for Economic Co-operation and Development (OECD) on the black economy in various countries (excluding Australia).

Based on the latest available OECD data and the Taskforce’s revised estimate of the black economy, the Parliamentary Library has produced Figure 2 which is an estimate of the size of Australia’s black economy compared to other OECD countries for 2015–16.

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168. Ibid.
169. Ibid., p. 36. The taskforce notes that the figures presented are not additive and should be taken as indicative only.
What drives the black economy?

The Taskforce found that there are a range of drivers that interact with one another and ultimately lead to the decision to participate in the black economy. These drivers range from high tax and regulatory burdens through to changing business and technological landscapes. Other examples of drivers include:

- economic conditions and commercial pressures
- social norms which legitimise participation in the black economy
- availability, use and cost of cash
- inadequate knowledge about the system.

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173. Ibid.
The Taskforce found that drivers can ‘offset or counter-balance each other’ and can either work to dissuade or encourage black economy participation.\(^{174}\) However, where the drivers encourage participation in the black economy, the Taskforce has observed the emergence of a ‘disturbing pattern’ in areas of public policy as outlined in the adjacent box.\(^{175}\)

### Development of black economy activity

**Phase 1:** there is an inherited policy, regulatory, and enforcement architecture which does not keep pace with economic, social or technological change.

**Phase 2:** some people exploit the regulatory gaps which have failed to keep pace with the above changes—when others see them ‘getting away with it’ they also move into the black

### What are the consequences?

Participation in the black economy produces both direct and indirect costs.\(^{176}\) The most immediate and obvious direct cost is the loss of taxation revenue and abuse of the welfare system — underreporting income enables a person to claim a benefit that they would otherwise not be entitled to. However, there are also a range of indirect costs including:

- harm suffered by individuals who are not within the relevant regulatory systems (such as workplace relations, immigration, occupational health and safety) because they are, for example, ‘off the books’
- by offering goods and services below the market value because, for example, payment is made in cash, the tax and regulatory costs are avoided. This provides the individual or business with a competitive advantage which penalises businesses and individuals who comply with their obligations
- if the community has a perception that the system is unfair or they lack confidence in the administration of system, this may result in their own participation in the black economy.\(^{177}\)

The Taskforce considered that it is not realistic or cost effective to try to limit the costs entirely because ‘a number of black economy initiatives stem from basic design features of our tax and other systems’. An example given is the ‘tightly means-tested transfer systems’.\(^{178}\) However, ‘well-designed measures to counter the black economy can be expected to yield meaningful budgetary dividends over time’.\(^{179}\)

### Government response

The Government has already begun to implement measures that arose out of recommendations in the Taskforce’s Interim Report – for example, the [Treasury Laws Amendment (Black Economy Taskforce Measures No. 1) Bill 2018](https://www.legislation.gov.au/Details/C2018C00565) criminalises the production, supply, use or possession of sales suppression technology and also extends the taxable payments reporting system to cleaning and courier businesses that have an ABN. The [Fair Work Amendment (Protecting Vulnerable Workers) Bill 2017](https://www.legislation.gov.au/Details/C2017C00028), among other things, introduced higher penalties for contravention of workplace laws.

Many of the Taskforce’s 80 recommendations addressed by the Government in its Response will be considered in the context of the Government’s existing policy review or processes.\(^{180}\) That said,
the Government has expressed agreement or agreement in principle, with a number of measures. The measures that the Government disagreed with include:

- **Recommendation 7.3**—offer a time–limited amnesty for small businesses followed by an ‘enforcement blitz’.  

- **Recommendation 10.2**—change the alienation of personal services income rules and strengthen enforcement.  

  **Alienation of personal services income** occurs when the services of an individual are provided through an interposed entity such as a company, trust or partnership, the profits of which are retained by that entity or diverted to associates in order to take advantage of a lower tax rate. It can also involve structuring in a particular way in order to take advantage of deductions which wouldn’t be available to an individual providing the same services as an employee.  

- **Recommendation 13.3**—examine the feasibility of introducing technology which marks cigarette packs and cases to show when excise has been correctly paid. 

Consistent with the Final Report, the Government acknowledges that it will need to address the root causes and drivers, while the current focus must be on the most urgent and costly problems.  

**2018–19 Budget announcements**

The 2018—19 Budget builds on these measures and implements some of the Taskforce’s recommendations contained in the final report, including:

- an economy-wide limit of $10,000 for cash payments made to businesses for goods and services from 1 July 2019. (see separate Parliamentary Library brief: [Black economy measures: limits on cash payments](#))

- a range of measures aimed at combatting the sale and production of illicit tobacco and to improve the collection of excise and customs duty on tobacco (see Parliamentary Library brief: [Tobacco](#))

- expansion of the Taxable Payment Reporting System (TPRS) to:
  - security providers and investigation services
  - road freight transport
  - computer system design and related services

- providing Treasury with $12.3 million over five years (with $1.7 million in 2022–23) to manage a whole of Government response to the Taskforce’s Final Report

- providing the ATO with $3.4 million over four years to lead a multi-agency Black Economy Standing Taskforce (the BEST). (see separate Parliamentary Library brief: [Black economy standing taskforce](#))

- providing $318.5 million over four years to implement strategies including:
  - establishing ATO ‘mobile strike teams’ and increasing the ATO ‘audit presence’
  - establishing a black economy hotline which the public can use to report black economy activity including phoenix activities

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181. Ibid., p. 20.
• providing the ATO with $9.2 million to develop a ‘Procurement Connected Policy’, initially requiring businesses seeking to tender for Australian Government procurement contracts over $4 million to provide a statement from the ATO that they are tax compliant
• removing certain deductions for those taxpayers who fail to comply with their Pay As You Go (PAYG) withholding obligations
• designing a new regulatory framework for the Australian Business Numbers (ABN) system
• a range of measures aimed at combating illegal phoening.

Financial impact

The above measures include both revenue and expense measures. Figure 3 shows the total cost of the black economy and related measures announced in the 2018–19 Budget over the forward estimates. Based on the figures available in Budget Paper No. 2, it appears that the measures will produce a net gain of $4.6 billion over the forward estimates. This includes the measure to bring forward the payment of excise on all warehoused tobacco to 2019–20, and measures to combat illicit tobacco, which together is worth about $3.6 billion (see Parliamentary Library brief: Tobacco). When this measure is excluded the net gain is reduced to about $950 million over the forward estimates.\footnote{186}

Figure 3: total cost of 2018–19 Budget black economy and related measures

Black Economy Standing Taskforce

Joseph Ayoub

As discussed in the Parliamentary Library brief: Targeting the black economy, the Final Report of the Black Economy Taskforce (the Taskforce) made 80 recommendations to Government.187 Black Economy Package—new and enhanced ATO enforcement against the Black Economy188 and Black Economy Taskforce—Standing Taskforce189 implements recommendations 8.1 and 16.2 of the Taskforce—namely that the Government:

- implement a multi-pronged strategy to increase the level and visibility of enforcement and prosecutions, covering tax, industrial relations, welfare, immigration and financial regulatory compliance. The strategy needs to make better use of intelligence and be focused on problem areas.190
- establish a standing taskforce to identify, respond to and prosecute serious, complex black economy fraud.191

The Australian Taxation Office’s (ATO) current funding for compliance and audit activities for black economy activities is due to expire on 30 June 2018.192 The Government will provide the ATO with $3.5 million over four years from 2018–19 to lead a multi-agency Black Economy Standing Taskforce (BEST).193 This strategy is supported by the Government’s announcement that it will provide the ATO with an additional $318.5 million over four years from 2018–19 ‘to implement new strategies to combat the black economy’.194 According to the Budget announcement, this will involve establishing ‘mobile strike teams’ and increasing the ATO’s audit presence.195 This is part of the Government’s plan to ‘deliver more targeted, stronger and more visible enforcement’.196

According to the Taskforce, there is a community perception that it is currently ‘too easy to get away with’ participating in the black economy.197 The Final Report notes that businesses and individuals in regional areas may ‘not think that they will be subject to enforcement proceedings because they do not see a visible presence by major regulators in the area’.198 The Taskforce considered that increased publicity and presence can help change this perception.199

The Taskforce envisaged that the BEST would be modelled on the Serious Financial Crimes Taskforce and deal with serious, complex and high-value cases which require a cross-agency approach.200 Criminal behaviour in labour hire operations and pockets of entrenched labour exploitation are examples provided by the Taskforce.201 While it is not clear from the Budget announcement which agencies the ATO will be working with, the Taskforce noted that the ATO would work with the Australian Federal Police, the Australian Criminal Intelligence Commission, as

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189. Ibid., p. 23.
191. Ibid., p. 337.
193. Ibid., p. 181.
194. Ibid., p. 23.
196. Ibid.
198. Ibid., p. 178.
199. Ibid., p 184.
200. Ibid., p. 338.
201. Ibid., p. 337.
well as relevant policy and regulatory agencies such as the Department of Home Affairs and the Fair Work Ombudsman.\footnote{202}

In recent times, the ATO has led and participated in a number of taskforces, including:

- **Tax Avoidance Taskforce**—which scrutinises the tax affairs of multinational enterprises, large public and private groups and wealthy individuals operating in Australia
- **Phoenix Taskforce**—a whole-of-government approach to combatting illegal phoenix activity, and
- **Serious Financial Crimes Taskforce**—a multi-agency taskforce targeting Serious Financial Crime in Australia which developed out of Project Wickenby.\footnote{203}

The publicity of the investigation and prosecution of egregious behaviour is intended to discourage individual and business participation in the black economy. This approach to dealing appears to have been utilised in the past. In 1996 the Cash Economy Task Force (CETF) was established by the Commissioner of Taxation to examine the nature of the cash economy and develop ways to prevent evasion in the cash economy.\footnote{204} The Commissioner of Taxation responded to the first of the CETF’s reports *Improving tax compliance in the cash economy* by increasing the ATO’s staff presence in cash industries and developing Task Force initiatives.\footnote{205} In its second report, also titled *Improving tax compliance in the cash economy*, the CETF found that there was ‘widespread acceptance in the community that not paying tax on cash income is OK’.\footnote{206} The ATO also implemented an inter-agency cooperation program involving the Department of Social Services (Centrelink), Department of Immigration and Multicultural Affairs, and Department of Employment, Education and Training and Youth Affairs to facilitate joint case work and improve understanding of compliance activities.\footnote{207}

The Taskforce also noted that the Government will need to maintain a sustained focus on the implementation of the Final Report, something which in the Taskforce’s opinion has not happened with earlier black economy reviews.\footnote{208} In this respect, the Government has also provided $12.3 million to Treasury over five years to ‘manage implementation of the whole-of-government response’ to the Final Report.\footnote{209}

As part of the Government’s response, a ‘Black Economy Hotline’ will be established.\footnote{210} While suspicion of tax evasion can currently be reported both online and over the telephone,\footnote{211} the Government considers that this hotline will allow the community to better report black economy and phoenix activity.\footnote{212} Further, the hotline will be supported by new IT infrastructure so that information provided by the community can be converted into metadata to facilitate enforcement action.\footnote{213} This appears to be consistent with the Taskforce’s statement that there is a need to
devote resources towards enforcement activities in more ‘efficient and smarter ways by making better use of data and focussing on problem areas’.\textsuperscript{214}

Related to this is recommendation 11.2 that the Government undertakes a ‘national cultural change campaign’ to shift social norms and the ‘psychological contract between the taxpayer and the Government’. Part of the implementation considerations is that this campaign be delivered ‘by the private sector through a non-government branded approach’.\textsuperscript{215} The Government has accepted this recommendation.\textsuperscript{216}

It is expected that \textit{Black Economy Package—new and enhanced ATO enforcement against the Black Economy} will have a net gain to the budget of $2.4 billion in fiscal balance terms over the forward estimates.\textsuperscript{217}

\textsuperscript{214} Taskforce, \textit{Black Economy Taskforce: final report–October 2017}, op. cit., p. 177.
\textsuperscript{215} Ibid., p. 272.
Black economy measures: limits on cash payments
Joe Ayoub, Dr Jonathon Deans

As discussed in the Targeting the black economy article in Budget Review 2018–19, the final report of the Black Economy Taskforce (‘the Taskforce’) made 80 recommendations to the Government.\textsuperscript{218} Recommendation 3.1 of the final report was the adoption of a limit on cash payments for goods and services, which the Government accepted in its response, released on 8 May 2018.\textsuperscript{219}

The recommendation has been included in the Budget as the Black Economy Package—introduction of an economy-wide cash payment limit measure.\textsuperscript{220} Under this measure, there will be a limit of $10,000 for cash payments made to businesses for goods and services (whether by individuals or other businesses). The measure will not apply to individual-to-individual transactions, which is consistent with the Taskforce’s recommendation. The Government’s response noted that the measure was aimed at reducing money laundering and tax evasion; it also noted that the Government would consult on implementation of the limit.\textsuperscript{221}

Prevalence of cash use
Research published by the Reserve Bank of Australia (RBA) in July 2017 showed that cash accounted for 18 per cent of total merchant transactions (by value), falling to 11 per cent for payments of $501 or more.\textsuperscript{222} The RBA research did not state what proportion of transactions of $10,000 or more are made in cash. Cash was disproportionately used by those in older age groups, accounting for 51 per cent of payments (by number) for those aged over 65 years, compared with 37 per cent for all age groups. It was also disproportionately used by those in the lowest income quartile, accounting for 44 per cent of payments (by number) compared with 37 per cent for all quartiles. Other evidence of the extent of the cash economy can be found in the Parliamentary Library brief on measures arising from the report of the Black Economy Taskforce: Targeting the black economy.

Cash is used in the black economy because, unlike electronic transactions, it does not leave an obvious audit trail.\textsuperscript{223} Non-compliance with taxation obligations enabled by the use of cash also provides businesses with an unfair competitive advantage by being able to offer to goods and services at a discount.\textsuperscript{224}

Risks of cash use
Placing a dollar-value limit on cash payments for goods and services not only limits the opportunities to under-report income, charge lower prices and underpay GST, but also signals to the community that using cash for tax avoidance is not acceptable. It was noted in the Taskforce’s final report that implementation of a limit was broadly supported by stakeholders.\textsuperscript{225}

\textsuperscript{218}  Black Economy Taskforce, Black Economy Taskforce: final report, Commonwealth of Australia, October 2017.
\textsuperscript{219}  Australian Government, Government response to the Black Economy Taskforce final report, 8 May 2018.
\textsuperscript{221}  This measure is distinct from and addresses broader purposes than existing requirements for ‘reporting entities’ (those that provide certain financial, gambling, bullion and other prescribed services) to report cash transactions of $10,000 or more to Australia’s anti-money laundering and counter-terrorism financing regulator, the Australian Transaction Reports and Analysis Centre (AUSTRAC) (see AUSTRAC, ‘Threshold transaction reports (TTRs)’, AUSTRAC website).
\textsuperscript{222}  Reserve Bank of Australia, How Australians pay: evidence from the 2016 Consumer Payments Survey, Supplementary Statistical Tables.
\textsuperscript{223}  Black Economy Taskforce: final report, op. cit., p. 49.
\textsuperscript{224}  Ibid., p. 53.
\textsuperscript{225}  Ibid., p 55.
The Taskforce’s final report noted that implementation issues will need to be addressed, including, for example, determining what constituted a ‘payment’, developing enforcement strategies such as incentivising the reporting of banned transactions and ensuring payments are not artificially structured to avoid the $10,000 threshold.\textsuperscript{226}

A media report quoted the Minister for Revenue and Financial Services, Kelly O’Dwyer, as stating: ‘We’ve accepted $10,000 but we are interested in consultation around the figure as well’.\textsuperscript{227} The Taskforce’s final report noted that several countries in Europe have equivalent limits, including France, Italy, and Spain, and that the European Commission is exploring whether to adopt a limit across the European Union.\textsuperscript{228} A 2017 study by researchers at Harvard University and the Royal United Services Institute identified Jamaica, Mexico, Uruguay, and India as also having limits on cash transactions.\textsuperscript{229} That study found that limits ‘represent a practical and relatively low-risk policy tool to tackle’ money laundering and tax evasion, with ‘very limited downsides ... in terms of the impact on legitimate economic activity’.\textsuperscript{230}

A separate media report identified industries which may be affected as including real estate, vehicle sales, and horticultural farming.

\begin{footnotesize}
\item[226] Ibid., pp. 56–57.
\item[228] Black Economy Taskforce: final report, op. cit., p. 55.
\item[230] Ibid., p. 35.
\end{footnotesize}
Tobacco
Phillip Hawkins

The ‘Black Economy Package – combatting illicit tobacco’ adopts a number of recommendations from the Black Economy Taskforce’s (‘the Taskforce’) final report, which was provided to the Government in October 2017 and publicly released with the Budget.231

The size of the illicit tobacco market is, by its nature, difficult to measure. The Taskforce’s report records several estimates; from the Department of Immigration and Border Protection ($0.5 billion to $2.3 billion); from KPMG ($2.5 billion); and from others ranging up to $6 billion.232

However, the tobacco-related measures that have a material impact on the Budget do not concern illicit tobacco per se, but concern changes in the timing of the collection of excise on legally imported tobacco.

Imposing duty on imported tobacco earlier in the supply chain

Currently importers can defer the timing of customs duty applied to imported goods (such as alcohol and tobacco) by transferring them to a warehouse licensed under section 79 of the Customs Act 1901 (Cth). The customs duty becomes payable once the goods are transferred out of the warehouse for domestic sale or export. Goods can be stored in warehouses indefinitely.233

From 1 July 2019, customs duty will apply to tobacco products as soon they are imported, removing the ability of tobacco importers to defer taxation using warehousing arrangements.234 The Taskforce recommended this approach in order to minimise the opportunity for duty to be avoided by distributing tobacco from warehouses illicitly, prior to the imposition of tax.235

Taxing tobacco warehoused on 1 June 2019

In addition, customs duty will be applied to tobacco products which have been imported but which are being stored in a licensed warehouse as at 1 July 2019. The importer will have one year to pay the customs duty amount. This would apply to all imported tobacco products stored in warehouses, including legally imported products. This aspect of the measure has the greatest fiscal impact, bringing forward to 2019–20 revenue that would otherwise have been paid in later years.

Other related measures

The package includes several other measures:

• from 1 July 2018, creating a cross-agency Illicit Tobacco Task Force (ITTF) to allow for enhanced cooperation in tackling illicit tobacco trade and prosecuting organised crime groups. The new Task Force, which builds on the approach of the Australian Border Force Tobacco Strike Team, will have additional powers and capabilities to enhance intelligence gathering and proactively target, disrupt and prosecute serious and organised crime groups at the centre of the illicit tobacco trade.236

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232 Ibid., p. 30
234. For explanatory material, see Australian Taxation Office (ATO), ‘Excise equivalent goods (imports)’, ATO website.
The existing Black Economy Taskforce recommended that the ITTF comprise the Australian Tax Office, Australian Federal Police, Department of Home Affairs, the Australian Criminal Intelligence Commission and the Department of Health.  

- providing additional resources to the ATO to detect and destroy domestically grown illicit tobacco crops
- making manufactured tobacco products a restricted import from 1 July 2019, requiring a permit from the Department of Home Affairs to import them and
- upgrading the ATO’s payment systems infrastructure for customs duties.

These policies will complement the previously announced measures to combat illicit tobacco. Some of these are proposed to be implemented in two Bills currently before the Parliament: these measures create a new offence regime for illicit tobacco that has been domestically manufactured or produced, or for which the origin of production or manufacturing is unknown or uncertain. The Treasury Laws Amendment (Illicit Tobacco Offences) Bill 2018 and the Customs Amendment (Illicit Tobacco Offences) Bill 2018 propose to set penalties at a high level to deter illegal activity relating to the production of illicit tobacco and for defrauding the Commonwealth of revenue that would otherwise be raised through customs duty.

**Financial impact**

The package of measures is expected to have a net gain to the Commonwealth of around $3.6 billion over the forward estimates period. This financial impact consists of an increase in revenue of $3.73 billion, less an increase in departmental expenditure of $0.14 billion and an increase in capital expenditure of $0.02 billion over the forward estimates period. The revenue component consists of two elements:

- Applying customs duties to tobacco products already stored within warehouses. This has the effect of bringing forward tobacco tax revenue that would have otherwise been paid in future years. This component is expected to have a one-off financial impact in 2019–20.
- Additional revenue from reducing tax avoidance through the illicit trade in tobacco. This component is expected to have an ongoing financial impact.

**Table 1: Financial impact of the ‘Black Economy Package – combatting illicit tobacco’**

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<tr>
<td>Revenue(a)</td>
<td>-</td>
<td>11.0</td>
<td>3,280.5</td>
<td>192.0</td>
<td>247.0</td>
<td>3,730.5</td>
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<tr>
<td>Expense(b)</td>
<td>-</td>
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<td>29.5</td>
<td>39.8</td>
<td>46.4</td>
<td>136.0</td>
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<tr>
<td>Capital(b)</td>
<td>-</td>
<td>5.6</td>
<td>0.2</td>
<td>4.2</td>
<td>7.2</td>
<td>17.2</td>
</tr>
<tr>
<td>Total fiscal impact(c)</td>
<td>-</td>
<td>-14.9</td>
<td>3,250.8</td>
<td>148.0</td>
<td>193.4</td>
<td>3,577.3</td>
</tr>
</tbody>
</table>


(a) A positive number indicates an increase in revenue.
(b) A positive number indicates an increase in expenditure or an increase in capital expenditure.
(c) A negative number indicates a decrease in the fiscal balance; a positive number indicates an increase in the fiscal balance.

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237. Ibid., p. 309.
238. For example, see Australian Government, Budget measures: budget paper no. 2: 2016–17, p. 16; ‘Tobacco Excise — measures to improve health outcomes and combat illicit tobacco’
Infrastructure expenditure

Adrian Makeham-Kirchner and Dr Jonathon Deans

In his 2018–19 Budget speech, the Treasurer said that ‘our $75 billion ten year rolling infrastructure plan will continue—strengthening our economy, busting congestion in our cities, making rural roads safer and getting our products to market’.239 Budget paper No 1 clarifies that this figure accounts for the period from 2018–19 until 2027–28.240 This announcement builds on statements made in the 2017–18 Budget in which the Treasurer stated the Government had increased total funding and financing to transportation infrastructure to $70 billion over the years 2013–14 to 2020–21241 and projected the delivery of $75 billion in infrastructure funding and financing from 2017–18 to 2026–27.242

The Government states that of the $75 billion package in 2018-19, $24.5 billion is to be funded in 2018–19.243 This was clarified by ‘Treasury and Infrastructure department officials’ as being $4.2 billion on new projects and $17.8 billion to fund existing projects between 2018–19 and 2021–22.244

The actual amount of funding allocated to infrastructure has been subject to criticism. For example, the Opposition spokesperson for infrastructure said that, in 2018–19, ‘every project announced in the Budget will be funded from previous allocations, putting the lie to weeks of pre-budget hyperbole in which the Government pretended it planned to lift investment after years of cuts.’245 Also, Infrastructure Partnerships Australia (IPA) said ‘Tonight’s Federal Budget sees infrastructure funding reduced by $2 billion over the forward estimates, meaning less cash for projects and more congestion for commuters’.246 Similar issues were raised in relation to the claims made in the 2017–18 Budget with the Opposition spokesperson questioning the total and claiming that spending was declining.247

This Brief outlines some of the funding mechanisms for infrastructure; in particular, payments to the states and the use of new funding mechanisms and challenges that hinder the reconciliation of the different claims on infrastructure spending.

Payments to the states and territories

Traditionally, the primary mechanism for Commonwealth support for infrastructure—especially transport infrastructure—has been the outlay of grants to other sectors, primarily the states and territories. The Commonwealth makes grants to the states under the Intergovernmental Agreement on Federal Financial Relations, National Partnership Agreements, and Implementation Plans and Project Agreements.248 These payments are summarised annually in Budget Paper No. 3, Federal Financial Relations. The federal financial relations document also summarises untied local road payments to local governments.
The payments to and through the states are dispersed based on certain programs, which for 2018–19 includes:

- The Infrastructure Investment Program: covering Black Spot Projects, the Bridges Renewal Program, Developing Northern Australia—including Improving Cattle Supply Chains and Northern Australia Roads, the Heavy Vehicle Safety and Productivity Program, the Major Projects Business Case Fund, the National Rail Program—including a rail and road component, Roads of Strategic Importance, Roads to Recovery and the Urban Congestion Initiative.
- A range of other infrastructure, including for example the Launceston City Deal–Tamar River, Murray-Darling Basin Regional Economic Diversification Program, Supporting Drought-Affected Communities Program, Western Sydney City Deal and WiFi and Mobile Coverage on Trains.

Local road funding to local government is part of the total financial assistance grants made available to local governments. It is an untied grant, and is paid in addition to the infrastructure programs outlined.

The Parliamentary Library has mapped the payments made for these types of infrastructure transfers from the 2013–14 Budget to the 2018–19 Budget.249

Over the period from 2014–15 to 2017–18 the payments total $29.5 billion, and over the period from 2018–19 to 2021–22 the expected payments total $24.3 billion, for a total of $53.8 billion.250

The pattern of payments in each of the federal financial relations budget documents, including the estimated final payment reported for each completed year, are summarised in Figure 1. It is apparent that the trend in nominal payments is downwards from 2016–17 until 2021–22. For example, the estimated outcome for 2017–18 is an annual payment of $7.9 billion, which declines to $5.4 billion for the 2021–22 financial year.251 This reduction appears to be what Infrastructure Partnerships Australia are referring to in their commentary noted above, and highlighted by the Opposition spokesperson in media commentary.252

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249. Some minor one-off payments such as ‘Supplementary funding to South Australia for local roads’ are excluded. This measure accounts for $40 million over 2017–18 and 2018–19.

250. Assuming the estimated actual figure is representative of the actual expenditure in the year prior to a Budget year, based on Australian Government, Federal financial relations: budget paper no.3, for the years 2013–14 until 2018–19, typically Table 2.9.


There is no obvious explanation for the reduction in funding, with almost all components of the three program groups outlined above declining.

**Funding mechanisms**

Over time new funding mechanisms have been used by the Commonwealth to support infrastructure projects, beyond traditional transfers to the states. These mechanisms include:

- **Equity investments**: akin to buying shares in a business, the use of which provides direct control over a project’s delivery and financing risks, and allows for potential future returns from profitable investments. For example, the 2017–18 Budget included an equity commitment of $8.4 billion in the Australian Rail Track Corporation Pty Ltd to deliver inland rail.

- **Concessional loans**: which provide a financing option to projects based on a lower interest rate or longer time frame than might be available in private markets. For example the 2017–18 Budget discussed a $2 billion concessional loan for the WestConnex project.

- **Guarantees**: where the Commonwealth accepts responsibility for defined risk events that would provide an incentive for private investors to invest. For example, the 2018–19 Budget outlines an indemnity given to the Moorebank Intermodal Company Limited (MIC) ‘...to cover all costs and liabilities that may be incurred by MIC in the event that the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and MIC’.

- **Creating funding pools**: attributing a pool of resources that can be drawn upon for a range of related purposes. For example, the 2017–18 Budget outlined the $5 billion Northern Australia Infrastructure Facility.

It is also feasible that some major projects could receive support by a combination of these mechanisms in hybrid form to manage more complex risks and financing requirements.

The use of these mechanisms introduces comparability and counting challenges.

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It appears that the Treasurer’s $75 billion total in the 2018–19 Budget includes a combination of the payments to states and the gross value of commitments using these new mechanisms, as was the case in relation to the 2017–18 infrastructure spending claims. For example, in 2017–18 the then Minister for Infrastructure and Transport said, in response to criticisms, that ‘others focus on one component of the infrastructure spend, Payments to Support State Infrastructure Services. This is part of, but not the same thing as total infrastructure spending’. In his statement the Minister confirmed that the total included ‘financing and equity’. It is likely the same counting has occurred in 2018–19.

Other spending included with the claim may relate to commitments which are not actually payments. For example, in 2018–19 the Government identifies ‘quantifiable contingent liabilities’. These include $4.2 billion of commitments, including a $3.0 billion commitment made to the Victorian East-West Link Project and a $1.2 billion commitment to the Perth Freight Link Project. The projects are conditional on the relevant states committing equal funding. Both of these projects were announced in the 2014-15 Infrastructure Growth Package and have been in each Budget since 2014–15, with the WA project getting an additional commitment in the 2015–16 Budget. However, there has been no actual expenditure.

Projects in the total count

The Parliamentary Library has not been able to identify project commitments in the Budget documents that equal the Government’s $75 billion total. The various documents published by the Government and the Department of Infrastructure, Regional Development and Cities provide only partial information:

- In Budget Paper 2, Part 2: Expense Measures identifies $116 million in infrastructure spending in 2018–19, with an additional $246 million over the forward estimates. In Budget Paper 3, Table 2.9 identifies $6.3 billion in infrastructure payments to the states in 2018–19, with an additional $15.1 billion over the forward estimates.

- A Budget press release from the Minister for Infrastructure and Transport identifies $5.0 billion in Commonwealth spending in 2018–19 on projects with a total Commonwealth contribution of $35.4 billion. This list excludes a number of programs, such as the Black Spot Projects, Bridges Renewal Program, and Roads to Recovery, as well as projects funded through equity (such as Snowy Hydro and Western Sydney Airport) and special funds (such as the Northern Australia Infrastructure Facility and the National Water Infrastructure Lending Facility). Projects which do not receive funding in 2018–19 are also excluded.

- A list of current major projects from the Department identifies $9.7 billion in Commonwealth spending from 2018–19 onwards, with a total contribution of $29.7 billion. A number of initiatives are excluded, including projects which do not receive funding in 2018–19.

- A 10 Year Infrastructure Investment Pipeline list from the Department identifies $24.6 billion of Commonwealth spending. It appears that this list includes funding provided in the 2018–19 Budget and is not completely additional to the list of major projects already underway. As funding detail is not provided, it is not possible to determine how these lists interact or the total amount of infrastructure investment.

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258. P Fletcher (Minister for Urban Infrastructure) and D Chester (Minister for Infrastructure and Transport), 2017–18 Budget papers reveal record spending on infrastructure, media release, 11 May 2017.
263. Australian Government, Strengthening Australia’s cities and regions, p. 32.
The Parliamentary Library has been unable to locate any public document which provides a transparent overview of total infrastructure commitments. This difficulty is not new. In the 2017–18 Federal Budget the Treasurer claimed $75 billion in infrastructure spending over 10 years.\textsuperscript{265} The Parliamentary Library was unable to corroborate this figure and the Department later identified $78.7 billion in infrastructure spending over 10 years in Senate Estimates.\textsuperscript{266} The Department may again provide new information about infrastructure spending commitments in Estimates hearings on the 2018-19 Budget.

A summary of the different presentations of total infrastructure expenditure reported outside of the Budget documents is in Annex A.

**Concluding comments**

The 2018–19 Budget Papers reveal $24.3 billion in transfer payments to other governments for infrastructure. They exclude funding information for the years 2022–23 to 2026–27. While there is a range of projects discussed there is no information on the published record that outlines how the $75 billion commitment is measured.

In 2016, Infrastructure Australia wrote ‘infrastructure spending is dispersed according to often overlapping purposes of different funding pools... There is also a lack of transparency about how much is being spent and what it is being spent on. The community cannot access basic information regarding Australian Government spending on infrastructure.’\textsuperscript{267} This appears to remain the case in 2018–19, with spending split between traditional payments to the states, various new financing mechanisms and the use of contingent commitments that do not attach to actual payments.

\textsuperscript{265} S Morrison (Treasurer), *Budget Speech 2017–18*.

\textsuperscript{266} Senate Rural and Regional Affairs and Transport Legislation Committee, Answers to Questions on Notice, Infrastructure and Regional Development Portfolio, Budget Estimates 2017–18, Question 26, accessed 16 May 2018.

\textsuperscript{267} Infrastructure Australia, *Australian Infrastructure Plan*, 2016, p 23.
ANNEX A: References to infrastructure expenditure in related documents

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<th>Reference</th>
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<td>10 Year Infrastructure Pipeline</td>
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<td>No timeframe</td>
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<tr>
<td>Map of Pipeline projects</td>
<td>b</td>
<td>24 181.6</td>
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<tr>
<td>Current Major Projects</td>
<td>c</td>
<td>29 727.7*</td>
</tr>
<tr>
<td>Budget 2018–19: Key Projects**</td>
<td>d</td>
<td>24 181.6</td>
</tr>
<tr>
<td>Busting Congestion. Connecting our regions. Improving Safety***</td>
<td>e</td>
<td>56 999</td>
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Notes:
* Reported as ‘total’, including concessional loans, equity and commercial-in-confidence values
** The key projects exclude road maintenance funding, Black Spot Projects, Bridges Renewal Program, Heavy Vehicle Safety and Productivity Program, Roads to Recovery or Untied Local Grants
*** Includes ‘major projects underway’, ‘new national initiatives’ and the funding amounts linked to the printed map.

Sources:


Legal aid and legal assistance services

Michele Brennan and Jaan Murphy

**Legal aid services**: Commonwealth funded legal services are delivered by state and territory legal aid commissions through the National Partnership Agreement on Legal Assistance Services (NPALAS) and the Expensive Commonwealth Criminal Cases Fund (ECCCF).

**Legal assistance services**: all of the sector-wide legal service providers, including legal aid commissions, community legal centres (CLCs), Aboriginal and Torres Strait Islander legal services (ATSILS) and family violence prevention legal services.

**Commonwealth funding for legal assistance services**

Most of the funding provided by the Australian Government to support the delivery of legal assistance services to disadvantaged Australians is provided through the [National Partnership Agreement on Legal Assistance Services (NPALAS)](https://www.golive.com.au/). The current NPALAS commenced on 1 July 2015 and expires on 30 June 2020. Unlike its predecessor, which only covered legal aid services, the current NPALAS also provides funding for community legal centres (CLCs).

In 2018–19 the Australian Government will provide $265.9 million funding for legal aid services and CLCs through the NPALAS. This is an increase of $4.4 million from 2017–18. Funding will then increase by $4.1 million in 2019–20 to $270 million. The forward estimates only indicate funding to 2019–20 as the NPALAS is due to expire on 30 June 2020.

This funding is consistent with the 2017–18 Budget, but reflects an increase on the funding in the NPALAS as originally agreed. This is discussed below.

The allocation of this funding between legal aid commissions and CLCs is shown below.

**Legal aid funding**

Funding is provided to legal aid commissions through two main sources—the NPALAS (through which funding is provided to states and territories) and the Expensive Commonwealth Criminal Cases Fund (ECCCF), which is administered by the Attorney-General’s Department (AGD).

Figure 1 shows payments to states and territories for legal aid commissions between 1995–96 and 2019–2020. From 2015–16 the funding reflects the current NPALAS.

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Figure 1: payments for the provision of legal aid services to states and territories

ECCCF funding

Funding for legal aid commissions is also provided through the ECCCF.\textsuperscript{273} ECCCF funding will be stable over the forward estimates period and from 2017–18 represents a return to levels similar to that provided prior to the 2011–12 Budget revisions (as discussed in \textit{Budget Review 2014–15}).\textsuperscript{274} Table 1 shows ECCCF funding over the forward estimates.\textsuperscript{275}

Table 1: Expensive Commonwealth Criminal Cases Fund amounts

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<tbody>
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<td>Expensive Commonwealth Criminal Cases Fund</td>
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<tr>
<td>2016–17 Budget</td>
<td>4 610</td>
<td>3 682</td>
<td>3 733</td>
<td>3 784</td>
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<tr>
<td>2017–18 Budget</td>
<td>4 610*</td>
<td>3 675</td>
<td>3 722</td>
<td>3 769</td>
<td>3 799</td>
<td>—</td>
</tr>
<tr>
<td>2018–19 Budget</td>
<td>—</td>
<td>3 675*</td>
<td>3 722</td>
<td>3 765</td>
<td>3 799</td>
<td>3 852</td>
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<tr>
<td>Change: 2017–18 to 2018–19</td>
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<td>0</td>
<td>0</td>
<td>–4</td>
<td>0</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Estimated actual from relevant Portfolio budget statements.

Source: as per footnote 8.

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\textsuperscript{273} Attorney-General’s Department (AGD), ‘Expensive Commonwealth Criminal Cases Fund’, AGD website. Under the ECCCF, the AGD has discretion to provide additional funding to legal aid commissions for specific, complicated Commonwealth criminal cases, such as drug importation or criminal conspiracy cases.


**Community legal centre funding**

The Australian Government provides funding for CLCs through the [NPALAS](#) and the ‘[Justice Services’](#) program in the AGD.

As discussed above, the current NPALAS includes funding for CLCs. This means that from 2015–16 the majority of funding for CLCs will be provided through the NPALAS. Prior to this, the majority of CLC funding was provided through the AGD.\(^{276}\)

Under the NPALAS as originally agreed, over the three years 2017–18 to 2019–20, CLC funding would have been $30.6 million less than if funding was maintained at 2016–17 Budget levels.\(^{277}\)

On 24 April 2017, the Government announced an additional $39 million for CLCs to be delivered through the NPALAS.\(^{278}\) This additional funding was reflected in the 2017–18 Budget and may be regarded as largely representing a reversal of the forecast $30.6 million reduction, with a modest additional increase of $8.4 million over three years (around 5.8 per cent of total NPALAS CLC funding over that period).\(^{279}\)

**AGD ‘Justice Services’ funding**

Due to the redirection of CLC funding through the NPALAS, the amount of CLC funding delivered by the AGD has decreased. The forecast CLC funding provided through the AGD over the forward estimates shown in the 2018–19 Budget is consistent with the figures forecast in the 2017–18 Budget, as Table 2 below demonstrates.\(^{280}\) This year’s forecast shows CLC funding provided through the AGD decreasing by 71 per cent ($7.2 million) between 2018–19 and 2019–20, and then stabilising over the remainder of the forward estimates.\(^{281}\) This funding decrease appears to be related to the changed focus of the AGD’s Community Legal Services Programme from providing funding for delivery of legal services to a discretionary grant program, which will fund ‘national service delivery projects, innovative pilot programmes and programme support activities’ to enhance the provision of legal assistance to the community.\(^{282}\)

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277. [COAG](#), [*National Partnership Agreement on Legal Assistance Services*](#), [2016], as originally agreed, pp. 10–11.

278. G Brandis (Attorney-General), M Cash (Minister for Women) and N Scullion (Minister for Indigenous Affairs), [*Record federal funding for legal assistance*](#), media release, 24 April 2017. See also: Murphy and Brennan, [*Legal aid and legal assistance services*](#), op. cit., for more details about CLC funding under the NPALAS.

279. For details about the forecast CLC funding cuts see: Murphy and Brennan, [*Legal aid and legal assistance services*](#), op. cit., pp. 76–77.


282. AGD, [*Community Legal Services Programme*](#), AGD website. For further information see: AGD, [*Programme guidelines for Community Legal Services Programme*](#), 2015.
Table 2: funding for CLCs provided through the AGD

<table>
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<tr>
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<tbody>
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<td>7 704</td>
<td>2 627</td>
<td>2 661</td>
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<tr>
<td></td>
<td>8 016*</td>
<td>8 989</td>
<td>10 185</td>
<td>2 991</td>
<td>3 179</td>
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<tr>
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<td>—</td>
<td>8 989*</td>
<td>10 185</td>
<td>2 988</td>
<td>3 179</td>
<td>3 223</td>
</tr>
<tr>
<td>Change: 2017–18 to 2018–19</td>
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<td>0</td>
<td>—3</td>
<td>0</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Estimated actual from relevant Portfolio budget statements. Source: as per footnote 13.

**Total CLC funding**

The figure below shows Commonwealth recurrent spending on CLCs from 2005–06 to 2019–20.283 The figures from 2015–16 onwards include funding provided through the AGD and funding provided under the NPALAS.284

![Graph showing Commonwealth recurrent spending on CLCs from 2005–06 to 2019–20](image)

**Indigenous legal assistance services**

As noted in *Budget Review 2014–15*, changes to some Indigenous program names, their transfer to the Department of the Prime Minister and Cabinet, subsequent consolidation, and the lack of detail in relevant portfolio budget papers makes assessing long-term funding trends difficult.285

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283. The forward estimates do not include figures for 2020–21, reflecting the expiry of the NPALAS on 30 June 2020, and hence figures for 2020–21 are not included.


The funding commitments for the Indigenous Legal Assistance Program (ILAP), previously named the Indigenous Legal Aid Policy Reform Program, are detailed in the following table:

**Table 3: funding commitments for the Indigenous Legal Assistance Program**

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<tbody>
<tr>
<td>Indigenous Legal</td>
<td>73 585</td>
<td>69 099</td>
<td>68 992</td>
<td>69 890</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Assistance Program</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Change: 2017–18 to 2018–19</td>
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<td>0</td>
<td>0</td>
<td>–74</td>
<td>0</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Estimated actual from relevant portfolio budget statements.

Source: as per footnote 19.

The funding for the Indigenous Legal Assistance Program in the 2018–19 Budget is largely consistent with the funding indicated in the 2017–18 Budget.

The estimated amount spent on the ILAP in 2013–14 was $74.9 million. Using that figure as a benchmark, the 2016–17 Budget indicated that funding for the ILAP would be 1.8 per cent ($1.3 million) less in 2016–17; 7.8 per cent ($5.8 million) less in 2017–18; eight per cent ($5.9 million) less in 2018–19 and 6.7 per cent ($5 million) less in 2019–20. Over the period 2017–18 to 2019–20, this would have been a cut of $16.7 million—the same amount of additional funding for Aboriginal and Torres Strait Islander Legal Services announced by the Government in April 2017 and reflected in the 2017–18 and 2018–19 budget papers.

**Domestic violence services**

This year’s budget has no additional funding for domestic violence services, however as part of the Women’s Safety Package, last year’s (2017–18) Budget included $3.4 million in funding over two years to expand the trial of Domestic Violence Units (DVUs) in legal centres around Australia. The DVUs will provide legal and other assistance (such as financial counselling, tenancy assistance, trauma counselling, emergency accommodation, family law services and employment services) to women who are experiencing, or at risk of, domestic or family violence. The location of the DVUs was announced in October 2017, in high need areas in each state and the Northern Territory.

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**Reaction from stakeholders**

The Law Council of Australia (LCA) has called for a ‘significant boost in federal funding for legal aid’ as it regards the legal assistance sector as ‘critically underfunded’.\(^{294}\) LCA President Morry Bailes said:

> Through the Law Council’s Justice Project, we estimate that an additional $390m per annum is required to get the legal assistance system back on its feet. This includes $200m as recommended by the Productivity Commission for civil legal assistance alone.\(^{295}\)

> The preventative, everyday role of timely legal assistance stops simple problems from escalating into more serious matters at great cost to the taxpayer and community. It’s time this was recognised and funded adequately.\(^{296}\)

The National Association of Community Legal Centres expressed disappointment that the Budget did not provide additional core funding for legal services and felt that the Budget was ‘a missed opportunity to provide funding certainty ahead of expiration of National Partnership Agreement on Legal Assistance Services in 2020’.\(^{297}\)

The National Aboriginal and Torres Strait Islander Legal Services (NATSILS) considers that the budget will ‘create more legal need for Aboriginal and Torres Strait Islander people’ by failing to address recommendations of the Australian Law Reform Commission and the Royal Commission into the Protection and Detention of Children in the Northern Territory aimed at addressing the over-representation of Indigenous people in custody.\(^{298}\) NATSILS is disappointed that the budget did not provide additional support for Indigenous legal services.\(^{299}\)

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294. Law Council of Australia, *Budget boost to counter elder abuse welcome, but greater funding required to end justice crisis*, media release, 8 May 2018.


296. Law Council of Australia, *Budget boost to counter elder abuse welcome, but greater funding required to end justice crisis*, op. cit.


299. National Aboriginal and Torres Strait Islander Legal Services, *Federal Budget measures will create more legal need for Aboriginal and Torres Strait Islander people but no solutions*, media release, 9 May 2018.
Responding to elder abuse
Kaushik Ramesh

More Choices for a Longer Life—protecting older Australians

The Budget contains a range of measures under the umbrella of the ‘More Choices for a Longer Life’ package aimed at ‘maximising the opportunities that a longer life brings’. The package recognises:

Australians are now expected to live almost 10 years longer than they were 50 years ago, with our life expectancy now fifth highest in the OECD. This is a remarkable achievement. To make the most of the opportunities a longer life provides, Australians need to prepare early to be healthy, independent, connected and safe.

As part of this suite of measures, the Government has committed $22.0 million over five years from 2017–18 to respond to elder abuse and protect the rights of older Australians. This element of the package comes within the responsibility of the Attorney-General’s portfolio.

The total proposed expenditure on the measure is set out in Table 1.

Table 1: Expense measure: More choices for a Longer Life – protecting older Australians

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<thead>
<tr>
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<tr>
<td>Administered</td>
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<td>2.5</td>
<td>5.2</td>
<td>5.3</td>
<td>5.3</td>
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<tr>
<td>Departmental</td>
<td>-6.0</td>
<td>0.5</td>
<td>3.1</td>
<td>3.1</td>
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</tr>
<tr>
<td>Total</td>
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<td>3.0</td>
<td>8.2</td>
<td>8.3</td>
<td>8.4</td>
</tr>
</tbody>
</table>


Elder Abuse Report

The ‘More Choices for a Longer Life – protecting older Australians’ measure responds to the Australian Law Reform Commission’s (ALRC) report Elder Abuse – A National Legal Response (Elder Abuse Report). The terms of reference for the inquiry provided by then Attorney-General Senator Brandis asked the ALRC to consider:

- existing Commonwealth laws and legal frameworks which protect elder persons from abuse by carers, supporters and representatives, including regulation of financial institutions, superannuation, social security, health and living and care arrangements and
- the interaction and relationship of relevant Commonwealth laws with state and territory laws.

The Elder Abuse Report made 43 recommendations aimed at safeguarding ‘older people from abuse and support[ing] their choices and wishes’. These recommendations included:

- developing, in conjunction with the states and territories, a National Plan to combat elder abuse that will promote the autonomy of older people, address ageism, achieve national consistency and safeguard at-risk adults

304. Ibid., p. 5.
305. Ibid., p. 28.
• conducting a national prevalence study of elder abuse to build an evidence base ahead of formulating policy\textsuperscript{307}

• establishing a national online register of enduring documents, and court and tribunal appointments of guardians and financial administrators\textsuperscript{308} and

• developing national, best practice guidelines for legal practitioners in relation to the preparation and execution of wills to cover matters such as elder abuse.\textsuperscript{309}

\textbf{Policies under the ‘More Choices for a Longer Life – protecting older Australians’ measure}

The $22.0 million funding provided to the Attorney-General’s Department will support:

• expansion and evaluation of support service trials such as:
  – specialist elder abuse units in legal services
  – health-justice partnerships and
  – family counselling and mediation services

• an Elder Abuse Knowledge Hub

• a National Prevalence Research scoping study and

• development of a National Plan to address elder abuse.\textsuperscript{310}

The funding provided in the 2018–19 Budget builds on $15 million committed by the Government in the 2016–17 MYEFO in fulfilment of a 2016 election commitment.\textsuperscript{311}

\textbf{Elder Abuse Knowledge Hub and National Prevalence Research scoping study}

The proposed Elder Abuse Knowledge Hub will be ‘an online gateway raising awareness and providing information and training materials for the public and professionals about preventing and responding to elder abuse’.\textsuperscript{312} The National Prevalence Research scoping study, being conducted by the Australian Institute of Family Studies (AIFS), seeks to ‘better understand the nature, scale and scope’ of elder abuse in Australia.\textsuperscript{313}

\textbf{National Plan to address elder abuse}

On 20 February 2018, the Attorney-General, Christian Porter, announced that a National Plan would be developed in conjunction with state and territories Attorneys-General.\textsuperscript{314} Mr Porter stated that, in line with the recommendations of the \textit{Elder Abuse Report}, the National Plan will have five goals:

• promoting the autonomy and agency of older people

• addressing ageism and promoting community understanding of elder abuse

• achieving national consistency

• safeguarding at-risk older people and improving responses

\textsuperscript{306} Ibid., p. 9.

\textsuperscript{307} Ibid.

\textsuperscript{308} Ibid., p. 12.

\textsuperscript{309} Ibid., p. 14.

\textsuperscript{310} \textit{Budget paper no. 2}, op. cit., pp. 76-77.


\textsuperscript{312} G Brandis (Attorney-General), \textit{International Day of Older Persons - supporting older Australians}, media release, 1 October 2017; see also Liberal Party of Australia, \textit{Election 2016: Protecting the rights of older Australians}, op. cit.

\textsuperscript{313} Ibid.

\textsuperscript{314} C Porter (Attorney-General), \textit{National plan to address elder abuse}, media release, 20 February 2018.
• building the evidence basis.  

Mr Porter also noted that the study conducted by the AIFS would provide the evidence base to ensure that the National Plan provides appropriate frameworks and strategies to respond to elder abuse.  

Support services  

The Elder Abuse Report provides examples of the types of services that may be evaluated under the support service trials. These include health-justice partnerships where legal services are embedded in a health service, which can involve locating a lawyer at a health service or hospital, and training health professionals on legal issues. Such partnerships are being trialled or developed in a number of places around Australia, including through Townsville Community Legal Services and Townsville Hospital, and in Caulfield and Footscray in Victoria.  

National Register for Enduring Powers of Attorney  

The Budget papers advise that the Government ‘will work with the states and territories to develop a nationally consistent legal framework and establish a National Register of Enduring Powers of Attorney’. The expenditure required for this process has been accounted for in the Budget, but has not been published as the outcome of negotiations with the states and territories is still pending.  

The commitment to create this register responds to the Elder Abuse Report’s recommendation. The ALRC accepted that abuse of enduring documents was occurring and ‘the extent of the powers granted by enduring documents means that any abuse is often relatively serious in its financial impact’. Accordingly, the ALRC recommended a register where only one enduring document of a particular type (financial or personal) could be registered at a time so that documents are properly revoked and revoked instruments cannot be used.  

Stakeholder reaction  

The Law Council of Australia (LCA) welcomed the budget measure, commenting that it had ‘long urged’ the Government to develop a National Plan and a National Prevalence study on elder abuse.  

National Seniors Australia welcomed the ‘commitment to tackling the issue of elder abuse’, but stated that it ‘will be looking for ongoing funding from the Federal Government for specialist elder abuse support services beyond the trial period’.  

COTA Australia stated:  

We welcome additional funds for elder abuse initiatives and the Federal Government taking leadership in the development of a national framework and approach, including a national register of enduring powers of attorney.  

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315. Ibid.  
316. Ibid.  
317. ALRC, Elder abuse, op. cit., p. 337.  
318. Ibid., p. 339.  
320. Ibid.  
321. ALRC, Elder abuse, op. cit., p. 12.  
322. Ibid., pp 181-182.  
323. Ibid., p. 182.  
324. Law Council of Australia, Budget boost to counter elder abuse welcome, but greater funding required to end justice crisis, media release, 8 May 2018.  
325. National Seniors Australia (NSA), The highs and lows of the “Baby Boomer budget”, NSA website.
Immigration
Henry Sherrell

Permanent migration

Planning levels
Recent public and political debate about the appropriate size of Australia’s migration intake has renewed interest in migration policy. Each year in the budget, the Australian Government establishes a planning level outlining how many permanent residency visas to grant. These visas are allocated to the Migration Program (for skilled and family visas) and the Humanitarian Program. This is the Australian Government’s key policy lever to influence the rate of immigration to Australia.

In 2018–19, the planning figure for the Migration Program remains unchanged at 190,000 visas, marking the seventh consecutive year this figure has been used. This was announced in the Regional Australia ministerial budget statement, unlike in past years where the figure was in the Department of Home Affairs Portfolio Budget Statement. This continues the highest planning level on record.

While the headline planning figure has not changed since 2012–13, a number of recent policy decisions are changing the composition and actual size of the Migration Program. The planning level itself has changed from a target to a ceiling, as noted in Minister Dutton’s media release for the 2017–18 Budget. In 2016–17, for the first time, there was a large discrepancy between the planning level and the number of permanent residency visas granted. It may be the case future discrepancies exist for 2017–18 and into the forward estimates period.

A new visa category for New Zealand citizens, announced in February 2016, will see additional long-term Australian residents on temporary visas transition to permanent residency. These people will be counted within the 190,000 visa planning level. The Department of Home Affairs has confirmed over 10,000 visa applications have been submitted under the New Zealand pathway in 2017–18, meaning a greater share of visas in the Migration Program will now be allocated to people already in Australia. This will change the composition of who receives a permanent visa, with fewer people who live overseas directly gaining a permanent visa. Further, broad policy change to temporary skilled worker visas has resulted in a sharp drop in new visa applications. Over the forward estimates period, both of these policy decisions will place downward pressure on the rate of net overseas migration.

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326. COTA Australia, <Federal Budget 2018 – welcome commitment to better planning for an ageing population and aged care>, media release, 8 May 2018.
327. The budget figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, <Budget measures: budget paper no. 2: 2018–19>.
328. M McCormick (Deputy Prime Minister) and J McVeigh (Minister for Regional Development, Territories and Local Government), <Regional Australia--a stronger economy delivering stronger regions 2018–19>, ministerial budget statement, 2018, p. 115.
331. 183,608 permanent visas were granted in 2016–17 for a planning level of 190,000. See H Sherrell, ‘Behind the numbers–the 2016–17 Migration Programme’, FlagPost, Parliamentary Library blog, 24 November 2017.
333. Department of Home Affairs, correspondence with the Parliamentary Library, April 2018.
The planning level for the 2018–19 Humanitarian Program will increase to 18,750 places, up from 16,250 in 2017–18. This was announced and funded in the 2015–16 Budget. This will be the second largest Humanitarian Program since the Hawke Government. The Department of Home Affairs Portfolio Budget Statement also introduces the word ‘ceiling’ for the Humanitarian Program. This was previously not the case. In addition, the number of places in the Humanitarian Program is not stated, whereas it was in previous Portfolio Budget Statements.

Retirement category visas
The 2018–19 Budget includes the establishment of a new pathway to permanent residency for holders of retirement category visas, a visa for self-funded retirees who have no dependents. This will be achieved by regulatory amendments. To maintain the overall planning level, people who hold a retirement visa will be allocated a proportion of visas that would have otherwise been granted to people who have applied for parent visas. This will likely increase waiting periods for parent visas, which are currently between six and 30 years. In addition, as people who hold retirement visas already live in Australia, and as most people who gain a parent visa currently live outside of Australia, this change will reduce the number of new migrants to Australia.

Migration, population growth and the Budget
A number of commentators have noted the importance of population growth, and immigration flows, to economic growth and fiscal projections in the Budget. A recent joint Treasury and Department of Home Affairs report concluded the net fiscal impact of the 2014–15 migrant cohort (the Migration Program, the Humanitarian Program and temporary skilled visa program) is $9.7 billion over 50 years. The fiscal effect of new migrants was noted by the Treasurer recently in the context of the debate about the appropriate size of the Migration Program.

It can be difficult to project net overseas migration (NOM) trends. NOM is the net gain or loss of population through people arriving to or departing Australia. For example, in the 2017–18 Budget, the NOM projection for 2017 was 209,018 whereas the actual figure was 242,600, an increase of 16 per cent on the projection.

Table A.2 in Budget Paper No. 3 shows the assumptions for NOM in the 2018–19 Budget. The assumptions show NOM gradually falling from 234,600 in 2018 to 221,400 in 2021. Variations from these assumptions would necessarily flow through to a range of projections in the Budget, including GDP growth and the underlying fiscal conditions.
The NOM budget assumptions over the forward estimates represent a decline from current NOM trends. The most recently available Australian Bureau of Statistics data show in the 12 months to 30 September 2017, the preliminary estimate for NOM was 250,100, a 15.4 per cent increase compared to the previous 12 month period.\(^{347}\) This level of NOM represents 63 per cent of Australia’s population growth.

**Other migration and associated measures**

As part of the Stronger Rural Health package, the Australian Government is reducing the number of visas granted to overseas trained doctors to around 2,100 per year. This reduction in visas will redirect $415.5 million over the forward estimates into other health policy priorities. This is the largest saving in the Budget.\(^{348}\) Australian trained doctors are being encouraged into areas of shortage via a variety of new policies to make up for the reduction in overseas trained doctors.\(^{349}\)

A new fund for training Australians, the Skilling Australians Fund (SAF), was introduced in the 2017–18 Budget.\(^{350}\) The SAF imposes a levy on employers who sponsor temporary and permanent skilled migrants. A new measure in the 2018–19 Budget provides for a series of employer refund and exemption provisions. The Australian Government expects to forego $105.1 million over the forward estimates, resulting in an equivalent reduction in payments to state and territory governments via the SAF. The Law Council recommended the Australian Government provide further clarity and consideration for levy refunds in their December 2017 submission on the legislation.\(^{351}\) This change will require legislation.

Restrictions on recent humanitarian migrants accessing full jobactive support are being extended from 13 weeks to 26 weeks, generating savings of $68.1 million over the forward estimates. The Australian Government says this is to ‘improve the sequencing of services’ and to promote language services for new humanitarian migrants to Australia. The Minister for Citizenship and Multicultural Affairs, Alan Tudge, recently highlighted the importance of getting new arrivals into work: ‘Our goal should be that people arrive here and immediately have a place to work …the best place to integrate is in the workplace’.\(^{352}\) One concern with this measure is that it could impede some new arrivals who are job ready from entering the workforce.

**Operation Sovereign Borders and asylum policy**

Additional funding for detention, offshore processing and border protection has been a strong focus of recent Budgets. The 2018–19 Budget provides an additional $62.2 million for two years for Operation Sovereign Borders. There are four sub-components of this measure, including offshore resettlement arrangements and regional cooperation initiatives. However the funding breakdown is aggregated into one figure.

The Department of Home Affairs Portfolio Budget Statement notes expenses for Irregular Maritime Arrival Offshore Management is expected to halve from $759.9 million in 2018–19 to $378.4 million in 2019–20.\(^{353}\) Similarly, expenses associated with regional cooperation are

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\(^{349}\) For more detail on these policies, see M Biggs, ‘Rural Health Workforce’, *Budget review 2018–19*, Research paper series, 2017–18, Parliamentary Library, Canberra, 2018.


\(^{352}\) A Tudge (Minister for Citizenship and Multicultural Affairs), *The integration challenge: maintaining successful Australian multiculturalism*, speech to the Menzies Research Centre, Canberra, 7 March 2018.

projected to fall from $91.1 million in 2018–19 to $47.3 million in 2019–20.\textsuperscript{354} This is likely due to an expected smaller number of people being in offshore management and a draw down on projects facilitating regional cooperation, however an explanation is not provided in departmental budget documents. As the estimated actual expenditure on Irregular Maritime Arrival Offshore Management was double the forecast for 2017–18, these figures may be subject to change.\textsuperscript{355}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{354} Ibid.
\item \textsuperscript{355} Ibid., and see Australian Government, \textit{Portfolio budget statements 2017–18: budget related paper no. 1.11: Home Affairs Portfolio}, p. 25.
\end{itemize}
\end{footnotesize}
Foreign affairs and Official Development Assistance
Dr Geoff Wade and Dr Cameron Hill

A domestically-focused 2018–19 Budget sees little change in the profile and tasks of the Department of Foreign Affairs and Trade (DFAT). The departmental appropriation of $1.96 billion represents a slight decrease (2 per cent) relative to the 2017–18 estimated actual, while overall resourcing is slated to climb by almost 2 per cent to $6.1 billion. Average staffing levels will also rise from 5,700 to 5,741.  

Guided by the 2017 Foreign Policy White Paper, DFAT’s strategic attention remains in the Indo-Pacific. Australian diplomatic representation is proposed to expand through a new Consulate-General in Kolkata, India, and a new High Commission in Tuvalu. The Government describes these new posts as being part of the ‘largest expansion of our diplomatic network in 40 years’. Remarkable, though, is the absence in DFAT’s Strategic Direction Statement of any reference to Australia’s links with the United States, despite the frequency of such references in the White Paper and earlier budget papers.

The Pacific has assumed a larger profile than in previous budgets, with increased ‘support for a more resilient Pacific and Timor-Leste’ being listed as ‘one of the five objectives of fundamental importance to Australia’s security and prosperity’—an agenda adopted in the White Paper.

An Australia Pacific Security College is being funded ‘to deliver security and law enforcement training at the leadership level’. This initiative could be seen as a mechanism to counter China’s growing security and law enforcement engagement with Pacific nations. Funding for the College is included in the $37.9 million to be provided over four years from 2017–18 for initiatives supporting the White Paper. Increased defence engagement with the Pacific is being funded through an expanded Defence Cooperation Program.

Australia’s engagement with Southeast Asia will be further expanded through a ‘package of new maritime cooperation initiatives’, agreed at the 2018 ASEAN–Australia Leaders’ Summit in March. Again, this might be seen as a response to China, which has issued its own ‘Vision for Maritime Cooperation under the Belt and Road Initiative’. Specifics about the Australian maritime initiatives with Southeast Asia have not been publicly detailed.

On the trade front, the stress on the original Trans-Pacific Partnership agreement has shifted to enthusiasm for the now-signed Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (TPP-11). Ongoing free trade agreement talks with Indonesia, Hong Kong and the Pacific, as well as impending negotiations with the European Union, are also underlined.

360. DFAT, 2017 Foreign policy white paper, op. cit., p. 103.
362. S Morrison (Treasurer) and M Cormann (Minister for Finance), Mid-year economic and fiscal outlook 2017–18, p. 153.
364. Department of the Prime Minister and Cabinet, ASEAN–Australia Special Summit initiatives, ASEAN–Australia Special Summit 2018 website.
More than $50.3 million is being provided over four years to fund Australia’s participation in a Dutch national prosecution of those responsible for bringing down Malaysia Airlines flight MH17.  

Over the next two years Australia’s total Official Development Assistance (ODA) will increase slightly in nominal terms, rising from an adjusted estimate of $4.077 billion in 2017–18 to around $4.161 billion in 2018–19 and $4.170 billion in 2019–2020. Over the forward estimates, however, aid will be subject to real cuts totalling $141 million as the Government extends a previous funding cap of $4 billion to 2021–22. Australia’s ODA as a proportion of Gross National Income is expected to fall to 0.19 per cent by 2021–22, its lowest recorded level. While the new cuts are significant, they amount to less than the $400 million reduction reportedly considered prior to the Budget.

Much of the increase in this year’s funding will be used to finance the ODA-eligible portion of Australia’s contribution to the China-led Asian Infrastructure Investment Bank ($161 million in 2018–19). Cuts in aid to Indonesia ($30 million) and Cambodia ($6 million) will help meet the costs of building undersea communications cables for Papua New Guinea and the Solomon Islands. Australia committed to co-finance this initiative following reports of national security concerns surrounding the involvement of the Chinese telecommunications company, Huawei, in the Solomon Islands project. The Government has not published the costs of this initiative in the budget papers. One estimate puts the cost at around $200 million, and completion is reportedly expected within two years.

In line with the broader focus on the Pacific, Australia’s total aid to this region is expected to increase to $1.283 billion in 2018–19. The Government has described this as ‘our largest ever contribution’. In real terms, aid to the Pacific will be slightly higher than in 2014–15, the Coalition’s first budget (see Table 1). Australia’s assistance will include the new Australia Pacific Security College, and increased support for new Pacific labour mobility initiatives.

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376. J Bishop (Minister for Foreign Affairs) and S Ciobo (Minister for Trade, Tourism and Investment), *2018 Foreign Affairs and Trade, Tourism and Investment budget*, media release, 8 May 2018.

Table 1: total Australian ODA, 2014–15 and 2018–19 (A$,’000)

<table>
<thead>
<tr>
<th>Region</th>
<th>2014–15 (a)</th>
<th>2018–19 (est.) (b)</th>
<th>Real change (%) (c)</th>
</tr>
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<tbody>
<tr>
<td>PNG and the Pacific</td>
<td>1 160 269</td>
<td>1 283 600</td>
<td>+2.9</td>
</tr>
<tr>
<td>Global</td>
<td>1 567 397</td>
<td>1 301 200</td>
<td>–22.8</td>
</tr>
<tr>
<td>East/Southeast Asia</td>
<td>1 358 646</td>
<td>1 027 200</td>
<td>–29.7</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>387 589</td>
<td>258 500</td>
<td>–38.0</td>
</tr>
<tr>
<td>South and West Asia</td>
<td>475 338</td>
<td>284 800</td>
<td>–44.3</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>23 873</td>
<td>5 900</td>
<td>–77.0</td>
</tr>
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Humanitarian aid will rise slightly, from $400 million to $410 million, as the Government moves to implement a commitment to increase overall spending in this area to $500 million per annum.378

Non-government organisations have criticised the Government’s application of new aid cuts, noting that the decision ‘puts us in a similar category to Greece and Hungary’.379 The Labor Opposition has described the cuts as an ‘international embarrassment’, contrasting the Government’s approach with the decision by New Zealand to increase ODA by 30 per cent over the next four years.380

There are broader questions as to whether Australia can remain a ‘partner of choice’ for its developing country neighbours while the aid budget continues on a downward trajectory in real terms. The 2017 White Paper describes a more competitive Indo-Pacific and some have argued that aid—alongside more traditional forms of power—will play a prominent role in intensifying contests for regional influence.381 These issues will attract further scrutiny in the months ahead as the Government undertakes its first ever review of Australia’s ‘soft power’ capabilities, and as a parliamentary inquiry into the ‘strategic effectiveness and outcomes of Australia’s aid to the Indo-Pacific’ commences.382

378. Ibid., p. v.
380. P Wong (Shadow Minister for Foreign Affairs) and C Moore (Shadow Minister for International Development and the Pacific), *Aid cut again as Turnbull ignores wake up call*, media release, 9 May 2018.
Defence budget overview

David Watt

This brief should be read in conjunction with the companion brief on Defence capability which will deal with capability purchases and assistance to defence industry.

As was the case last year, the 2018–19 Defence budget has little in the way of new announcements. This is because the Government has been announcing policy decisions and promised expenditure regularly for the last two years.

In their media release setting out the Defence budget for 2018–19, the Minister for Defence and the Minister for Defence Industry summarised the Government’s various Defence policy announcements in areas as diverse as operations, the Integrated Investment Program, naval shipbuilding and supporting local industry through investment in the extensive Defence estate. The media release focuses on how much money the Government is spending in each of these areas and its vigorous pursuit of the goals set out in the 2016 Defence White Paper (DWP). A great deal of money is starting to flow to Australian industry, but, nonetheless, some questions do arise.

The first of these is how well Defence is tracking to achieve the funding priorities set out in the DWP. The following table sets out the funding specified in the 2016 DWP and the total Defence funding in the last two Portfolio Budget Statements.

Table 1: DWP funding projections compared with Government funding to defence. The PBS figures represent total Defence funding minus own-source revenue.

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</thead>
<tbody>
<tr>
<td>2018–19 PBS</td>
<td>35.2</td>
<td>35.6</td>
<td>37.3</td>
<td>40.6</td>
<td>44.2</td>
</tr>
<tr>
<td>2017–18 PBS</td>
<td>34.7</td>
<td>36.0</td>
<td>38.7</td>
<td>42.0</td>
<td>–</td>
</tr>
<tr>
<td>2016 DWP</td>
<td>34.2</td>
<td>36.8</td>
<td>39.0</td>
<td>42.4</td>
<td>45.8</td>
</tr>
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It is apparent that the Government will need to increase funding to Defence still further to hit the target of 2 per cent of GDP by 2020–21. The Government has re-profiled $500 million from the forward estimates into the current financial year. In addition, the transfer of funding from Defence to the Australian Signals Directorate (ASD) (see below) amounts to $3.3 billion across the forward estimates. Other fluctuations in the budget forecast include $645 million additional funding for Defence operations and $244 million in foreign exchange supplementation.

The Portfolio Budget Statement (PBS) confidently asserts that ‘the Defence budget, inclusive of the ASD, will grow to two per cent of Australia’s Gross Domestic Product by 2020–21’.  

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385. Own-source revenue is removed because it is, in essence, double counting. If Defence derives revenue from the sale of goods that it has already been funded to purchase, then the revenue is not new money. See The Australian Strategic Policy Institute, The cost of Defence, ASPI Defence Budget Brief 2017–18, 2017, p. 39.


388. Ibid., p. 5.
The Government’s own figures for expenditure indicate that 6.4 per cent of total government expenditure is on Defence.\(^{389}\)

On the issue of the 2 per cent of GDP target, the Australian Strategic Policy Institute’s Marcus Hellyer has said:

> The government may be planning to get into surplus in 2019–20, a year earlier than it looked like last year, but that doesn’t mean it has also brought forward its commitment to increase the Defence budget to 2% of GDP by 2020–21. That might be asking a little too much. So the main news out of this year’s budget is that the government is standing by its 2016 Defence White Paper commitment.

So 2% is now only a hop, skip and a jump away. The hop from last year to this was a healthy if not spectacular nominal increase of $1.2 billion, up to $36.4 billion for Defence, which translates into a 1.4% increase in real terms. Next year’s skip is slightly better, but that will still leave a big jump of nearly $3.4 billion, or a 6.2% increase in real terms, to hit the magical 2% in 2020–21.\(^{390}\)

**Budget measures**

In addition to the budget measures mentioned above, the 2018–19 PBS contains total funding for operations of $750 million.\(^{391}\) This is not dissimilar to last year’s PBS, but with a $150 million decrease in funding for Operation Okra being the notable feature.

There are six operations listed in the PBS, including Operation Augury, which is Defence’s contribution to counter-terrorism operations in the Philippines—it first featured in the 2017–18 Additional Estimates. Funding for individual operations is usually provided in each PBS for the relevant financial year but the amounts stated in the forward estimates are usually much less than the actual funding. It is likely that this is done for national security reasons, but Operation Augury takes this a step further by marking the funding ‘not for publication’ (nfp).\(^{392}\)

However, we do know something of Defence’s work in combating terrorism in the Philippines. During 2017, Australia sent two AP-3C Orion aircraft to provide surveillance support to the Philippines military and also provided ‘mobile training teams’ to provide urban warfare counter-terrorism training.\(^{393}\) During November 2017 the Prime Minister stated that there were 80 ADF personnel in the Philippines.\(^{394}\)

**Australian Signals Directorate**

One obvious change in the Defence PBS results from the creation of the Australian Signals Directorate (ASD) as a statutory body from 1 July 2018. This change is the result of a recommendation made in the 2017 Independent Intelligence Review. Signals intelligence has been carried out within the Department of Defence since the 1940s but this is the first time this

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\(^{390}\) M Hellyer, ‘2% of GDP: just a hop, skip and a jump away’, *The Strategist*, blog, Australian Strategic Policy Institute, 9 May 2018.


\(^{392}\) Ibid.

\(^{393}\) M Payne (Minister for Defence), *Philippines and Australia agree to enhanced counter-terrorism cooperation*, media release, 24 October 2017.

function has been carried out within its own agency.\textsuperscript{395} As a result of the change, ASD gets a section of its own in the PBS, which indicates that funding for 2018–19 is $827.3 million.\textsuperscript{396}

Although the PBS states that the Average Staffing Level for ASD is ‘not for publication’, the data on staffing of agencies contained in \textit{Agency Resourcing: Budget Paper No. 4} shows a reduction in the Defence APS full-time workforce of 1,127 with a note that this is ‘due to machinery of government changes and other Government decisions’.\textsuperscript{397} It is therefore possible that this reduction in staffing is related to ASD. The \textit{2016 Defence White Paper} claimed that ‘enhancements to intelligence, space and cyber security capabilities will involve 800 new APS positions’.\textsuperscript{398} These were to be offset by reductions elsewhere, but given ASD’s need to employ specialised staff, presumably some of these positions will go to ASD.

\textbf{Defence workforce}

The Defence APS workforce will fall from 17,800 in the current year to 16,373 in 2018–19 as a result of machinery of government changes.\textsuperscript{399} This is a change from last year’s Defence PBS which forecast Defence APS staffing to be 18,200 in 2018–19.\textsuperscript{400} Defence’s APS workforce has fallen to the forecast level of 16,373 from 20,648 in 2010–11.

The ADF approved average funded strength (the number the Government has agreed to fund) will rise from 58,596 for the current financial year to 59,794 in 2018–19 and is projected to reach 61,027 by 2021–22. The \textit{2016 Defence White Paper} proposed that the ADF grow to approximately 62,400 personnel over the decade.\textsuperscript{401}

The total Defence workforce for 2018–19 is expected to be 76,167.\textsuperscript{402}

\begin{flushleft}
\footnotesize
\textsuperscript{395} Background can be found in: C Barker, \textit{Intelligence Services Amendment (Establishment of the Australian Signals Directorate) Bill 2018}, Bills digest, 94, 2017–18, Parliamentary Library, Canberra, 2018.
\textsuperscript{397} Australian Government, \textit{Agency resourcing: budget paper no. 4, 2018–19}, p. 185.
\textsuperscript{398} \textit{2016 Defence white paper}, op. cit., p. 150.
\textsuperscript{400} \textit{Portfolio budget statements 2017–18: budget related paper 1.4A: Defence Portfolio}, op. cit., p. 20.
\textsuperscript{401} \textit{Portfolio budget statements 2018–19: budget related paper no. 1.4A: Defence Portfolio}, op. cit., p. 146.
\textsuperscript{402} Ibid., p. 27.
\end{flushleft}
Defence capability
Nicole Brangwin

Given the large number of defence capability announcements made since the release of the 2016 Defence White Paper in February 2016, one might be forgiven for losing track. This year’s Budget does not contain any new announcements in addition to those already made prior to the Budget, so this brief aims to take stock of progress in the ever-broadening defence capability sphere.

The pace of major defence capability announcements made by the Australian Government since the release of the 2016 Defence White Paper suggests many of the proposed capabilities outlined in the Integrated Investment Program which accompanied the White Paper have the potential to be achieved. Conversely, the speed at which decisions are being made on expensive, complex, long-term projects continues to raise concerns about the level of scrutiny applied by Cabinet and whether some of these projects might potentially appear on the Projects of Concern list.

The overall cost attached to the Integrated Investment Program was originally $195 billion over ten years to 2025–26. This figure was revised upwards in the 2017–18 Budget to $200 billion out to 2027–28. The explanation for the $5 billion revision was that it reflects ‘the best available information in respect to project planning, delivery reality, cost estimates, phasing, and other important judgments and assumptions critical to delivery of the capital investment portfolio’.

Defence has for some time been criticised for declining transparency in its reporting of capability issues. The application of the two-pass approval process to the major capital investment program is absent from this year’s Budget and the program’s estimated budget for approved and unapproved projects is indistinguishable as both streams are lumped together under the same line item—Major Capital Investment Program over the forward estimates totals $41,106.6 million. Greater visibility of the unapproved Major Capital Investment Program and associated costs not only better informs an industry that is expected to ramp up to meet Defence’s strategic requirements, it also allows the Parliament to scrutinise these decisions on behalf of the public.

The Australian Strategic Policy Institute has monitored the level of transparency over the years and Marcus Hellyer recently noted:

...there has been a significant decline in transparency in Defence, particularly in its capital program. Defence isn’t reporting project approvals in the annual report or additional estimates statements in anything resembling a comprehensive fashion. And now it’s no longer including a list of planned project approvals for the coming year in its portfolio budget statement (PBS). So we can’t know what approvals are coming up or whether they’re actually approved. That’s not to mention that there’s no coverage at all of the information and communications technology (ICT) program. It’s really an abysmal situation.

Since the release of the 2016 Defence White Paper, the Government has published a series of policies, plans and strategies with specific funding figures attached. These include the:

- National Shipbuilding Plan worth $90 billion in new frigates ($35 billion) offshore patrol boats ($3–4 billion) and submarines ($50 billion), over $1 billion in shipyard infrastructure

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407. Ibid., p. 117.


modernisation and around $25 million towards skilling and growing the workforce. The re-profiling of $500 million in defence expenditure to financial year 2018–19 is said to help align defence funding with projects such as the naval shipbuilding program.

• **Defence Export Strategy** establishes the Australian Defence Export Office and an Australian Defence Export Advocate position (former Defence Minister David Johnston was recently appointed to this position), and provides $3.8 billion towards a Defence Export Facility and $20 million per year to implement the strategy. This year’s Budget confirmed that $80 million over four years would be allocated from existing resources, including $6.3 million per year to support the work of the Defence Export Office. In addition, $4.1 million per year will be allocated to expanding the Centre for Defence Industry Capability grants program and $3.2 million to the Global Supply Chain program.

• **Defence Industrial Capability Plan** establishes Australia’s sovereign industrial capability priorities and includes various initiatives such as the Naval Shipbuilding College (worth $62 million over three years) and $17 million towards funding the sovereign industrial capability priorities grants program. This year’s Budget confirms the $17 million figure over the forward estimates, totalling $68 million from existing resources.

Defence’s Net Capital Investment primarily relates to military equipment and is expected to reach $3.8 billion in 2018–19 and continue to grow to $8 billion by 2021–22.

**Defence Cooperation Program**

Under the Defence Cooperation Program (DCP), Papua New Guinea (PNG) continues to receive the largest amount of funding, allocating $42.7 million in 2018–19, an increase of around $3 million from the previous Budget. The ADF is assisting the PNG military with security aspects for the upcoming APEC meeting, to be held in PNG November 2018.

The DCP as a whole received a boost in this Budget, from $128 million in 2017–18 to $164 million in 2018–19. This is mainly due to the Pacific Maritime Security Program for which Western Australian company Austal has been contracted to build 21 Guardian Class patrol boats. PNG is expected to be the first recipient of the new boats in 2018.

**Major acquisitions**

As mentioned above, the list of projects slated for first or second pass approval (and sometimes combined) under the Integrated Investment Program has been excluded from this Budget. The Defence Annual Report 2016–17 noted that during that financial year:

...74 capability-related submissions were approved by Government against an initial plan of 62 (as given in the 2016 Defence White Paper). Fifteen of those submissions received first pass approvals, 31 received second pass approvals, 15 received other types of Integrated Investment Program project
approvals, and 13 approvals were granted for submissions that provided advice to Government on current and future capability.\textsuperscript{420}

In 2017–18, the Portfolio Budget Statements for Defence showed there had been 20 first pass approvals and 37 second pass approvals (plus two ‘other’ approvals) during that financial year.\textsuperscript{421} The Portfolio Additional Estimates Statements for 2017–18 provided a minor update showing three second pass approvals and two ‘other’ approvals (no first pass approvals were noted).\textsuperscript{422}

The Projects of Concern list was last updated in February 2018 when the Government announced the Air Warfare Destroyer and the Collins Class submarine projects had been removed from the list.\textsuperscript{423} There are possibly four projects remaining, two of which are related to the OneSKY civil military air traffic management system (CMATS).\textsuperscript{424}

Defence is contributing to the Airservices-led OneSKY project to develop a national CMATS. Airservices is expected to cover 57 per cent and Defence 43 per cent of the acquisition costs of $1.2 billion.\textsuperscript{425} In the Budget, the Defence approved project expenditure component for phase 3 is listed as $974 million, substantially more than 43 per cent of the total cost.\textsuperscript{426} This possibly accounts for the Government’s approval of an additional $243 million earlier this year.\textsuperscript{427} As the agreement between all parties to the project was only signed in February 2018, following protracted negotiations, Defence has so far spent $155 million and another $116 million is earmarked for 2018–19.\textsuperscript{428} This project is still on the Projects of Concern list but is expected to be reviewed in light of recent progress.\textsuperscript{429}

**Naval shipbuilding**

In February 2016, the Defence White Paper confirmed that Australia would acquire 12 conventional submarines to replace the Collins Class submarines (which cost over $500 million per year to sustain).\textsuperscript{430} In April 2016, DCNS (now Naval Group) from France was selected as the preferred international design partner for Australia’s Future Submarine program.\textsuperscript{431} The successful design is the Shortfin Barracuda Block 1A.\textsuperscript{432} Overall investment in the ‘rolling acquisition’ program is worth $50 billion.\textsuperscript{433} In this year’s Budget, the Future Submarine Program is at phase 1B with an approved budget of $2.2 billion.\textsuperscript{434} The most recent announcement about Defence’s most ambitious acquisition was made on 3 May 2018 and stated that the critical design work will be moved from France to South Australia from 2022. Initial design work is ongoing.\textsuperscript{435}

\begin{itemize}
\item \textsuperscript{420} Australian Government, *Annual report 16–17*, Department of Defence, p. 123.
\item \textsuperscript{421} *Portfolio budget statements 2017–18: Defence Portfolio*, op. cit., pp. 117–119.
\item \textsuperscript{423} M Payne (Minister for Defence) and C Pyne (Minister for Defence Industry), *Air Warfare Destroyer project removed from projects of concern list*, media release, 1 February 2018.
\item \textsuperscript{424} Department of Defence (DoD), ‘Projects of Concern update’, DoD website.
\item \textsuperscript{425} Senate Rural and Regional Affairs and Transport Legislation Committee, *Official committee Hansard*, 26 February 2018, p. 109.
\item \textsuperscript{426} *Portfolio budget statements 2017–18: Defence Portfolio*, op. cit., p. 125.
\item \textsuperscript{427} Senate Foreign Affairs Defence and Trade Legislation Committee, *Official committee Hansard*, 28 February 2018, p. 75.
\item \textsuperscript{428} *Portfolio budget statements 2018–19: Defence Portfolio*, op. cit., p. 125.
\item \textsuperscript{429} Joint Standing Committee on Foreign Affairs, Defence and Trade, *Official committee Hansard*, 4 May 2018, p. 38.
\item \textsuperscript{430} Australian Government, 2016 Defence white paper, op. cit., p. 90.
\item \textsuperscript{431} M Turnbull (Prime Minister) and M Payne (Minister for Defence), ‘Future submarine program’, press release, 26 April 2016.
\item \textsuperscript{432} Naval Group, ‘The Shortfin Barracuda Block 1A’, Naval Group website.
\item \textsuperscript{433} M Turnbull (Prime Minister) and M Payne (Minister for Defence), ‘Future submarine program’, op. cit.
\item \textsuperscript{434} *Portfolio budget statements 2018–19: Defence Portfolio*, op. cit., p. 129.
\item \textsuperscript{435} M Turnbull (Prime Minister), M Payne (Minister for Defence) and C Pyne (Minister for Defence Industry), ‘Submarine design to move to Australia’, media release, 3 May 2018.
\end{itemize}
The Budget also notes that a decision on the Future Frigate program is expected before the middle of 2018 and the Offshore Patrol Vessels are to commence construction in 2018 as per the Naval Shipbuilding Plan.\footnote{Portfolio budget statements 2018–19, Defence Portfolio, op. cit., p. 130.}
Cyber policy
Helen Portillo-Castro

The Minister for Foreign Affairs, Julie Bishop, described cyber as ‘the new frontier’ in her address to the National Security Summit the day after the 2018–19 Budget was released. Minister Bishop stated that ‘cyber-related threats to Australia and our region are increasing in number, type and sophistication’. 437

In February this year, the Minister for Home Affairs, Peter Dutton, highlighted public expectations with regard to cyberspace, noting the ‘public’s access to and dependence on cyber space has become almost akin to its access to other services, such as the supply of water’.438 Minister Dutton foreshadowed the prevention of cybercrime and cyberattack and the promotion of ‘cyber resilience’ as core objectives of the new Home Affairs portfolio, which now has carriage of the Government’s 2016 Cyber Security Strategy (the Strategy).439 The Home Affairs 2018–19 Portfolio Budget Statements stipulate the performance criterion for the relevant programs involved in providing ‘timely, relevant and forward leaning cyber security policy advice, to protect and advance Australia’s interests online’.440 There is, however, no explicit detail in the Budget on how any particular measure ties in with the Strategy, or the specific outcomes being sought in cyber policy.

The Strategy included an action plan to achieve several strategic goals by 2020, based on measures initially funded in the 2016–17 Budget.441 Despite the lack of detail on whether the Government is on track to achieve those goals, this year’s Budget does contain a number of measures that relate to the implementation of that action plan—and not only in the Home Affairs portfolio.442 Budget measures that explicitly mention cybersecurity outcomes span the Foreign Affairs and Trade, Health and Jobs and Innovation portfolios.443

An array of cross-portfolio measures relating to the broader strategic cyber context are contained in two packages—‘Delivering Australia’s Digital Future’ and ‘Australian Technology and Science Growth Plan’. Several of these new measures are covered in other Budget Review briefs.444 Additionally, there are measures targeting criminal behaviour online, as well as abuse that falls short of the criminal threshold.445


438. P Dutton (Minister for Home Affairs), Address to the National Press Club, Canberra, media release, 21 February 2018. The National Archives of Australia has also used this analogy in describing the basis for the digital continuity policy applicable to government records: D Fricker (Director-General, National Archives of Australia), Transcript of Senate Occasional Lecture: Government-citizen engagement in the digital, Parliament House, Canberra, 28 April 2017, Parliament of Australia website.


445. The establishment of the Australian Centre to Counter Child Exploitation is an example—although this facility has a focus on activity in the cyber domain, its remit will not be restricted to cyber exploitation: Budget measures: budget paper no. 2: 2018–19, pp. 127–28; P Dutton (Minister for Home Affairs), Australian Centre to Counter Child Exploitation, media release,
The distribution across portfolios, however, reflects the ‘[increasing reliance] on the internet in many aspects of our society and economy’ that the Minister for Foreign Affairs mentioned in her address on 9 May 2018.\textsuperscript{446} The spread of cyber-related issues across portfolios is also illustrative of the convergence of distinct policy arenas in the online environment. While the 2016 Cyber Security Strategy and the more recently announced \textit{International Cyber Engagement Strategy} may aim to coordinate this policy intersection inside government, a coherent conception of cyber policy remains absent in broader public discourse and in parliamentary debates.\textsuperscript{447}

\textbf{The critical role of the Australian Signals Directorate}

Legislation to establish the Australian Signals Directorate (ASD) as a statutory agency while remaining within the Defence portfolio will come into effect on 1 July 2018. The Defence Portfolio Budget Statements state that there are no budget measures relating to ASD.\textsuperscript{448} But the ASD will adopt formal responsibility for the Australian Cyber Security Centre (ACSC) from the beginning of the 2018–19 financial year,\textsuperscript{449} together with:

- the Computer Emergency Response Team along with its cyber policy and security functions, which is being transferred from the Attorney-General’s Department\textsuperscript{450}
- the 24/7 cyber incident monitoring and response capability announced in the \textit{Mid-Year Economic and Fiscal Outlook 2017–18} and
- the Cyber Security Unit, including its personnel, that formed inside the Digital Transformation Agency as a consequence of the \textit{Review of the Events Surrounding the 2016 eCensus}.\textsuperscript{451}

An independent review of the Australian National Audit Office’s cybersecurity arrangements points to ASD’s central role in promoting whole-of-government cyber resilience, underscoring the government sector’s reliance on ASD guidance for mitigation of cyber incidents and any response to a security incident.\textsuperscript{452}

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\textsuperscript{446} Bishop, op. cit.
\textsuperscript{449} \textit{Portfolio budget statements 2018–19: budget related paper no. 1.4A: Defence Portfolio}, op. cit., p. 163; M Payne (Minister for Defence), P Dutton (Minister for Home Affairs) and A Taylor (Minister for Law Enforcement and Cyber Security), \textit{Strengthening Australia’s cyber expertise}, joint media release, 11 April 2018.
\textsuperscript{450} \textit{Explanatory Memorandum}, Intelligence Services Amendment (Establishment of the Australian Signals Directorate) Bill 2018.
\textsuperscript{451} S Morrison (Treasurer) and M Cormann (Minister for Finance), \textit{Mid-year economic and fiscal outlook 2017–18}, p. 175.
Cyber as a frontier for Parliament

The impact of cyberspace on parliamentary business is also contemplated in the Budget, and parliamentary interest in cyber affairs is apparent in the terms of reference for current committee inquiries.454 Ongoing parliamentary business includes:

- the Joint Committee on Law Enforcement’s inquiry into the impact of new and emerging information and communications technology

- the Senate Standing Committee on Finance and Public Administration’s inquiry into digital delivery of government services and

- the Joint Standing Committee on Trade and Investment Growth’s inquiry into the trade system and the digital economy.

On 8 May 2018, the House of Representatives Standing Committee on Industry, Innovation, Science and Resources tabled the report, Internet Competition Inquiry, which considered the impact on local businesses in Australia of global internet-based competition.

454. The Department of Parliamentary Services was allocated $9 million over four years to establish a Cyber Security Operations Centre for Parliament House: Budget measures: budget paper no. 2: 2018–19, p. 162.
National security overview

Cat Barker

The 2018–19 Budget contains several new expense measures relating to national security. This includes funding for the implementation of recommendations made in the 2017 Independent Intelligence Review (building on funding already provided since the 2017–18 Budget), and additional funding for the Australian Secret Intelligence Service (ASIS), Australian Security Intelligence Organisation (ASIO) and the Australian Criminal Intelligence Commission (ACIC). As was the case in the 2017–18 Budget, the amounts allocated to several measures have been withheld on national security grounds and the descriptions of some measures shed little light on how the funding will be used. While there are sound reasons not to detail both the amounts of national security-related funding and the purposes for which it has been allocated, it is not clear why the amount of funding alone could not be disclosed, as it has been in previous years, nor why the amount of funding for some agencies (such as ASIO) has been disclosed, but not others (such as ACIC).

2017 Independent Intelligence Review (the Review)

The most recent independent review of the Australian Intelligence Community (AIC) was completed in June 2017, with a public version of the report released in July 2017. The reviewers made 23 recommendations relating to structural arrangements, capability and resourcing, legislation, and oversight. They also considered that looking ahead, the AIC construct would become increasingly artificial, and that a more useful frame of reference would be the National Intelligence Community (NIC). The NIC includes the six agencies comprising the AIC (ASIS, ASIO, Australian Signals Directorate, Australian Geospatial-Intelligence Organisation, Defence Intelligence Organisation and the Office of National Assessments (ONA)) and also ACIC, the Australian Transaction Reports and Analysis Centre (AUSTRAC), and the relevant parts of the Australian Federal Police (AFP) and the Department of Immigration and Border Protection (now the Department of Home Affairs (DoHA)).

The Government has not released a formal response to the Review, but stated when it released the report that it accepted the recommendations ‘as a sound basis to reform Australia’s intelligence arrangements’, and has been progressively implementing them.

The Mid-Year Economic and Fiscal Outlook 2017–18 included $154.5 million over five years to:

- establish the Office of National Intelligence (ONI) in the Prime Minister and Cabinet portfolio ($118.5 million). One of the Review’s most significant recommendations was the replacement of the ONA with the ONI, led by a Director-General who would be the head of the NIC and the Prime Minister’s principal adviser on intelligence community issues. The ONI would have a leadership and coordination role across the NIC, including advising the Government on

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456. Department of the Prime Minister and Cabinet (PM&C), 2017 Independent Intelligence Review, Commonwealth of Australia, Canberra, June 2017. The reviewers were Michael L’Estrange and Stephen Merchant, with Sir Iain Lobban acting as an adviser.

457. For a summary of recommendations, see: Ibid., pp. 13–22.


459. M Turnbull (Prime Minister), G Brandis (Attorney-General), P Dutton (Minister for Immigration and Border Protection) and M Keenan (Minister for Justice), *A strong and secure Australia*, media release, 18 July 2017. In addition to the funding measures covered in this article, the Parliament passed legislation to establish ASD as a statutory agency and expand its functions; see C Barker, Intelligence Services Amendment (Establishment of the Australian Signals Directorate) Bill 2018, Bills digest, 94, 2017–18, Parliamentary Library, Canberra, 2018.

460. S Morrison (Treasurer) and M Cormann (Minister for Finance), *Mid-year economic and fiscal outlook 2017–18*, p. 175.
intelligence collection and assessment priorities and the appointment of senior NIC office-holders, and the evaluation of NIC agencies.  

- fund a ‘24/7 cyber incident monitoring and response capability’ in the Australian Cyber Security Centre ($33.6 million) and  

- fund additional secondments from ASIO to the Australian Government Security Vetting Agency (AGSVA) ($2.4 million). The Review noted that the time taken for AGSVA to complete Top Secret (Positive Vetting) security clearances was ‘exacerbating the intelligence community’s existing workforce challenges’. It recommended funding for additional ASIO secondments to AGSVA as soon as possible, and a review of the situation in early 2018, with alternative options to be explored if the existing remediation efforts had not resulted in processing times being reduced to six months or less.

In the 2017–18 Portfolio Additional Estimates (PAES), the Government included additional funding for the Inspector-General of Intelligence and Security to oversee the intelligence functions of the AFP, ACIC, DoHA and AUSTRAC (in addition to its existing oversight of the six AIC agencies), and for the Attorney-General’s Department (AGD) and the Office of Parliamentary Counsel (OPC) (with a description to be provided in the Budget).

The Budget includes additional funding for implementation of the Review’s recommendations. The total amount is marked as not-for-publication on national security grounds, and will be spread across ‘various agencies’. However, included in the total is:

- $52.1 million for the IGIS’s increased oversight functions (already included in the forward estimates). The Review recommended that the IGIS’s jurisdiction be expanded to include AUSTRAC and the intelligence functions of the AFP, ACIC and what is now the DoHA, and that the IGIS be given additional resources to enable it to sustain a full-time staff of around 50. The PAES indicate that the funding includes increasing staffing from 17 to 55 FTE, as well as ‘commercial rent, IT systems and secure fit-out costs of new premises’.

- $18.1 million for AGD and OPC to undertake a comprehensive review of the legal framework governing NIC agencies and related oversight bodies (already included in the forward estimates). The Review recommended that this be undertaken by ‘an eminent and suitably qualified individual or number of individuals, supported by a small team of security and intelligence law experts with operational knowledge of the workings of the intelligence community’. It also recommended some specific amendments that could be progressed while the comprehensive review took place and

- an unspecified amount to establish a Joint Capability Fund (JCF) for the NIC. The Review recommended that a JCF be established to finance NIC cross-agency projects, including an NIC Innovation Fund, NIC Innovation Hub and an NIC Science and Technology Advisory Board. It recommended the total amount in the JCF be equivalent to the Efficiency Dividend levied on AIC agencies and the intelligence functions of other NIC agencies. The Review estimated that if its recommendations about the application of the Efficiency Dividend to NIC agencies were

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461. PM&C, 2017 Independent Intelligence Review, op. cit., pp. 53–64, 66–69 (Recommendations 1–5). In December 2017, the Government announced the appointment of the former head of ASIS, Nick Warner, as the new Director-General of the ONA and Director-General designate of National Intelligence: M Turnbull, Maintaining a strong and secure Australia, media release, 1 December 2017.

462. See: Ibid., p. 65 (part of Recommendation 3).

463. Ibid., pp. 77–78 (Recommendation 12).


469. Ibid., pp. 82–85 (Recommendation 7).
adopted, that the JCF would accumulate around $370.0 million over the five years from 2017-18.\textsuperscript{470}

\textbf{Other national security funding}

The Budget also includes $24.4 million of additional funding for ASIO, and undisclosed amounts for ASIS (over two years from 2018–19) and ACIC (over five years from 2017–18) ‘to meet the Government’s national security objectives’.\textsuperscript{471} The \textit{Mid-Year Economic and Fiscal Outlook 2017–18} also included undisclosed amounts of additional funding for ‘various agencies’ to ‘enhance counter-terrorism capability within the South East Asia region’ and separately for ASIS to support its operations and ‘strengthen its capacity to meet the strategic priorities and objectives of the organisation and the Government’.\textsuperscript{472}

\begin{itemize}
\item \textsuperscript{470} Ibid., p. 85. The Review recommended that the Efficiency Dividend continues to be applied to those agencies that are currently subject to it, and be applied to the ASD and ONI from two years after their establishment as statutory agencies (leaving the AGO and DIO exempt): pp. 83–85 (Recommendation 8).
\item \textsuperscript{471} Australian Government, \textit{Budget measures: budget paper no. 2: 2018–19}, pp. 103, 131.
\item \textsuperscript{472} S Morrison (Treasurer) and M Cormann (Minister for Finance), \textit{Mid-year economic and fiscal outlook 2017–18}, pp. 153–154.
\end{itemize}
Medicare and hospital funding
Amanda Biggs

Medicare

The Government has announced a number of measures relating to Medicare in this Budget. Expenditure on Medicare is estimated to be $24.1 billion in 2018–19, an increase in real terms of 1.1 per cent on 2017–18.\textsuperscript{473} Funding for Medicare is now through a special account, the Medicare Guarantee Fund, which was established as a result of last year’s Budget.\textsuperscript{474}

New Medicare Benefits Schedule listings

A number of new and amended listings will be added to the Medicare Benefits Schedule (MBS) as a result of recommendations made by the independent Medical Services Advisory Council (MSAC). Among the new items to be funded are:

- a new pathology test for patients with a cystic fibrosis gene mutation
- treatment for patients with idiopathic (of unknown cause) overactive bladder
- magnetic resonance imaging (MRI) prostate scans for diagnosing prostate cancer and for monitoring diagnosed patients.\textsuperscript{475}

The total cost over four years from 2018–19 is estimated to be $25.4 million.\textsuperscript{476}

In addition, the Budget includes $49.4 million in funding over four years for a raft of new and amended listings as a result of recommendations made by the clinician-led MBS Review Taskforce which has been considering how to align the more than 5,700 items on the MBS with contemporary clinical evidence and practice. The first tranche of recommendations made by the Taskforce resulted in the removal of 24 obsolete items from the MBS in the 2016–17 Budget.\textsuperscript{477} Net savings of $189.7 million from the Review have been ‘re-invested by the Government in Medicare’.\textsuperscript{478} Recently, the Chair of the Taskforce announced that the Government had accepted 38 of its most recent recommendations which included a number of additions and amendments to the MBS.\textsuperscript{479} New items to be funded include:

- renal medicine items to support dialysis services in rural and remote regions, which will improve access for Aboriginal and Torres Strait Islander people with kidney disease. Aboriginal and Torres Strait Islander people experience kidney disease at 7.3 times the rate of other Australians\textsuperscript{480}
- three dimensional (3D) breast tomosynthesis—a form of high resolution imaging for breast cancer detection.

Amendments include restricting GP referrals for some MRI scans for knees, and restructuring the schedule for spinal surgery services.\textsuperscript{481}

\textsuperscript{474.} The Medicare Guarantee Act 2017 received Royal Assent on 26 June 2017.
\textsuperscript{478.} \textit{Budget measures: budget paper no. 2: 2018–19}, p. 110.
\textsuperscript{479.} B Robinson (Chair of the MBS Review Taskforce), ‘Latest recommendations accepted by Government’, media release, 29 April 2018.
New listings and amendments to the MBS do not require legislation, but are enacted through legislative instrument.

**Modernising the health and aged care payments system**

Last year’s Budget included funding of $67.3 million (over one year) to modernise the health and aged care payments ICT systems. This budget includes an additional $106.8 million over four years to progress this work.  

**Low income thresholds**

The Budget includes the annual adjustment to the Medicare levy low income thresholds, in line with movements in the Consumer Price Index (CPI). These annual adjustments ensure that those on incomes below these thresholds are exempt from paying the Medicare levy. The low income thresholds will be increased to $21,980 for singles, $37,089 for families and $48,385 for seniors and pensioners. The cost to the Budget over the forward estimates is $230.0 million. These threshold adjustments will require legislation.

**Medicare levy**

As expected, the Budget confirmed that the Government will not proceed with the planned 0.5 percentage point increase to the Medicare levy which was to be used to help fund the National Disability Insurance Scheme (NDIS). The levy will remain at 2.0 per cent. The implications of this decision are briefly discussed in the Library Flagpost article, ‘‘Fighting for funding’: where to next for the NDIS?’.

**Compliance**

$9.5 million over five years from 2017–18 is provided to improve compliance and debt recovery arrangements for doctors. The measure includes ‘better targeting investigations into fraud, inappropriate practice and incorrect claiming’. Legislation will be introduced to support these measures.

**Stakeholder reaction**

Stakeholder reaction to individual Medicare measures has varied. For example, the Australian Healthcare and Hospitals Association (AHHA) welcomed the continuing work of the MBS Review Taskforce and the Consumers Health Forum welcomed the ‘additional funding for hospitals, Medicare, aged care and medicines’. However, some in the diagnostic imaging sector have criticised the government for failing to immediately end the freeze on indexation of diagnostic imaging fees, and for restricting GP-referred MRI scans on knees. A number of disability and social sector stakeholders have expressed disappointment over the decision to not proceed with the Medicare levy increase.

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483. Ibid., p. 32.
484. Ibid.
485. L Buckmaster, ‘‘Fighting for funding’: where to next for the NDIS?’, *FlagPost*, Parliamentary Library blog, 27 April 2018.
489. Consumers Health Forum (CHF), ‘Health budget includes welcome consumer focus’, media release, 8 May 2018.
491. L Buckmaster, op. cit.
**Hospital funding**

All but two states (Victoria and Queensland) have signed up to a new five-year public hospital funding agreement from 2020–21.492 Under the agreement, the Government has committed to providing $130.2 billion over five years from 2020–21, based on funding 45 per cent of the efficient growth in hospital activity, with total funding growth capped at 6.5 per cent a year.493 These parameters are the same as those operating under the current agreement. Estimated allocations to individual states and territories to 2021–22 are provided in the Budget,494 but final entitlements will be subject to reported hospital activity levels and the determination of the national efficient price for hospital services by the Independent Hospital Pricing Authority.

The Government is also providing $100 million for a new Health Innovation Fund—$50 million in 2018–19 and $50 million in 2020–21—for ‘trials that support preventive health innovations and better use of health data’.495 The Fund is conditional on all states and territories signing the hospital funding agreement.496

In addition to funding for public hospital activities, the Budget includes $188.9 million to support the expansion of the Joondalup Health Campus and Osborne Parks Hospital, and refurbishment of Royal Perth Hospital.497 The funding is being provided in the form of a GST top-up payment to Western Australia for 2017–18.498

**Stakeholder reaction**

Stakeholder reaction has been varied. The CHF has welcomed the ‘record funding for hospitals’ and the proposed Health Innovation Fund, which will ‘look at models of care that involve specialist hospital providers working in innovative ways outside of the hospital walls and better integrating with primary and community health services’.499 The Australian Medical Association has argued that ‘more [hospital] funding will be needed over the long term’.500 Meanwhile, Victorian Minister for Health, Jill Hennessy has criticised the Government for not increasing the Commonwealth’s contribution to 50 per cent of the efficient growth of hospital activity and was also critical of the lack of funding for health infrastructure projects in Victoria.501

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499. CHF, op. cit.
500. Australian Medical Association (AMA), ‘Safe and steady health budget, but bigger reforms are still to come’, media release, 9 May 2018.
Rural health workforce

Amanda Biggs

A Stronger Rural Health Strategy

It is widely recognised that people in rural and remote areas of Australia experience poorer health outcomes, lower life expectancy and poorer access to health services than those living in metropolitan areas.\(^{502}\) To address shortages of health workers in rural and remote areas, the Government has announced *A Stronger Rural Health Strategy* package and allocated funding of $83.3 million over five years from 2017–18.\(^{503}\) The Government says the Strategy will deliver around an additional 3,000 specialist general practitioners (GPs) and over 3,000 nurses, as well as hundreds of allied health professionals in rural areas over ten years, for a total investment of $550 million.\(^{504}\) However, it is not clear from the budget papers what specific measures count towards this total investment figure.

Rural medical workforce

A range of measures for the medical workforce are included in the package.

A Murray-Darling Medical Schools Network supporting end-to-end training for students to study medicine in the regions will be established. The network will involve seven university medical schools (subject to finalisation of contractual arrangements and the universities meeting accreditation requirements).\(^{505}\) A pool of Commonwealth Supported Places (CSPs) taken from existing medical school allocations will be established. Commencing in 2021, the pool will comprise up to 60 medical CSPs to be allocated by participating universities every three years and redistributed between providers through a competitive process. This will provide flexibility to allow rural health workforce priorities to be more quickly addressed as they emerge. These priorities will be identified through a new health workforce data tool called HeaDS UPP.\(^{506}\)

Thirty CSPs will be allocated in the first round to a new medical school in Orange. Universities with reduced medical CSPs will be allowed a commensurate increase to their international medical enrolments, as a transitional arrangement. $95.4 million has been earmarked to establish the network. However, no new CSPs will be funded.\(^{507}\) Legislation is not required; however, the establishment of the network and pool arrangements may need to be specified in the triennial Commonwealth Grants Scheme funding agreements between the participating universities and the Commonwealth.\(^{508}\)

To enhance training opportunities in rural areas, two new Junior Doctor Training programs will be introduced. The Rural Primary Care Stream will provide educational support for junior doctors to train in rural general practice. The Private Hospital Stream will provide salary support for junior doctors to work in private hospitals. Concurrent to this will be the development by the National Rural Health Commissioner of a National Rural Generalist pathway.\(^{509}\) Legislation is not required.

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505. The universities involved include the University of NSW (Wagga Wagga), University of Sydney (Dubbo), Charles Sturt University/Western Sydney University (Orange), Monash University (Bendigo, Mildura), University of Melbourne/La Trobe University (Shepparton, Bendigo, Wodonga).
507. Ibid.
New fee arrangements that support medical graduates to pursue additional qualifications as vocationally registered (VR) general practitioners (GPs) will be introduced. Australian trained non-VR doctors who work in Modified Monash Model (MMM) remoteness classification areas 2–7 will be able to claim 80 per cent of the Medicare rebate that is claimable by VR GPs, representing an increase on the Medicare rebate they can currently claim. Support will be offered to existing non-VR GPs to upgrade their qualifications. When a new non-VR GP begins the pathway to full registration (Fellowship) they will be able to claim the full Medicare rebate. It is hoped that supporting non-VR GPs to attain higher qualifications in rural areas will help address the maldistribution of the medical workforce in these areas. Legislation will not be required, as changes to Medicare fees are made through legislative instrument.

At the same time under a separate Home Affairs budget measure, the number of visas for overseas trained doctors (OTDs), who provide a significant proportion of Medicare-funded services in rural areas, will be capped at 2,100 per year from January 2019. Although not detailed in the budget papers, media reports suggest this will result in a decrease of 200 OTDs per year. As the pool of new OTD doctors declines, Medicare expenses in the form of rebates that are paid to them should also fall, resulting in estimated savings of $415.5 million over four years. Savings will be used to fund health policy priorities. Imposing a cap on OTDs does not require legislation.

The geographic eligibility criteria for rural bulk billing incentives will be updated. Incentives are available to doctors in designated rural and remote areas for bulk billing patients under 16 or those holding a Commonwealth concession card. The geographic eligibility criteria that are currently applied are based on out-dated population figures; these will be updated and be based on the MMM remoteness classification areas 2–7. Legislation will not be required as the changes can be achieved through legislative instrument.

Other medical workforce measures include:

- changing the return of service obligations for medical students under bonded medical training programs by introducing an optional three year bonded period (down from six years)
- streamlining GP training arrangements provided through the Royal Australian College of General Practitioners and the Australian College of Rural and Remote Medicine for GPs to gain
vocational recognition and providing 100 additional vocational training places through the Australian General Practice Training Program from 1 January 2021.  

**Nursing and allied health workforce**

The package includes a number of measures to support the nursing and allied health workforces, in recognition that rural areas also experience shortages of these health professionals.

A new Workforce Incentive Program will be established from 1 July 2019, which will provide targeted incentives for general practices to employ allied health professionals and targeted incentives for doctors to practise in non-metropolitan areas. Existing GP, nursing and allied health incentive programs will be replaced with the new Workforce Incentive Program. Eligible practices who employ allied health professionals can receive incentive payments up to $125,000 per year, with a rural loading for those in MMM classification areas 3–7. Doctors located in MMM classification areas 3–7 areas may receive a maximum payment of up to $60,000. Around 5,000 practices and more than 7,000 doctors are expected to be eligible for the payments.

The role of nursing in team-based and multidisciplinary primary care service settings will be enhanced through continued funding to the Australian Primary Health Care Nurses Association, which helps nurses to deliver care in primary care settings. An independent review of the nursing curricula and pathways into nursing will be conducted.

Support for Aboriginal and Torres Strait Islander health professional organisations will continue through increasing investment in Aboriginal and Torres Strait Islander Health Professional Organisations of around $1.6 million a year. In addition, a new primary care funding model will be implemented from 1 July 2019, in consultation with the Indigenous health sector.

**Stakeholder reaction**

Most stakeholders have been generally supportive of the package. The Rural Doctors Association of Australia (RDAA) and the National Rural Health Alliance (NHRA) both welcomed the Strategy. The RDAA described it as ‘a multi-pronged approach to supporting improved medical workforce distribution to rural and remote Australia’. The NHRA welcomed funding ‘to help fill the health workforce gaps’ and described the new Workforce Incentive Program as the ‘first step in increasing very low numbers of allied health workers in rural and remote areas’. The Australian Medical Association (AMA) also welcomed the Strategy.

For several years, there have been calls including from some in the National Party, to establish a Murray Darling Basin Medical School. These calls have faced opposition from some medical groups, including the AMA, who argue that there is an oversupply of medical graduates and the Australian Medical Students Association (AMSA) who argued that increasing the number of

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523. M McCormack (Deputy Prime Minister) and J McVeigh (Minister for Regional Development, Territories and Local Government), Regional Australia—A stronger economy delivering stronger regions, ministerial budget statement, 2018, p. 92.


medical graduates would mean a higher number missing out on limited internship placements.\textsuperscript{529} In announcing the Murray-Darling medical schools network, the Government appears to have addressed some of these concerns by agreeing to not increase the total number of medical CSPs available overall. The AMA described the decision to ‘reject the proposal for a stand-alone Murray Darling Medical School in favour of network’ as ‘a better approach’.\textsuperscript{530} The AMSA Rural Health group also expressed ‘cautious optimism’ over the announcement.\textsuperscript{531}

In relation to the visa changes for OTDs, Dr Michael Gannon, President of the AMA has reportedly questioned whether the savings will be achievable, as other medical providers will still be available to provide the services no longer provided by OTDs.\textsuperscript{532}

\textsuperscript{529} Ibid.
\textsuperscript{530} AMA, \textit{AMA welcomes ‘stronger rural health strategy’}, op. cit.
\textsuperscript{531} AMSA Rural Health, \textit{‘Budget: rural health in focus’}, media release, 10 May 2018.
\textsuperscript{532} N Evans, \textit{‘Visa saving questioned by doctors’}, West Australian, 10 May 2018.
Medicines
Alex Grove

The Budget provides funding for new medicines and vaccines, while continuing to control overall expenditure on the Pharmaceutical Benefits Scheme (PBS). Reforms to the way the Government pays for high cost medicines do not directly affect consumers, but do have implications for the pharmaceutical supply chain, including pharmaceutical companies, wholesalers and pharmacists.

**Pharmaceutical Benefits Scheme**

The Australian Government subsidises the cost of many medicines through the PBS. The Budget contains changes to the way the Government pays for certain high cost medicines on the PBS. Under the current system, the Government may enter into special price arrangements for the listing of a PBS medicine through a deed of agreement. This allows the published PBS price (which can affect international markets) to be higher than the actual price of the medicine to the Government. The pharmaceutical company funds the difference between the published price and the ‘cost-effective price’ through a confidential rebate which is paid to the Government in arrears. Rebates have been growing in recent years. In 2016–17 the Department of Health (DoH) received $3.27 billion in ‘PBS drug recoveries’, much of which related to rebates paid for new medicines to treat Hepatitis C.

The Government has negotiated with individual pharmaceutical companies to reduce the published PBS price of some high cost medicines from 1 July 2018, with a corresponding decrease in the rebate to be repaid by the companies. The Government will also implement an ‘improved payment administration trial’ for some high cost medicines from 1 July 2019. The design of the trial is still being negotiated, but the intent is to pay pharmaceutical companies the cost-effective price of the medicine, while continuing to remunerate wholesalers and pharmacists based on the published price. These changes to the remuneration of the PBS supply chain may make it easier for pharmacists to stock high cost medicines. They may require legislation.

As part of the same budget measure, the Government has set aside $1.0 billion over the forward estimates to pay for medicines which have not yet been listed on the PBS, including both the changes to rebates and the $1.0 billion that has been set aside, the overall measure is budget neutral because government upfront expenditure on the PBS will reduce, but revenue from rebates will also fall. When the $1.0 billion is included, overall PBS investment (expenditure minus rebates) is forecast to grow slightly in nominal terms to 2021–22, but to decline in real terms by 7.3 per cent.

New medicines are listed each month on the PBS, following a positive recommendation from the Pharmaceutical Benefits Advisory Committee and pricing negotiations with DoH. The Budget provides $1.4 billion (less confidential rebates) over five years from 2017–18 for new and

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536. The budget figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2: 2018–19, pp. 112–120.
538. G Hunt (Minister for Health), Speech to the APP Conference, Gold Coast, speech, 3 May 2018.
539. Provision for future increases in new medicine listings is made in the Contingency Reserve, but in this Budget such expenses have been allocated to the pharmaceutical benefits and services sub-function. See Australian Government, Budget strategy and outlook: budget paper no. 1: 2018–19, pp. 6-20, 6-21, 6-44.
540. Ibid., pp. 6-21, 6-22.
amended listings on the PBS. This includes medicines to treat cancers, multiple sclerosis and spinal muscular atrophy (SMA, a form of motor neuron disease), as well as a medicine to prevent HIV/AIDS.

The Budget contains measures to encourage appropriate use of medicines and increased prescribing of generic and biosimilar medicines. This includes $28.2 million over five years from 2017–18 to upgrade doctors’ prescribing software, including an option for electronic rather than paper PBS prescriptions. There is also $5.0 million over three years from 2017–18 to continue a campaign to encourage prescribing of generic and biosimilar medicines (which are often cheaper than their brand name equivalents). This will include changes to doctors’ prescribing software to allow medicine ingredient name prescribing by default, without preventing doctors from prescribing by brand name. Increased uptake of these medicines is expected to reduce PBS spending by $335.8 million over five years from 2017–18. The Government will also target prescribers with education activities to encourage appropriate use of certain medicines, and blood and blood products for an expected saving of $77.6 million over five years from 2017–18.

Life Saving Drugs Program

The Life Saving Drugs Program (LSDP) funds expensive medicines for rare and life threatening diseases. It is not part of the PBS. The Government responded to the Post-market Review of the Life Saving Drugs Program in January 2018. The Government announced it would retain and improve the LSDP (despite the review recommending that it should transition to the PBS), and apply pricing policies such as statutory price reductions (which currently apply to PBS medicines) to LSDP medicines.

The Budget includes $5.4 million over five years (already provided for in forward estimates) from 2017–18 to implement improvements to the administration of the LSDP. The Government has reached an agreement with Medicines Australia (MA) on behalf of pharmaceutical companies to implement PBS-like pricing policies for the LDSP. This is likely to result in savings, but the financial impact is not published in the Budget as it is commercial-in-confidence.

Immunisation

The National Immunisation Program (NIP) is a series of free immunisations given at specified ages or to people in specified risk groups. The Budget provides $42.5 million over five years from 2017–18 to list whooping cough vaccines for pregnant women, high dose influenza vaccines for people aged 65 or over and a vaccine for children aged 12 months to protect against meningococcal A,C,W and Y.

Stakeholder reaction

Reaction to the budget measures has been largely positive, apart from concerns about the overall level of funding for the PBS.

MA has welcomed funding for the listing of new PBS medicines, and will continue to negotiate regarding the payment trial for high cost medicines. The Generic and Biosimilar Medicines

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545. Ibid.
546. DoH, National Immunisation Program schedule, DoH website, last updated 8 December 2017.
547. Medicines Australia, Government commits to PBS, time to unpack the detail, media release, 8 May 2018.
Association (GBMA) has welcomed prescribing and other measures to encourage uptake of generic and biosimilar medicines, as well as funding for new PBS listings and the LSDP. Pharmaceutical industry media publication *PharmaDispatch* has taken a more negative view, questioning why PBS funding is declining in real terms over the forward estimates when funding for other health programs is growing.

The Pharmacy Guild of Australia, representing pharmacy owners, has welcomed changes to rebates to the extent that they reduce cash flow pressures on pharmacies. In negotiating the terms of the trial, the Guild states it will insist on automated arrangements for pharmacies and no reduction in dispensing related remuneration.

The Consumers Health Forum of Australia has welcomed budget measures promoting infant and maternal health, including the listing of a medicine to treat SMA in infants and whooping cough immunisations for pregnant women.

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549. ‘Why is the PBS being starved of funding?’, *PharmaDispatch.com*, 10 May 2018.
550. Pharmacy Guild of Australia, ‘The PBS – now more than ever the most sustainable part of the health system’, *Forefront*, 8(9), 8 May 2018.
Mental health

Lauren Cook

Mental health reform is a key component of the Australian Government’s ‘long term health plan’.552

In previous years, the Australian Government has been criticised for mental health being ‘chronically underfunded’,553 with some stakeholders claiming that the mental health budget is ‘really half of what it should get’.554 Stakeholders have also criticised previous funding allocations, suggesting that the Government should ‘reorient investment towards early intervention and prevention’.555

The Government has committed an additional $338.1 million in the Budget for mental health, with a particular focus on suicide prevention, supporting older Australians, and mental health research.556 This investment is nearly double the commitments to mental health made in the 2017–18 Budget.557

It is unlikely that the measures outlined below will require legislation.

Suicide prevention

The Government has committed $72.6 million in the Budget for suicide prevention initiatives. This includes $37.6 million over four years to beyondblue and Primary Health Networks to improve follow-up care for people discharged from hospital following a suicide attempt,558 $33.8 million over four years to Lifeline Australia to enhance its telephone crisis services, and $1.2 million in 2018–19 to SANE Australia to deliver a targeted suicide awareness campaign.

Prior to the Budget, stakeholders advised the Government to invest in intensive follow up treatment after suicide attempts. In its pre-budget submission, Mental Health Australia stated that a previous suicide attempt was the most reliable predictor of a subsequent death by suicide, with half of the people discharged from hospital after a suicide attempt not attending follow-up treatment.559

This funding has been welcomed by stakeholders, with the Chair of beyondblue, Julia Gillard, commending the Minister for Health for his ‘commitment to reducing Australia’s suicide rate’.560

Older Australians

As part of the Government’s ‘More Choices for a Long Life’ package, the Government has committed a total of $102.5 million over four years from 2018–19 to improve access to psychological services for older Australians. This includes $82.5 million in funding for mental health services for people in residential aged care facilities, and $20.0 million for the development

555. Mental Health Australia (MHA), Mental health sector unites to highlight shortcomings in Fifth National Mental Health Plan, media release, 20 December 2016.
558. $27.1 million of this commitment is for Primary Health Networks for the commission of services, and is contingent on co-contributions from state and territory governments. The budget figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2: 2018–19, pp. 106–126.
559. MHA, Mental Health Australia 2018/19 pre-budget submission, MHA, 7 March 2018, p. 12.
560. beyondblue, beyondblue welcomes suicide prevention funding announcement, media release, 8 May 2018.
of a program to target the mental health of older Australians in the community, particularly those at risk from isolation.

In 2012, just over half of all permanent aged care residents had symptoms of depression. Further, in 2016, men over 85 had the highest rate of suicide in Australia. Despite this, older Australians in residential care are not eligible for Medicare subsidised psychological treatment through the GP Mental Health Treatment Plan. While it appears that the measure was introduced to address this gap, it is unclear whether changes will be made to the eligibility criteria for the GP Mental Health Treatment Plan, or if the measure will address this gap in other ways.

Stakeholders have overwhelmingly supported this measure, as older Australians in residential aged care facilities have previously ‘not had adequate access to mental health care, and been left unsupported when dealing with conditions like depression and dementia’.

**Mental health research**

The Government announced a distribution of $125.0 million from the Medical Research Future Fund over 10 years from 2017–18 for Million Minds Mental Health Research Mission (the Million Minds Mission). The Million Minds Mission will look at prevention, new diagnoses, and new treatment for mental health to support priorities under the Fifth Mental Health and Suicide Prevention Plan, with a particular focus on clinical trials.

Stakeholders have supported the investment in health and medical research in the Budget, with Mental Health Australia commending the ‘welcome shift to investment on a 10 year horizon’.

**Other mental health measures**

**Royal Flying Doctor Service**

The Government has committed $84.1 million to the Royal Flying Doctor Service, to improve the delivery and availability of dental, mental health and emergency services to Australia’s rural and remote communities. This includes a new Mental Health Outreach Clinic, which will provide professional mental health services from 1 January 2019. This funding has been welcomed by stakeholders, with the CEO of the National Mental Health Commission commending it for being a ‘much needed boost’.

**National Mental Health Commission**

The Government announced an additional $12.4 million over four years from 2018–19 for the National Mental Health Commission to oversee mental health reform and implement the Fifth National Mental Health and Suicide Prevention Plan. This funding was welcomed by

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566. MHA, *Mental Health Australia welcomes new mental health investments*, op. cit.
stakeholders, particularly Mental Health Australia, which identified funding the implementation of the *Fifth National Mental health and Suicide Prevention Plan* as a key priority in its pre-Budget submission.\(^{570}\)

**Youth mental health**

On 8 January 2018, the Minister for Health announced $110.0 million in additional investment in child and youth mental health. This included up to $46.0 million to *beyondblue* for its integrated school-based Mental Health in Education initiative, $30.0 million to the *headspace* National Youth Mental Health Foundation to provide support to Primary Health Networks in commissioning *headspace* services, $16.0 million to *Emerging Minds* for the National Workforce Support in Child Mental Health initiative, and $13.5 million for the operation of the National Centre of Excellence in Youth Mental Health.\(^{571}\) However, there did not appear to be any references to this package in the Budget.

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\(^{570}\) MHA, *Mental Health Australia 2018/19 pre-budget submission*, op. cit., p. 7.

\(^{571}\) G Hunt (Minister for Health) and B McKenzie (Minister for Rural Health), *$110 million additional investment in child and youth mental health*, media release, 8 January 2018.
Aged care
Alex Grove

In the 2018–19 Budget the Government has responded to two key reviews of aged care, as well as growing demand for home care packages. The response takes the form of an omnibus budget measure for ‘healthy ageing and high quality care’. This measure comprises 23 initiatives across aged care provision, consumer access to aged care, quality and regulation of aged care and healthy ageing.572 The most significant initiatives in terms of funding or policy change are briefly outlined in this article.

The Department of Health notes an additional $5.0 billion over five years for ageing and aged care.573 Overall spending on aged care services is forecast to grow from $18.0 billion in 2018–19 to $22.1 billion in 2021–22, largely reflecting demographic factors.574 However, the overall impact of the omnibus measure on the Budget appears broadly neutral, with a small net reduction in expenditure of $19.5 million over the forward estimates offset by a small net reduction in revenue of $18.4 million and a small increase in capital expenditure of $4.2 million. The net changes to underlying cash balance detailed in the tables are small, suggesting that the initiatives are to be funded by repurposing existing funds, but there is no information on how this is envisaged.575 It may relate to future targets for the number of home and residential care places, which are discussed further below.

Residential and home care places

The Government releases residential aged care places, short-term restorative care (STRC) places (which provide up to eight weeks of care and services designed to delay or avoid admission to residential care) and capital grants to aged care providers in an annual competitive process called the Aged Care Approvals Round (ACAR).576 Home care packages (HCPs), which are coordinated packages of care to help eligible older people remain at home rather than entering residential care, are assigned directly to consumers on a regular basis through a national prioritisation system.577 As at 31 December 2017, there were 104,602 consumers waiting for an HCP, although 46 per cent of those had an interim lower level package while they were waiting for a package at their approved level.578

The Budget includes 14,000 new high-level home care packages over four years from 2018–19, as well as 13,500 residential aged care places, 775 STRC places and $60 million in capital grants to be released through the 2018–19 ACAR. This is expected to cost $1.6 billion over four years.579

The total number of aged care places grows in line with the size of the older population over 70. The Government was aiming for 45 home care places, 78 residential places and 2 STRC places per

1,000 people aged 70 and over by 2021–22.\textsuperscript{580} It appears that the mix of places in this target may have changed, although this is not explicitly stated in the budget measure.

One of the initiatives in the budget measure is to ‘combine the Residential Care and Home Care programs from 1 July 2018 to provide greater flexibility to respond to changes in demand for home care packages and residential aged care places.’\textsuperscript{581} The Government has reportedly confirmed it is allocating funding not required for residential places to home care, where demand is higher.\textsuperscript{582} The 2017–18 Budget had a target of 232,300 residential places and 134,545 HCPs by 2020–21.\textsuperscript{583} The 2018–19 Budget has a revised target of 225,000 residential places (7,300 fewer places) and 144,500 HCPs (9,955 more places) by 2020–21.\textsuperscript{584}

It appears the increase in HCPs has been offset by a decrease in the more expensive residential places, which may explain the budget neutrality of the overall measure. However, the Government has rejected Labor’s assertion that there is no new funding for aged care in the Budget.\textsuperscript{585}

**Response to the Legislated Review of Aged Care 2017**

The *Legislated Review of Aged Care 2017* (the Tune review) made 38 recommendations for a more consumer centred and sustainable aged care system.\textsuperscript{586} The Government rejected recommendations to include the full value of the owner’s home in the means test for residential care and to remove the annual and lifetime caps on means-tested care fees.\textsuperscript{587} This Budget responds to a number of the remaining Tune review recommendations through initiatives including:

- $105.7 million over four years (including $32.0 million from existing resources) to provide more aged care in remote Indigenous communities (recommendation 31)
- $61.7 million over two years to make the Government’s My Aged Care website easier for consumers to use (recommendation 25)
- $14.8 million over two years to prepare for a streamlined national assessment framework which could potentially allow people to access all types of aged care via a single assessment (recommendation 27)
- $7.4 million over two years to trial a range of services to help people navigate the aged care system (recommendation 23)
- $0.3 million for a study to assess the impact of allocating residential places to consumers rather than providers (recommendation 3) and
- $8.6 million over four years to improve the management of prudential risk by aged care providers, including through a compulsory levy on providers to recoup the cost of providers defaulting on the repayment of accommodation bonds to consumers (recommendations 20 and 21).\textsuperscript{588}

\textsuperscript{580} ACFA, *Fifth report on the funding and financing of the aged care sector*, op. cit., p. xiii.
\textsuperscript{581} *Budget measures: budget paper no. 2: 2018–19*, op. cit., p. 118.
\textsuperscript{585} R Morton, op. cit.
\textsuperscript{587} K Wyatt (Minister for Aged Care), *6,000 extra high need home care packages and $20 million My Aged Care revamp*, media release, 14 September 2017.
This last initiative would involve changes to the Accommodation Payment Guarantee Scheme, which would require legislation.  

Response to the Review of National Aged Care Regulatory Processes

The Review of National Aged Care Regulatory Processes (the Carnell-Paterson review) recommended combining the Aged Care Complaints Commissioner (who handles complaints about aged care services), the Australian Aged Care Quality Agency (which accredits aged care providers and monitors compliance with standards) and the sanctioning powers of the Department of Health into a single independent Aged Care Quality and Safety Commission. The Budget provides $253.8 million over four years to support the functions of this new Commission, which is to be established by January 2019. The initiative is budget neutral, presumably because these activities are already funded. Establishing the Commission would require legislation.

The Budget addresses other recommendations of the Carnell-Paterson review through funding to make information about the quality of residential care providers more accessible to consumers (including publishing performance ratings on the My Aged Care website) and to improve the proposed Commission’s ability to identify risks to consumers and respond to care failures.

Other aged care and healthy ageing measures

The Budget also funds initiatives to help providers adapt to proposed new aged care standards, improve palliative care in residential aged care (subject to matched funding from the states and territories), support aged care capital works in rural and regional Australia, develop technological solutions for people living with dementia, encourage healthy ageing and improve the mental health of older people. The latter initiative is described in the ‘Mental health’ Budget Review article.

Stakeholder response

The response to the aged care initiatives in the Budget has been relatively positive. Consumer peak bodies COTA Australia and National Seniors Australia (NSA) welcomed the 14,000 new high-level home care packages, although NSA Chief Advocate Ian Henschke noted this will still leave many people on the waiting list for packages. COTA Australia also praised the Government’s decision to explore options for allocating residential places to consumers rather than providers.

Some stakeholders praised the initiatives while noting other issues they felt were not addressed in the Budget. Australian Nursing and Midwifery Federation Acting Federal Secretary Annie Butler welcomed funding for additional home care packages and palliative care services, but called on the Government to introduce mandated minimum staffing ratios in residential care. Dementia Australia welcomed many of the budget initiatives, including the establishment of the new Aged Care Quality and Safety Commission and funding for dementia innovation, but CEO Maree McCabe
stated the Budget did not recognise dementia as core business. Aged care provider peak bodies generally responded positively to the initiatives contained in the Budget, but would like to see a longer term plan to sustainably fund aged care in the face of rising costs and increasing need.\footnote{Dementia Australia, \textit{Dementia Australia welcomes $5 billion Federal Government funding for aged care}, media release, 8 May 2018.} \footnote{S Cheu, \textit{‘Budget: new measures welcome but long-term fix needed, say stakeholders’}, Australian Ageing Agenda website, 9 May 2018.}
National Disability Insurance Scheme
Shannon Clark and Luke Buckmaster

In the 2018–19 Budget, the Government commits to ‘guaranteeing essential services’, including ‘fully funding its share of the National Disability Insurance Scheme’.598 It also reverses the 2017–18 Budget’s proposal to increase the Medicare levy by 0.5 per cent to provide funding for the NDIS.599 The 2018–19 Budget includes two additional measures to support the NDIS and disability services—a measure on continuity of support and the NDIS Jobs and Market Fund.

It is unlikely the measures will require new legislation.

‘Fully funding’ the NDIS

From 2018–19 to 2021–22, the total expenses for the NDIS are $83.4 billion, of which the Australian Government will contribute $43.2 billion.600 The NDIS is the seventh largest program by expenses in 2018–19 with costs estimated to be $16.7 billion in 2018–19, increasing to a projected $23.6 billion in 2021–22, though it should be noted that the figures include both Australian and state and territory government contributions.601 The Australian and state and territory governments jointly contribute to the costs of the NDIS, which is delivered through the National Disability Insurance Agency, a corporate Commonwealth entity.602

Funding arrangements for the NDIS are complex. Funding comes from a combination of sources, including redirected funds from previous state and territory disability services, funds previously provided to state and territory governments under the National Disability Agreement and the 2011 National Health Reform Agreement, and an earlier increase to the Medicare levy.603 The remainder is from Australian Government revenue, savings or borrowings.604

The debate around funding the NDIS has been contentious.605 The Coalition Government has repeatedly stated that the previous Labor Government did not provide sufficient funding to fully implement the scheme, while Labor maintains that it ‘found the funding for the National Disability Insurance Scheme when we were in Government’ and that it was set out in the 2013–14 Budget.606

In the 2017–18 Budget, the Government announced that it would increase the Medicare levy by 0.5 per cent to 2.5 per cent of taxable income to ‘ensure the National Disability Insurance Scheme (NDIS) is fully funded’.607 The measure was proposed to begin on 1 July 2019 and generate revenue of $8.2 billion dollars over the forward estimates. However, shortly before the 2018–19 Budget, the Government announced that it would no longer be increasing the Medicare levy and

601. Ibid., p. 6-10; see also p. 6-25.
604. Ibid.
606. C Porter, Second reading speech: National Disability Insurance Scheme Savings Fund Special Account Bill 2016, House of Representatives, Debates, 16 March 2016; T Plibersek (Acting Leader of the Opposition), J Macklin (Shadow Minister for Families and Social Services), C King (Shadow Minister for Health and Medicare) and S Perri (Labor candidate for Chisholm), Doorstop interview, transcript, 26 April 2018.
that it could ‘fully fund’ the NDIS without it due to a stronger economy and an improved budget fiscal position.\textsuperscript{608}

In the 2018–19 Budget, the Government has again committed to ‘fully funding’ its contribution to the NDIS, although, as noted, without the previously proposed increase to the Medicare levy.\textsuperscript{609} That is, it will be funded from the Consolidated Revenue Fund as part of the ongoing cost of the Government’s core business.

The Government’s funding commitment to the NDIS has been welcomed by stakeholder groups, who hope that the Budget will put to rest some of the debate about funding the NDIS. Kirsten Deane, Campaign Director from Every Australian Counts, stated: ‘It is great to see the NDIS become a permanent feature of Australia’s social and economic landscape.’\textsuperscript{610} However, some concern in relation to the long-term certainty of NDIS funding remains. Ken Baker, Chief Executive of National Disability Services, warned against the NDIS being treated as a political football and emphasised: ‘Long-term certainty for the NDIS is imperative.’\textsuperscript{611}

\textbf{National Disability Insurance Scheme— continuity of support}

The 2018–19 Budget includes a measure for ensuring continuity of support for people with disability who are currently receiving support under programs transitioning to the NDIS, but who are ineligible for the NDIS.\textsuperscript{612} The measure provides $92.1 million over five years from 2017–18.\textsuperscript{613}

The Australian and state and territory governments have agreed to ensure people with disability who do not become NDIS participants are not disadvantaged by the transition to the NDIS. Continuity of support means that people who are currently accessing disability services ‘will continue to receive support consistent with their current arrangements’.\textsuperscript{614}

There are 17 Commonwealth funded disability programs transitioning funds and clients to the NDIS, of which 15 programs require continuity of support.

Five packages of continuity of support will be implemented from 1 July 2019:

• continuity of support for mental health programs
• continuity of support for carer programs
• a continuity of support Fund
• continuity of support for Mobility Allowance recipients and
• continuity of support for clients of the National Auslan Interpreter Booking and Payment Service.\textsuperscript{615}

While most clients of existing disability programs are expected to transition to the NDIS, some people will be ineligible due to not meeting the NDIS’s access requirements for residence, age or

\textsuperscript{608} D Tehan (Minister for Social Services), \textit{A fully funded NDIS}, media release, 26 April 2018; for discussion about stakeholders’ reactions to the announcement, please see ‘Fighting for funding’: where to next for the NDIS?, op. cit.

\textsuperscript{609} Budget strategy and outlook: budget paper no. 1:2018–19, op. cit.

\textsuperscript{610} Every Australian Counts, \textit{Every Australian Counts welcomes permanent funding for the NDIS}, media release, 8 May 2018.

\textsuperscript{611} National Disability Services, \textit{Government confirms NDIS commitment—now let’s make sure the scheme works}, media release, 8 May 2018.

\textsuperscript{612} Budget measures: budget paper no. 2: 2018–19, op. cit., p. 176.

\textsuperscript{613} Ibid.

\textsuperscript{614} National Disability Insurance Agency (NDIA), ‘Continuity of support’, NDIA website.

\textsuperscript{615} Department of Social Services (DSS), \textit{Continuity of support for clients of Commonwealth disability programs}, fact sheet, DSS, 2018.
disability. Approximately 27,000 clients of Commonwealth funded programs will receive continuity of support.  

**National Disability Insurance Scheme Jobs and Market Fund**

The 2018–19 Budget provides $64.3 million over four years to support the development of disability provider markets and grow the workforce both in number and capability.  

The implementation of the NDIS is expected to substantially increase demand for workers in the disability sector. It is anticipated that the number of workers required to deliver NDIS supports will need to double from approximately 73,600 full-time equivalent (FTE) workers reported in 2015 to 162,000 FTE workers at full scheme in 2019–20. The Productivity Commission reported that early evidence ‘indicates that the workforce is growing quickly, but not fast enough to meet the overall growth target.’ An inquiry into market readiness for the NDIS, including workforce considerations is currently being conducted by the Joint Standing Committee on the National Disability Insurance Scheme.  

The measure will provide targeted funding and investment to support the rapid expansion of the market and jobs that is required and ‘develop resources to assist disability service providers to take advantage of NDIS opportunities, including provider toolkits, good practice guides and service coordination platforms’.

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616. Ibid.  
Indigenous affairs: education, employment, and community safety

James Haughton

This article covers budget measures relating to Indigenous education, employment, and community safety and the rule of law, the government’s key priority areas for Indigenous affairs. Where relevant it also notes measures which were in the Mid-Year Economic and Fiscal Outlook 2017–18 (MYEFO). Measures relating to Indigenous health, housing and other issues are in a separate article.

Education

There are two measures relating to Indigenous education in the Budget:

1. The extension of the National Partnership Agreement on Universal Access to Early Childhood Education. The original version of this National Partnership began under the Rudd Government in order to implement the Closing the Gap target of universal access to preschool education for Indigenous children, and maintains a strong focus on Indigenous enrolment and attendance (see the separate article, ‘School education and early learning’) and

2. Increased support for Indigenous secondary students through the ‘50 Years of ABSTUDY—strengthening ABSTUDY for secondary students’ measure (see the ‘Student payments’ article).

There are no Budget measures relating to the Closing the Gap targets of improving school attendance and literacy and numeracy, which are not on track to be met. However, the MYEFO contained two Indigenous education measures:

1. The School Enrolment and Attendance Measure (SEAM), which imposed social security payment penalties on parents in remote areas in Queensland and the Northern Territory (NT) whose children were not enrolled or did not attend school, was ceased, for a net saving to the government of $29.6 million and

2. The provision of $4.1 million to extend Flexible Literacy in Remote Primary Schools until the end of 2018.

Employment

The major measure in this area is the ‘Community Development Program—reform’ measure. The Community Development Program (CDP) covers 35,000 welfare recipients in remote Australia, 83 per cent of whom are Indigenous. It requires up to 25 hours a week of ‘worklike activities’ from participants for the whole year, significantly higher than work requirements of work-for-the-dole programs in non-remote Australia. The current CDP has been criticised for extremely high rates of social security penalties, which some researchers have blamed for rising rates of poverty in remote Australia.

622. The key priorities are described in the Department of the Prime Minister and Cabinet’s Strategic Direction Statement and Outcome 2 as increased participation in education (school attendance), work, and ‘making communities safer where the ordinary rule of law applies’: Australian Government, Portfolio budget statements 2018–19: budget related paper no. 1.14: Prime Minister and Cabinet Portfolio, pp. 21, 33.

623. The budget measures and figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2: 2018–19, pp. 76–7, 165–73.

624. Department of the Prime Minister and Cabinet (PM&C), Closing the Gap Prime Minister’s report 2018, Commonwealth of Australia, Canberra, 2018, pp. 8–9.

625. S Morrison (Treasurer) and M Cormann (Minister for Finance), Mid-year economic and fiscal outlook 2017–18, p. 176.

626. Ibid., pp. 142–3; S Birmingham (Minister for Education and Training), Flexible literacy pilot funding boost, media release, 28 October 2017. The ‘flexible literacy’ program provides education based upon Direct Instruction and Explicit Direct Instruction methodologies in remote, predominantly Indigenous schools in Western Australia (WA) and the NT.

627. D Conifer, ‘Indigenous work for the dole scheme slaps thousands with serious failures’, ABC News, 7 March 2018. Between 2011 and 2016 the median household income of Indigenous households in very remote Australia fell by $24 a fortnight (from $802 to $778), and the proportion of Indigenous households in poverty in very remote Australia rose by 7.6 per cent to 53.4 per cent: F Markham and N Biddle, Income, poverty and inequality, CAEPR 2016 Census Paper, 2, 2018.
The reform measure will ‘redirect’ CDP funding of $1.1 billion into a new scheme including:

- reducing the necessity of people with low (0–14 hours) work requirements to contact Centrelink
- ensuring job seekers are not required to participate beyond their capacity through an improved assessment process that will clearly identify any barriers to employment they have
- reducing required participation from up to 25 hours per week, to up to 20 hours per week; this would still apply to the full year, rather than for six months as is the case for non-remote work-for-the-dole programs
- creating 6,000 subsidised employment positions. Significantly (given concerns raised about the previous proposed CDP scheme) these will be ‘real jobs’ including minimum wage requirements, superannuation and workplace health and safety regulations
- establishing a fund for CDP providers (particularly Indigenous community organisations) and
- making CDP recipients subject to the mainstream Jobseeker Compliance Framework (JCF), the more stringent ‘demerit point’ system for welfare recipients introduced in last year’s budget and enabled by the Social Services Legislation Amendment (Welfare Reform) Act 2018 (Welfare Reform Act).

A previous attempt to create a new legislative scheme for the CDP lapsed with the prorogation of Parliament, after receiving sustained criticism from stakeholders. With the exception of the inclusion of recipients in the JCF, these proposed reforms are in line with those the Government proposed in a recent discussion paper on remote employment and participation, which received support from some significant stakeholders. Most negative stakeholder reactions to the proposed changes have focussed upon the new proposal to bring CDP recipients under the JCF. The Government had previously expressed the intention to exempt CDP participants from the JCF, drug and alcohol measures, and other changes introduced under the Welfare Reform Act, and it is unclear what parts of the JCF are now intended to apply to CDP participants. This measure’s results may depend on how the ‘improved assessment process’ works and how treatment of people with ‘barriers to employment’ interacts with the JCF’s more stringent attitude to no-shows and those with drug and alcohol problems.


631. PM&C, Discussion Paper: Remote employment and participation, Commonwealth of Australia, Canberra, December 2017; Torres Strait Regional Authority, Submission to PM&C, Community Development Programme paper, 5 February 2018; Aboriginal Peak Organisations Northern Territory, Submission to PM&C, Community Development Programme paper, 23 February 2018; Northern Territory Government, Submission to PM&C, Community Development Programme paper, 19 February 2018.

632. National Congress of Australia’s First Peoples, First peoples sacrificed in the name of budget surplus, media release, 9 May 2018; H Davidson and C Knau, “Blatantly discriminatory”: changes to remote work-for-dole scheme criticised, The Guardian, 11 May 2018; Aboriginal Peak Organisations Northern Territory and Human Rights Law Centre, Discriminatory remote work scheme improved but onerous work hours and harsh penalties will drive poverty, media release, 10 May 2018.

633. The Government previously expressed the intent to exempt CDP participants from components of the JCF: Explanatory Memorandum, Social Services Legislation Amendment (Welfare Reform) Bill 2017, pp. 57, 62, 81, 88, 92, 144, 158.

The Cashless Debit Card trial, which applies to welfare recipients in the East Kimberley and Ceduna, who are over 80 per cent Aboriginal, will be extended until 30 June 2019. The cost was not published.\textsuperscript{635}

**Community safety and rule of law**

The ‘Encouraging Lawful Behaviour of Income Support Recipients’ measure will compulsorily deduct fines from the welfare payments of people with outstanding court-imposed fines and suspend or cancel welfare payments to people with indictable offence arrest warrants from state or territory courts. Indigenous stakeholders have warned that the measure could significantly increase Indigenous poverty.\textsuperscript{636} The scheme is detailed in the separate ‘Extending mutual obligation—court-ordered fines and arrest warrants’ article.

Other measures in this space include:

- $18.2 million to support domestic violence prevention and protection programs for women and girls, including maintaining the current DV-Alert service and 1800RESPECT counselling service. The Minister for Indigenous Affairs has noted that this is a measure that will benefit Indigenous people.\textsuperscript{637} It is not an Indigenous-specific measure but both DV-Alert and 1800RESPECT have Indigenous-specific components\textsuperscript{638}
- $8.4 million for a National Apology, records retention, and Commonwealth implementation of the recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse. Of the 7,981 survivors interviewed by the Royal Commission, 14.9 per cent were Indigenous, reflecting Indigenous children’s historical and current over-institutionalisation and their higher vulnerability to abuse and\textsuperscript{639}
- $1.2 million over four years to implement the Optional Protocol to the *Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment* (OPCAT), providing for the Commonwealth Ombudsman to conduct independent inspections of places of detention. Ratification of OPCAT was part of the Commonwealth’s response to the revelations of torture and abuse of predominantly Aboriginal children in the Northern Territory’s juvenile detention system by *Four Corners* on 25 July 2016.\textsuperscript{640}

\textsuperscript{635} For discussion of the Cashless Debit Card trial see: D Arthur and J Haughton, *Social Services Legislation Amendment (Cashless Debit Card) Bill 2017*, Bills digest, 58, 2017–18, Parliamentary Library, Canberra, 2017. FOI requests have previously revealed that the cost of operating the Trial for its first two years was $18.9 million.

\textsuperscript{636} National Aboriginal and Torres Strait Islander Legal Services, *Federal Budget measures will create more legal need for Aboriginal and Torres Strait Islander people but no solutions*, media release, 9 May 2018; National Congress of Australia’s First Peoples, *First peoples sacrificed in the name of budget surplus*, media release, 9 May 2018.

\textsuperscript{637} N Scullion (Minister for Indigenous Affairs), *2018–19 Budget to strengthen economic, employment and health opportunities for First Australians*, media release, 9 May 2018.


\textsuperscript{639} Royal Commission into Institutional Responses to Child Sexual Abuse, *Final Information Update*, November 2017, p. 3.

\textsuperscript{640} M White and M Gooda, *Report of the Royal Commission and Board of Inquiry into the Protection and Detention of Children in the Northern Territory*, vol.1, Commonwealth of Australia, Canberra, November 2017, p. 204.
Indigenous affairs: health, housing and other measures

James Haughton

Health

Two Closing the Gap targets relate directly to Indigenous health—the target to close the life expectancy gap by 2031 and the target to halve the child mortality gap by 2018.641 Of these, the life expectancy target is not on track, while the child mortality target was on track in 2016. However, as the Prime Minister’s 2018 Closing the Gap report has noted, since the Closing the Gap goals were announced in 2008, progress has slowed, with a decline in Indigenous child mortality rates of 11.5 per cent.642

Analyses of Indigenous budgets, such as the Productivity Commission’s Indigenous Expenditure Report, frequently distinguish between Indigenous specific programs and ‘mainstream’ programs that are also accessed by Indigenous people.643 This corresponds to government accounting categories and also reflects the reality that, unless specific targeting and culturally appropriate and safe program delivery are incorporated, mainstream programs usually under-service Indigenous people.644 The 2018–19 Budget includes both Indigenous-specific health measures and mainstream measures with Indigenous-targeted components.

Indigenous-specific measures

The Budget includes $3.9 billion for Department of Health Program 2.2, ‘Aboriginal and Torres Strait Islander Health’, over four years from 2018-19, an increase of $200 million in total or about 4 per cent per year over current levels.645 This includes:

- a new funding model for Aboriginal Community Controlled Health Services (ACCHSs) devised in consultation with the sector, with no net funding change646
- $105 million for better access to aged care for Aboriginal and Torres Strait Islander people, including support for remaining in remote communities.647 See also the Parliamentary Library Budget Review article, ‘Aged care’
- $34.8 million over four years to support the delivery of dialysis by nurses, including Aboriginal and Torres Strait Islander health workers in remote areas, under a new Medicare Benefits Schedule item. This will mean that people needing dialysis will no longer have to move to urban centres such as Alice Springs or Darwin to receive treatment648
- $4.8 million over three years to address crusted scabies in northern Australia, with the aim of eliminating it by 2022. Crusted scabies infection is associated with overcrowding and can cause rheumatic heart disease and renal disease, which are leading causes of death for Indigenous people and649

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641. Department of the Prime Minister and Cabinet (PM&C), Closing the Gap: Prime Minister’s Report 2018, 2018, pp. 8–9.
642. Ibid, p. 38.
644. Indigenous-specific health programs are usually budgeted under the Department of Health’s (DoH) Program 2.2, ‘Aboriginal and Torres Strait Islander Health’ in the DoH Portfolio Budget Statement. On mainstream underservicing, see: K Alford, Indigenous health expenditure deficits obscured in Closing the Gap reports, Medical Journal of Australia, 203 (10), 2015, p. 403.
647. DoH, Indigenous health –National Aboriginal and Torres Strait Islander Flexible Aged Care program, Budget fact sheet, DoH, 8 May 2018.
• $3 million to increase the budget for Indigenous hearing and eye health to $34.3 million. This appears to build on the earlier announcement of $29.4 million to extend the Healthy Ears—Better Hearing, Better Listening Program.

Non-Indigenous specific measures
Non-Indigenous specific measures with a noted Indigenous component or corresponding to areas of high Indigenous need include:

• $23.2 million over four years for the Healthy Active Beginning Package, including a policy to reduce the traumatic injury rate among young Indigenous Australians who are 4.5 times more likely to sustain serious injury than non-Indigenous children.

• $338.1 million for mental health, including suicide prevention, remote mental health care and youth mental health—see the Parliamentary Library Budget Review article, ‘Mental health’

• $83.3 million for rural health, including investment in Aboriginal and Torres Strait Islander Health Professional Organisations of around $1.6 million a year. See also the Parliamentary Library Budget Review article, ‘Rural health workforce’ and

• $17.5 million over four years, provided from the Medical Research Future Fund (MRRF), for research into ‘Maternal health and the First 2000 days’ to address social determinants of health. This seems to be modelled on the First 1000 Days Australia program for Aboriginal and Torres Strait Islander maternal and infant health promoted by Professor Kerry Arabena.

Peak bodies in targeted areas, such as the National Aboriginal Community Controlled Health Organisations (NACCHO), the National Aboriginal and Torres Strait Islander Health Workers Association and Vision Australia, have generally welcomed the increased health spending. However, several expressed concern that the Budget made little mention of the Closing the Gap framework or the Implementation Plan for the National Aboriginal and Torres Strait Islander Health Plan 2013–2023.

Housing
The Budget includes $550 million over five years for housing in remote Aboriginal communities in the Northern Territory, which is to be matched by $550 million from the Northern Territory Government. Currently, the National Partnership on Remote Housing (NPRH) will expire on 30 June 2018 without any further Australian Government investment for remote Indigenous housing in other states. The Minister for Indigenous Affairs, Nigel Scullion, has been reported as saying that negotiations with the states over future funding for remote Indigenous housing are ongoing.

653. DoH, Indigenous health—continuation and expansion of support for Aboriginal and Torres Strait Islander Health Professional Organisations, Budget fact sheet, DoH, 8 May 2018.
654. The budget measures and figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2: 2018–19, p. 116.
655. First 1000 Days Australia website.
657. Ibid.
Reducing overcrowding is necessary to improve Indigenous health, education and other outcomes in remote Australia. The Department of the Prime Minister and Cabinet’s Remote Housing Review (the Review) found that 5,500 more houses will be needed in remote Indigenous communities by 2028 to address severe overcrowding and population growth: 2,750 properties are required in the Northern Territory (NT), 1,100 in Queensland, 1,350 in Western Australia and 300 in South Australia. To address moderate overcrowding, approximately double this number of houses will be needed.

The Review also found that best practice besser block construction in the NT, which has been the preferred design since 2014, had capital costs of about $520,000 per house, plus ancillary program costs of 15 per cent. On this basis, $550 million would build approximately 920 houses. The matching NT contribution would double this, to 1,840 houses by 2023. If this housing program, and Commonwealth support for it, were continued to 2028 (as the NT government has indicated), and costs remained constant, then 3,680 houses would be built, meeting the 2,750 house target and making substantial inroads into moderate overcrowding.

Other measures

There are several measures relating to infrastructure and economic growth in remote areas with many Indigenous communities, including:

- the Budget provides funding for roads in remote areas serving Indigenous communities, including $180 million for the Central Arnhem Road Upgrade, $100 million for the Buntine Highway Upgrade, $160 million for the Outback Way through central Australia, and $1.5 billion for roads in ‘Northern Australia’. This is previously committed funding, and media reports indicate most funding will not be distributed until 2022–23. Infrastructure Australia has previously recommended increased road funding to remote Indigenous communities. Warren Snowdon, the Labor Member for Lingiari, criticised the announcement, stating that the cost of a full upgrade for the Central Arnhem Road would be between $500 million and $1 billion

- $28.3 million over four years for the Remote Airstrip Upgrade Programme, which provides vital airstrip maintenance and upgrades to many remote Indigenous communities and

- in the Agriculture portfolio, investment in forestry on Indigenous land through the $20 million ‘National Forestry Industry Plan’ measure. Forestry projects have been of particular interest to Indigenous peoples of the Cape York Peninsula, including the Wik.

According to the Minister for Indigenous Affairs Nigel Scullion’s budget media release, the Budget includes $2 million over three years for the Australian Institute of Aboriginal and Torres Strait Islander Affairs (AIATSIS) ‘for a program of preservation and celebration of Indigenous languages and culture’. In the PM&C Portfolio Budget Statement, this is listed as funding to commemorate the 250th Anniversary of James Cook’s Voyage that will be drawn from the Contingency Reserve. This appears to refer to the ‘cultural engagement and consultation with Indigenous

660. Ibid., pp. 22–25.
661. Ibid., pp. 31–33.
664. W Snowdon (Member for Lingiari), Turnbull is for the top end of town. Not the top end, media release, 8 May 2018.
666. N Scullion (Minister for Indigenous Affairs), 2018–19 Budget to strengthen economic, employment and health opportunities for First Australians, op. cit.
communities, including specialised training for Indigenous cultural heritage professionals in regional areas’ mentioned in the Communication and the Arts budget measure ‘250th Anniversary of James Cook’s Voyage – commemoration’. Local traditional owners have been described as giving ‘cautious support’ to the measure. 668

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Funding for the national broadcasters

Dr Tyson Wils

Australian Broadcasting Corporation (ABC)

Since 1989, the ABC has been funded by a three-year appropriation known as the triennial funding system. For the upcoming triennial period of 2019–20 to 2021–22, the Government has said that there will be $3.16 billion in funding for the ABC.669 The Budget also states that the ABC will remain fully exempt from the efficiency dividend, which is an annual funding reduction for Commonwealth government agencies introduced in 1987–88.670 However, the Government also announced that ‘in order to ensure the ABC continues to find back-office efficiencies’ it will ‘pause indexation of the ABC’s operational funding’.671

According to the Minister for Communications and Arts, Senator Mitch Fifield:

In 2014 the Government commissioned the Lewis review into the efficiency of the ABC and SBS. The Government is confident further back office efficiencies can now be found. A further review of ABC and SBS efficiencies will be undertaken and will report later this year to assist the ABC in meeting this saving.672

The Government anticipates that the pause in indexation of ABC funding ‘will result in savings to the Budget of $83.7 million over three years’.673 The indexation pause follows ‘efficiency savings’ from the ABC (and Special Broadcasting Service (SBS)) in the 2014–15 budget of $35.5 and $8.0 million respectively.674 This was followed in November 2014 by much larger cuts of $254 million and $25 million respectively, aimed at ensuring ‘the ABC and SBS eliminate inefficiencies in their back office operations’.675

A specific measure, due to lapse in 2018–19, allocates additional funding to the levels committed through the triennial process. This measure provides support to ABC local news and current affairs services, particularly those services outside capital cities.676 In the 2016–17 Budget, the Government allocated $41.4 million over three years for this measure.677 Senator Fifield has stated that ‘the Government has taken no decisions regarding the future of this initiative’ and that ‘funding remains in place until 30 June 2019’.678

In response to the pause in indexation, ABC Managing Director Michelle Guthrie stated that the ABC is ‘very disappointed and concerned that after the measures ... introduced in recent years to deliver better and more efficient services, the government has now seen fit to deliver what amounts to a further substantial budget cut’;679 and that ‘the impact of the decision [cannot] be

672. M Fifield (Minister for Communications and the Arts), Strengthening Australia’s connectivity, creativity and cultural heritage, media release, 8 May 2018.
675. M Turnbull, National broadcasters to implement efficiency measures, media release, 19 November 2014.
678. M Fifield (Senator Mitch Fifield), Facebook post, 9 May 2018, accessed 9 May 2018. The Senator made this announcement in reaction to a number of organisations and commentators who said that the Government was not renewing the special funding or had made a decision to cease it. See, for example, N Leys, ABC indexation freeze amounts to cuts, media release, 8 May 2018.
absorbed by efficiency measures alone, as the ABC had already achieved significant productivity gains in response to past budget cuts’. 680

Media, Entertainment and Arts Alliance (MEAA)’s Media Director, Katelin McInerney, has said ‘It is becoming increasingly difficult for the ABC to deliver original investigative journalism and local and regional newsgathering with …deep cuts to its funding’, 681 while MEAA’s Equity Director, Zoe Angus, stated that the ‘cuts also represent a dangerous threat to the creation of original Australian television production, particularly drama’. 682

**Special Broadcasting Service (SBS)**

The Government has announced that it will provide $17.6 million in funding over two years to SBS. 683

This includes $14.6 million over two years from 2018–19 to replace revenue from advertising and product placement that SBS could not raise because legislation to provide the broadcaster with further ‘advertising flexibility’ has not been passed by the Parliament. 684 The Communications Legislation Amendment (SBS Advertising Flexibility) Bill 2017 proposed to amend the *Special Broadcasting Service Act 1991* to allow SBS to increase its revenue base by:

- permitting it to ‘air more advertising and sponsorship announcements in prime time viewing periods’ and
- to ‘earn additional revenue through the use of product placement endorsements in its commissioned programming’. 685

The Bill was laid aside by the House of Representatives on 10 August 2017. 686

The Budget also includes $3.0 million for SBS to ‘support the development of Australian film and television content’. 687

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682. Ibid.
684. Ibid.
686. The first Bill to give SBS more flexibility in its scheduling of advertising and sponsorship announcements was introduced by the Coalition Government in 2015. Labor Senators, Greens Senator Scott Ludlam and Independent Senator Nick Xenophon issued a dissenting report at the conclusion of the Senate Environment and Communications Legislation Committee inquiry into the Bill, which was subsequently rejected by the Senate on 24 June 2015. For more information see ibid., pp. 6–7.
Public sector efficiencies, staffing, and administrative arrangements

Philip Hamilton

From within existing resources of the Department of the Prime Minister and Cabinet, $9.8 million from 2017–18 over two years has been committed to an independent review of the Australian Public Service. Due to report in 2019, the review will ‘examine the capability, culture and operating model of the APS, to ensure it is equipped to engage with the key policy, service delivery and regulatory issues of the day [including] attract[ing] and retain[ing] people with the appropriate skills and capabilities to fulfil its functions’.

Efficiency dividend

Since 1987–88, the efficiency dividend (ED) has been an annual funding reduction for Australian government agencies, in general applied only to ‘departmental’ expenses. The ED has usually been applied at a rate of either 1 or 1.25 per cent; in some years governments have increased the rate, with the highest ED rate being 4 per cent in 2012–13.

In the 2018–19 Budget the ED is mentioned only once, to note that ‘the Australian Broadcasting Corporation (ABC) will continue to be exempt from the government wide efficiency dividend’. The Budget does not specify the rate at which the ED will be applied in 2018–19—however, the 2016–17 Budget stated that the ED would be maintained at 2.5 per cent through 2016–17 and 2017–18, before being reduced to 2 per cent in 2018–19 and 1.5 per cent in 2019–20.

Efficiencies and savings: Home Affairs Portfolio

With funding of $7.0 million in 2018–19, the Department of Home Affairs will undertake a strategic review of the new Home Affairs Portfolio to ‘identify opportunities for integrating capabilities, reducing duplication and maximising efficiencies from the creation of the new portfolio’. Completion ‘in advance of the 2019–20 Budget’ suggests that savings recommendations are possible. It is not clear whether such savings would form part of, or would add to, intended ‘efficiencies of $256.3 million over five years from 2017–18 through the creation of the Home Affairs portfolio [by] reducing areas of duplication ... and achieving economies of scale through coordinated procurement and service delivery functions’.

However, one year after the merger of the Australian Customs and Border Protection Service and the Department of Immigration and Border Protection, it was reported that ‘departmental’
expenses were more than $350 million over budget. The Australian National Audit Office is due to table a performance audit of the merger later this month.

Property and decentralisation

In relation to the divestment of surplus properties, the Budget reports that ‘as at April 2018, over 115 properties were sold or were under offer, with returns to the Budget in excess of $173 million (excluding GST)’. In the context of leased office space, ‘Operation Tetris’ is the informal name of a 2015 Government policy which directs public sector agencies to fill vacant, leased office space rather than entering into new leases or renewing expiring leases. The Budget reports that ‘Tetris remains on track to realise efficiencies of nearly $300 million over ten years.’ It was reported that ‘nearly 26,000 desks sat empty in 2017’, to which the Government responded that actual staff reductions and movements may move more quickly than ‘lead times involved in downsizing leased area commitments’.

The Government has committed ‘$341.5 million over nine years from 2018–19 to fund capital works by the Commonwealth Science [sic] and Industrial Research Organisation (CSIRO) across its properties’. The cost will be met from the planned disposal of part of CSIRO’s property portfolio ($245.1 million over nine years from 2018–19) and from within CSIRO’s existing resources.

In relation to the Government’s decentralisation agenda, without providing costings or (in most cases) staff numbers, the following moves to ‘locations outside of Canberra, central Sydney and Melbourne’ are foreshadowed in the 2018–19 Budget: Office of the National Rural Health Commissioner (to Adelaide); Unique Student Identifier Register (to Adelaide); Office of the Registrar of Indigenous Corporations (to Darwin); the Department of the Prime Minister and Cabinet’s Indigenous Affairs Group Regional Network (to Shepparton and Parramatta); the Department of Infrastructure, Regional Development and Cities’ Indian Ocean Territories Administration Office (three staff positions, reportedly to Perth) and Inland Rail Unit (nine staff positions, reportedly to Toowoomba, Dubbo, and Wodonga); and the Department of Human Services (an unknown number of staff from Sydney CBD to Parramatta).

Administrative arrangements—new entities

A new Australian Centre to Counter Child Exploitation, comprising the Australian Federal Police leading Home Affairs Portfolio agencies, will be established with funding of $68.6 million over four years from 2018–19. The Government will also establish a National Data Commissioner in relation to new data sharing and release arrangements.

The Budget allocates $26.0 million over four years from 2018–19 to establish a National Space Agency. A new Aged Care Quality and Safety Commission will be established from 1 January 2019 with $253.8 million in funding over four years from 2018–19. A governance board for the Australian Pesticides and Veterinary Medicine Authority (APVMA) will be established from 1 July 2018 to ‘set the APVMA’s strategic direction, drive operational performance, set an appropriate risk appetite and ensure greater accountability. The costs of the Board will be recovered through revisions to the APVMA’s existing levy arrangements’.

References:
Enterprise agreements

The salaries of the majority of public servants are determined in agency enterprise agreements. In general, agreements made in 2011 had a nominal expiry date of 30 June 2014. Negotiations for new agreements have been protracted, but the Australian Public Service Commission has reported that, as at 15 February 2018, a total of 138 enterprise agreements had been agreed to in 125 agencies.\(^{700}\)

However, some enterprise agreement processes are still outstanding. Staff at the Bureau of Meteorology have rejected enterprise agreement proposals in three votes, and union members have taken strike action.\(^{701}\) Fair Work Commission hearings on negotiations at the Department of Home Affairs concluded in April 2018. It has been reported that ‘a key sticking point in the case has been the different terms and conditions that apply to workers from the former Customs department, before it merged with Immigration and became Australian Border Force in 2015’.\(^{702}\)

Staffing

In the 2015–16 Budget, the Government undertook to maintain the size of the General Government Sector (GGS), excluding military and reserves, at around or below the 2006–07 Average Staffing Level (ASL) of 167,596.\(^{703}\) The projected GGS ASL for 2018–19 of 167,484 is 15,441 less than the peak of 182,505 ASL in 2011–12, and 912 higher than the GGS ASL for 2017–18 (166,572).

Agencies with a net loss of ASL in the 2018–19 Budget include: the Department of Human Services (-1,280); the Australian Bureau of Statistics (-169, partly due to the cyclical nature of the Census); and the Attorney-General’s Department (-360, mainly due to functions being transferred out of the department).

Agencies set to gain ASL include the Department of Home Affairs (+470), and a number of agencies with national security, law enforcement or policing roles such as the Australian Security and Intelligence Organisation (+121); the Australian Federal Police (+148); the Australian Criminal Intelligence Commission (+75); and AUSTRAC (+27).

The Department of Defence’s APS (civilian) workforce is set to be reduced by 1,127 ASL, but it is not clear how many of these will be attributed to the Australian Signals Directorate (ASD), which will become a statutory agency on 1 July 2018. In the Budget papers, no staff are specified for the ASD.\(^{704}\)

With ASL having been capped at around the 2006–07 level for several years, the Budget reports a declining trend in ASL as a proportion of the Australian population. However, following evidence to an inquiry by the Joint Committee of Public Accounts and Audit into contract reporting,\(^{705}\) it has

\(^{700}\) APSC, ‘Agreements made under the 2014 and 2015 bargaining policies’, APSC website.

\(^{701}\) D Dingwall, ‘Stormy weather possible for bureau as union targets its forecasts’, The Canberra Times, 1 May 2018, p. 6.


\(^{703}\) The General Government Sector (GGS) comprises government departments and agencies that provide non-market public services, or involve the transfer or redistribution of income, and are funded mainly through taxes. Australian Government, Budget strategy and outlook: Budget paper no. 1: 2018–19, p. 10-40. Average Staffing Level (ASL) is a method of counting that adjusts for casual and part-time staff in order to show the average number of full-time equivalent employees. ASL is almost always a lower figure than a headcount of actual employees. In this discussion of ASL, GGS figures exclude military and reserves.


been reported that ‘Government agencies have more than doubled their spending on contracted labour in the last five years’, 706 and:

Since the change of government in 2013, annual expenditure on labour contractors for 18 of the largest workplaces has ballooned from $318 million to more than $730 million. 707

The Government is reported to have ‘rejected calls for a mandated cap on external workforce spending and consultancy contracts ... describing the falling cost of administration as a proportion of overall expenditure as the only relevant indicator of public service efficiency’. 708 Commentators have stated that ‘using contractors for non-specialist work that could be done by public servants would not get value for money’ and that ‘you’re also not growing the capacity of your organisation because all of those skills grow outside the agency’. 709

707.  Ibid.
Selected public sector ICT initiatives

Philip Hamilton

In the 2018–19 Budget there are new public sector information and communication technology (ICT) related Budget measures in most portfolios. The following selected ICT initiatives can be broadly categorised as: cyber security; whole of government and cross-portfolio; or program-specific.

Cyber security

Following a reported cyber attack on the Bureau of Meteorology in December 2015, the 2017–18 Budget included an appropriation for a project to ‘improve the security and resilience of the Bureau of Meteorology’s … ICT systems and business processes’. The exact amount was not published due to commercial-in-confidence sensitivities. In the 2018–19 Budget, further non-specified funding is appropriated ‘to continue to improve the Bureau of Meteorology’s … ICT systems and observations network infrastructure’.

The Department of Parliamentary Services has been allocated ‘$9.0 million over four years from 2018–19 (including $0.3 million in capital funding in 2018–19)’ to establish a cyber security operations centre for the parliamentary computing network.

A separate Budget Review brief on cyber policy covers other cyber-related matters, including the Australian Signals Directorate (ASD) assuming formal responsibility for a wider range of cyber security functions and being established as a statutory agency on 1 July 2018.

Whole of government and cross-portfolio

To accelerate the development of GovPass, the Digital Transformation Agency (DTA) has been allocated $92.4 million in 2018–19 to ‘work with relevant agencies to … test the delivery of GovPass across a range of services’. Of this funding, ‘the Australian Taxation Office [ATO] will absorb $25.9 million and the Department of Human Services will absorb $5.6 million’. GovPass is described as:

a key component in the further digital transformation of Government and supports the Government’s commitment to better and more accessible digital services.

Individuals will be able to prove their identity to a government agency or accredited non-government organisation, and then re-use this proven identity when accessing other government services.

In addition, with $0.7 million from within its existing resources, in 2018–19 the DTA will ‘investigate areas where blockchain technology could offer the most value for Government services’. The DTA will:

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710. The budget figures in this brief have been taken from the following documents unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2: 2018–19, pp. 69, 89, 100, 110, 111, 135, 162, 166, 167, 182, 186, 190, 201, 203; and Australian Government, Agency resourcing: budget paper no. 4: 2018–19, pp. 6-7.


Conduct research to understand the current maturity of blockchain, the readiness for government to adopt the technology and identify problems that blockchain might be able to solve.

Develop a possible solution for one of the problems identified in the research, and understand the potential of using blockchain to support government services.\(^\text{716}\)

With funding of $19.3 million in 2018–19, the ATO, the Department of Industry, Innovation and Science and the Australian Securities and Investments Commission will develop a business case for modernising the Government’s business registers. The business case will ‘provide options for improving how businesses interact with government, and will be considered in the 2019-20 Budget’.

The Department of Finance will be provided with $11.3 million over two years from 2018–19 to strengthen the Department’s ‘capacity to respond to critical priorities and drive productivity improvements across the Australian Public Service’. The project includes ‘modernising Commonwealth cash management by utilising the New Payments Platform for fast payments which is being rolled out across the banking system in Australia’.

The Budget papers note that ‘the Government will provide $0.3 million to the four largest parliamentary parties to improve the security of voter information held by those parties in the current financial year (2017–18), and that ‘funding for this measure has already been provided for by the Government’.

As outlined in a separate Budget Review brief, the 2018–19 Budget provides a total of $65.1 million in funding over 2018–22 for the development of significant new data sharing and release arrangements.\(^\text{717}\)

**Program-specific (various portfolios)**

In the Human Services portfolio, the Government will provide ‘$316.2 million over four years from 2018–19 to progress Tranche Three of the Welfare Payment Infrastructure Transformation (WPIT) program [that] will progressively replace Centrelink’s ageing technology platform’. Efficiencies of $35.4 million are also expected to be realised over five years from 2017–18. In the Health portfolio, $106.8 million will be provided over four years from 2018–19 to ‘modernise the health and aged care payments systems’. Visible improvements here are expected to include ‘increased functionality and usability of the Medicare Online Application and Medicare App’.\(^\text{718}\)

Over four years from 2018–19, the Department of Veterans’ Affairs will receive an additional $111.9 million to ‘continue to transform and improve veterans’ services’ and the Department of Education and Training will receive $36.2 million (including $7.6 million in capital funding in 2018–19) to ‘fund the implementation of a new IT system to support the compliance and regulatory arrangements for the VET Student Loans program’.

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\(^\text{716}\) Digital Transformation Agency (DTA), *Budget 2018–19 for the DTA*, DTA website, 9 May 2018. In November 2017, the Government awarded a grant of $2.5 million to the City of Fremantle in which blockchain technology (distributed ledger) will be used to establish an integrated power, water and mobility system comprising of renewable energy generation, battery storage, recycled and rainwater storage and distribution and an electric vehicle shared ownership trial’. Department of Infrastructure, Regional Development and Cities (DIRDC), *Smart Cities and Suburbs Program*, DIRDC website.


The Australian Pesticides and Veterinary Medicines Authority (APVMA) is allocated $10.1 million over three years from 2018–19 to ‘support the APVMA’s ICT systems and digitise its most important and frequently used paper files’. The funding is expected to ‘assist the APVMA to become a more efficient and effective regulator as it relocates to Armidale as part of the Government’s Decentralisation Agenda’.719

The Department of Home Affairs will be provided with $130.0 million in 2017–18 (including $94.0 million in capital funding) to improve the Department’s ICT capability, including to ‘upgrade the Department’s analytics and threat management capabilities’.720

**Monitoring ICT-related projects**

ICT-related measures in the 2018–19 Budget add to those announced in 2016, 2017 (including the $500 million Public Service Modernisation Fund), and older, ongoing projects.721

Despite the increasing number of ICT-related projects and contracts, there is still no consolidated source where Parliament and citizens can track the progress of ICT projects.722

In May 2017, the Government’s ICT Procurement Taskforce recommended ‘a public dashboard of significant ICT projects and spending that will allow the government and public to see the status and outcomes of its ICT investment decisions’;723 The Government did not accept the recommendation for a public-facing dashboard.724 In 2013 the Coalition had committed to emulating the example of the USA’s www.itdashboard.gov.725 New South Wales, Queensland, and Victoria already have dashboards.726

The DTA monitors all digital and ICT initiatives with a budget of more than $10 million and not classified as Secret or Top Secret. The DTA’s first and only disclosure to date was six months ago at a Senate Estimates hearing.727 The DTA tabled a list of 17 projects, but the tabled document is not found by search engines and is not available at any other location on the internet.728 The relevant DTA webpage, last updated in November 2017, does not list the 72 projects in scope for monitoring.729

Without a public, comprehensive source of updated information about specific projects, accountability for progress and spending is largely dependent on information gleaned from

720. For more on the Department of Home Affairs, see Hamilton, ‘Public sector efficiencies, staffing, and administrative arrangements’, op. cit.
722. P Hamilton, ‘Which governments have an online dashboard so the public can monitor ICT spending and projects?’, Flagpost, Parliamentary Library blog, 30 November 2017.
724. A Robb (Shadow Minister for Finance, Deregulation and Debt Reduction) and M Turnbull (Shadow Minister for Communications and Broadband), Policy for E-Government and the Digital Economy. Joint media release, 2 September 2013, pp. [2]; Executive Office of the President, Office of Management and Budget, ‘itdashboard.gov’.
irregular and narrowly targeted sources such as Australian National Audit Office performance audits and Senate Estimates hearings. 730

Data sharing and release
Nicholas Horne and Philip Hamilton

The 2018–19 Budget provides a total of $65.1 million over 2018–2022 for significant new data sharing and release arrangements.\(^{731}\) Agencies in the Prime Minister and Cabinet portfolio will account for $20.5 million of this funding ($15.4 million in additional funding and $5.1 million coming from agencies’ existing resources), and agencies within the Treasury portfolio will account for $44.6 million (all additional funding).\(^{732}\)

The new data sharing and release arrangements will span:
- ‘developing guidance on data sharing arrangements’
- ‘monitoring and addressing risks and ethical considerations on data use’
- ‘managing the process for high value datasets’, and
- the establishment of a new ‘national consumer data right’ (CDR) relating to the transfer of data between service providers in specified sectors.\(^{733}\)

The first three of these elements will be the subject of legislation and will be the responsibility of a new entity to be established, the National Data Commissioner. Introduction of the new CDR will be via legislation—‘primarily through changes to the *Competition and Consumer Act 2010* [Cth]’.\(^{734}\) The Government has stated that introduction of the CDR will start in the banking, energy and telecommunications sectors.\(^{735}\) Treasury portfolio agencies will have carriage of introducing the CDR as follows:
- the Australian Competition and Consumer Commission (ACCC) will assess the cost/benefit of ‘designating sectors that will be subject to the CDR’\(^{736}\) and will develop rules for CDR governance and data standards
- the Office of the Australian Information Commissioner (OAIC) will examine the privacy impact, and
- the Commonwealth Scientific and Industrial Research Organisation will finalise the data standards.\(^{737}\)

The ACCC and OAIC will have responsibility for, respectively, oversight of the CDR system and consumer complaints concerning the CDR.\(^{738}\)

The origin of the new data sharing and release arrangements lies in a 2017 Productivity Commission report on data availability and use. The Productivity Commission made a number of recommendations including a new legislative regime for data sharing and release, a

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732. Prime Minister and Cabinet portfolio agencies are the Departments of: the Prime Minister and Cabinet; Agriculture and Water Resources; Education and Training; Home Affairs; Industry, Innovation and Science; Health; Human Services; and Social Services, with other portfolio agencies including the Australian Bureau of Statistics and the Australian Taxation Office. Treasury portfolio agencies are the Australian Competition and Consumer Commission, the Commonwealth Scientific and Industrial Research Organisation, and the Office of the Australian Information Commissioner.
734. Department of the Prime Minister and Cabinet (DPMC), ‘Data availability and use: the Australian Government’s response to the Productivity Commission data availability and use inquiry: the consumer data right’, DPMC website.
735. Ibid.
737. Ibid.
comprehensive right for consumers and small/medium businesses concerning data use, and a national data custodian to oversee the new data sharing and release arrangements.  

Shortly before the Budget, in its response to the Productivity Commission’s recommendations, the Government announced the creation of the new National Data Commissioner, new legislation governing data sharing and release, and the creation of the new CDR.

Commentary on the new data sharing and release arrangements has emphasised the significance of the CDR as a ‘major regulatory change’ while raising doubts about existing federal government capability for its implementation.

In its report the Productivity Commission outlined comparable data governance arrangements in New Zealand, the United Kingdom and the European Union, where a General Data Protection Regulation will come into effect on 25 May 2018.

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Welfare expenditure: an overview
Michael Klapdor

Social security and welfare expenditure in 2018–19 is estimated to total $176.0 billion, representing 36 per cent of the Australian Government’s total expenses.\footnote{The budget figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, \textit{Budget strategy and outlook: budget paper no. 1: 2018–19}, pp. 3-24, 6-23-6-27.} This administrative category of expenditure consists of a broad range of services and payments to individuals and families. It includes:

- most income support payments such as pensions and allowances (for example, the Age Pension and Newstart Allowance)
- family payments such as Family Tax Benefit and the new Child Care Subsidy
- Parental Leave Pay
- funding for aged care services
- the National Disability Insurance Scheme (NDIS) and
- payments and services for veterans and their dependants.

Other programs associated with the welfare state such as health and education (including income support for students) are not included in the welfare category reported in the budget papers.

While total expenditure on social security and welfare is expected to increase from around $162.6 billion in 2017–18 to $194.3 billion in 2021–22, there are different trends within sub-categories of expenditure.

Figure 1 provides a breakdown of the welfare expenditure category showing key sub-categories including major payments and services.\footnote{The majority of expenditure on these payments and services is provided through special appropriations rather than the annual Appropriation Bills.}

\begin{figure}[h]
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\caption{estimated Australian Government expenses on social security and welfare, $m}
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Key drivers of expenditure increases

The biggest driver of growth in social security and welfare in coming years is the NDIS. Total funding for the scheme is projected to increase from $7.8 billion in 2017–18 to an estimated $23.6 billion in 2021–22, with just over half of this expenditure contributed by the Australian Government.

Overall expenditure on assistance to people with disabilities is projected to increase by 26.9 per cent in real terms (adjusting for inflation) from 2017–18 to 2018–19, with most of this driven by the NDIS. In contrast to the NDIS, expenditure on the Disability Support Pension (DSP) is estimated to decrease by 2.3 per cent in real terms from 2017–18 to 2018–19.

The biggest component of social security expenditure, the Age Pension and other income support for seniors, will increase from $45.1 billion in 2017–18 to $53.8 billion in 2021–22 (an increase of 6.9 per cent in real terms from 2018–19 to 2021–22). Aged care services expenditure will also increase from $16.6 billion in 2017–18 to an estimated $22.1 billion in 2021–22. According to the budget papers, this is largely the result of demographic factors rather than policy decisions.

Expenditure on payments for job-seekers (including Newstart Allowance and Youth Allowance (Other)) will increase slightly from $11.1 billion in 2017–18 to $11.9 billion in 2021–22.

A number of areas are expected to see a decline in expenditure:

- A decrease in the number of veterans and their dependants will result in a 17.5 per cent decrease in veterans’ community care and support expenditure in real terms from 2018–19 to 2021–22.
- Family Tax Benefit expenditure will decrease from $18.5 billion in 2017–18 to $17.9 billion in 2021–22 despite population growth—primarily as a result of policy measures to restrict eligibility and freeze the indexation of payment rates and income test thresholds.
- Parenting Payment expenses will decrease by 3.5 per cent in real terms from 2018–19 to 2021–22 as a result of enhanced compliance measures.

Parameter changes

Since the Mid-Year Economic and Fiscal Outlook was released in December 2017, there have been some major revisions to estimated expenditure on a number of social security payments based on changes to the parameters used in calculating the estimates. Expenditure on DSP has been revised down by $4.5 billion over the four years to 2021–22 due to a reduction in the number of expected recipients. The impact of changes made to the pension qualifying age in 2009 has also been revised, producing a decrease in expenditure on the Age Pension of $2.3 billion over the four years to 2021–22.

No increase in allowance payment rates

Despite a concerted campaign from community groups, supported by key business lobby groups, the Government did not announce any budget measures to raise the level of support for those on Newstart Allowance or Youth Allowance. In fact, the Government will proceed with its proposal to close the Energy Supplement—a reduction in the level of assistance to new recipients of these allowance payments, and to new recipients of all income support payments. Media reports prior to the Budget suggested the Government would reverse this 2016–17 budget measure.

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745. Ibid., p. 6-23.
An Australian Greens 2016 election policy, costed by the Parliamentary Budget Office, estimated a $55 per week increase in the single rate of Newstart Allowance and Youth Allowance would cost around $1.9 billion per annum, or $7.6 billion from 2016–17 to 2019–20.749

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‘Finances for a longer life’ measures
Lauren Cook and Don Arthur

The Government has announced three measures designed to help older Australians with their finances:

• new means testing rules for innovative retirement income streams
• increasing and extending the Pension Work Bonus and
• expanding the Pension Loans Scheme.

New means testing rules for innovative retirement income streams

In July 2017, regulations took effect that enabled the development of new innovative lifetime retirement income stream products, including pooled lifetime retirement products. However, it was unclear how the means test rules for the Age Pension should apply to these new products. The means test for the Age Pension applies an income test and an asset test and whichever test results in the lower payment rate is applied.

In January 2018, the Australian Government sought stakeholder views on the proposed means test rules for lifetime retirement income streams. This included income testing 70 per cent of all product payments as income, and asset testing a consistent asset value of 70 per cent of the product purchase price until life expectancy at purchase, and 35 per cent for the rest of the person’s life. This proposed approach was a change from current rules that incorporate complicated capital reduction rules and deduction amounts in determining income and asset amounts for the purposes of means testing.

In the Budget, the Australian Government announced new means testing rules for Age Pension recipients who purchase pooled lifetime retirement products after 1 July 2019. The new rules will assess a fixed 60 per cent of all pooled lifetime product payments as income, and 60 per cent of the purchase price of the product as assets until age 84, or a minimum of five years, and then 30 per cent for the rest of the person’s life.

This measure is part of a package of measures designed to improve retirement income choices, including requiring superannuation fund trustees to develop a retirement income strategy, and requiring providers to simplify product disclosure statements for retirement income products. Peak body COTA Australia has welcomed these measures as a way to ‘improve the standard of living for older Australians’.

The measure will cost $20.2 million over five years from 2017–18 as the rate of payment for Age Pension calculated under the new income and assets tests is likely to be higher for recipients with pooled lifetime retirement products. This measure will require legislation.

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756. COTA Australia, Federal Budget 2018—welcome commitment to better planning for an ageing population and aged care, media release, 8 May 2018.
Increasing and extending the Pension Work Bonus

The Government is making changes to the Pension Work Bonus to allow pensioners to keep more of their earnings. These changes are expected to benefit around 88,750 social security pensioners, 1,000 allowees and around 3,000 Veterans’ Affairs pensioners. The Budget provides $227.4 million over the forward estimates. This measure will require legislation.

How the Pension Work Bonus currently works

The Pension Work Bonus encourages pensioners to earn additional income through work. It is available to all pensioners over Age Pension age, including recipients of payments such as Disability Support Pension and Carer Payment.

The Pension Work Bonus works with the pension income test free area. With the free area a single pensioner can receive up to $168 in income per fortnight without it affecting their pension. The Pension Work Bonus enables a pensioner to earn an additional $250 per fortnight without losing pension income, but it operates differently from the income test free area.

There are two important differences. First, while the income free area allows income from any source, only income from paid work as an employee counts for the Pension Work Bonus. It does not include income from self-employment or business income. Second, if a pensioner does not use their full Pension Work Bonus amount in a fortnight, they can bank the unused part up to a maximum of $6,500 and use it later. This is particularly useful for pensioners who undertake intermittent or seasonal work.

Changes to the Pension Work Bonus

This budget measure makes two changes to the Pension Work Bonus:

- the bonus amount will increase from $250 to $300 with the maximum accrual account rising to $7,800 and
- eligibility for the Pension Work Bonus will be expanded to include income from self-employment (with a ‘personal exertion test’ to exclude income associated with returns on investments).

Expansion of the Pension Loans Scheme

The Pension Loans Scheme enables individuals over pension age to borrow against the equity they have in their family home or other real estate to obtain fortnightly payments. The loan can be repaid from the person’s estate after they die. The Government is expanding the scheme to allow more people to benefit and to increase the amount they can receive as an income stream.

Currently take up of the scheme has been low. In 2015 there were around 800 participants. The Department of Social Services expects around 6,000 people to take up a loan under the revised scheme over the next four years.

This measure is expected to cost $11 million over the forward estimates. It will require changes to legislation.
How the Pension Loans Scheme currently works
The Pension Loans Scheme is a reverse mortgage scheme that allows people of pension age to access an income stream by borrowing against their housing equity.

The Pension Loans Scheme allows people to top up a part pension to the full rate or, for those not eligible for any pension, receive fortnightly payments equivalent to the full rate. It is open to people of pension age (or their partners) who have equity in Australian real estate that they can use as security for the loan. To be eligible the person or their partner must receive no pension or a reduced rate of pension due to the income or assets test (but not both). It is not available to those receiving the full rate of pension. Compound interest is charged on the loan and it is normally repaid if the home is sold or repaid from the person’s estate after their death.764

The Government charges compound interest of 5.25 per cent on the outstanding loan balance.765

Changes to the Pension Loans Scheme
This measure expands eligibility for the Pension Loans Scheme to all Australians of Age Pension age, including people receiving the full rate of the pension and to self-funded retirees. It also increases the amount individuals can receive as an income stream to 150 per cent of the Age Pension rate.

Stakeholder reactions and media commentary
Reactions to these budget measures have been mixed with some stakeholders and commentators expressing scepticism about the benefits for older people while others have reacted more positively.

The Combined Pensioners and Superannuants Association (CPSA) labelled the Budget a ‘fizzer’, arguing that the Pension Work Bonus and Pension Loans Scheme measures are minor.766

Ben Oquist of the Australia Institute praised changes to the Pension Loans Scheme as ‘sensible economic reform’ that could ‘make a real difference to people’s lives’.767 Newspaper commentator Daryl Dixon was also positive about changes to the scheme, noting that the 5.25 per cent compound interest rate was below the rates charged for commercial reverse mortgages.768

In the West Australian, Nick Bruining and Neale Prior were less enthusiastic about the Pension Loans Scheme noting that there are no limits on the Minister for Social Services’ power to increase the interest rate.769

766. Combined Pensioners and Superannuants Association (CPSA), Budget 2018 a fizzer for older Australians, media release, 8 May 2018.
767. The Australia Institute, Evidence backing Scott Morrison plan to expand Pension Loan Scheme, media release, 8 May 2018.
Veterans’ Affairs
Michael Klapdor

The 2018–19 Budget includes a number of measures to build on the Department of Veterans’ Affairs’ (DVA) ongoing Veteran Centric Reform Program—a program aimed at updating DVA’s information technology (IT) systems and improving the services it provides to veterans and their families. The Budget also includes funding to extend access to mental health treatment for some Australian Defence Force (ADF) reservists, to pilot a rehabilitation program for former ADF members completing studies, and to continue a number of initiatives aimed at improving veterans’ employment opportunities.

Overall funding for assistance to veterans and their dependants is expected to decline by 12.3 per cent in real terms (adjusting for inflation) from 2018–19 to 2021–22, primarily due to an expected decline in the number of people receiving assistance.770

The only significant new savings measure for the portfolio is a package of changes to dental and allied health services which is expected to deliver $40.7 million in savings over four years from 2018–19.771 The package includes changes to fee schedules to align with industry standards, changing the ‘treatment cycle’ for general practitioner (GP) referrals to allied health services so that they are valid for 12 sessions rather than 12 months, and trialling new funding models.772 DVA intends to further review allied health fee schedules from 2021.773

Veteran Centric Reform Program

The 2018–19 Budget includes an additional $111.9 million over four years from 2018–19 for the Veteran Centric Reform program. The 2016–17 Budget allocated $24.8 million for the development of a business case for the program and the 2017–18 Budget included $166.6 million for the first stage of the program: a pilot of new payment processing and service delivery systems using DVA’s two student payments as a test case.774

The new budget allocation will provide for the second stage of the program: updating the 13 IT systems supporting the delivery of income support payments (such as the Service Pension) and other systems supporting the delivery of compensation (such as incapacity and permanent impairment payments).775 The additional funding will also be used to implement:

• a single phone number, 1800VETERAN, for access to DVA services
• outreach programs to veterans and their families who are not in contact with DVA
• measures to use ‘the power of data’ to anticipate the needs of veterans and their families and then offer them relevant services and support and
• increased choice of aids and appliances.776

A 2016 Senate Foreign Affairs, Defence and Trade Committee inquiry into the mental health of serving ADF members and veterans set out a range of problems with DVA’s processes and service

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771. The budget figures in this brief have been taken from the following document unless otherwise sourced: Australian Government, Budget measures: budget paper no. 2: 2018–19, pp. 190–193.

772. Department of Veterans’ Affairs (DVA), Improved dental and allied health, factsheet, DVA, Canberra, 2018, pp. 1–3.

773. Ibid., p. 2.


775. Ibid.

delivery. The Committee’s main recommendation to address these issues was adequate funding to update DVA’s IT systems. The Australian Public Service Commission also raised serious concerns with DVA’s service delivery models and claims processing in a 2013 capability review.

The Australian National Audit Office (ANAO) is currently undertaking an audit on the efficiency of DVA service delivery (due to be tabled in June 2018) and the Productivity Commission is holding an inquiry into the veterans compensation and rehabilitation system, including whether the system is likely to effectively and efficiently support veterans in the future (due to be completed in June 2019). Both the ANAO and the Productivity Commission reviews were recommendations of a 2017 Senate committee inquiry into suicide by veterans.

Mental health treatment for reservists

The 2017–18 Budget included a measure to provide access to DVA-funded mental health treatments to all current and former ADF members for any recognised mental health condition—without the need to demonstrate that the condition is linked to their service. This followed a 2016–17 budget measure which provided access to treatment for specific mental health conditions for all current and former ADF members. The 2018–19 Budget will build on these measures to provide similar access to mental health treatments for ADF reservists with service in part-time disaster relief and border protection operations, or for those who have been in a serious training accident.

The previous measures limited access to those who were or had been a member of the ADF rendering continuous full-time service. This excluded those with part-time service, such as some reservists.

The new measure will cost $2.2 million over the forward estimates and will provide eligible reservists with access to GPs, psychiatrists, psychologists, medication, hospital treatment and counselling services at DVA’s expense. It will commence on 1 July 2018 and will not require legislation.

Increased payments for veterans undertaking study

In an effort to improve rehabilitation and employment outcomes for former ADF members in receipt of incapacity compensation payments, the Budget includes a pilot measure to maintain these payments at 100 per cent of the former member’s normal earnings while they are engaged in full-time study. Currently, these members see their incapacity payments reduced by up to 25 per cent after 45 weeks (the reduction is based on the number of hours the person is working, with higher rates for those working).

778. Ibid., p. 116.
779. Australian Public Service Commission (APSC), Capability review: Department of Veterans’ Affairs, APSC, Canberra, 5 December 2014.
780. Australian National Audit Office (ANAO), Efficiency of veterans service delivery by the Department of Veterans’ Affairs, ANAO website; Productivity Commission (PC), Compensation and rehabilitation for veterans, PC website.
781. Senate Foreign Affairs, Defence and Trade References Committee, The constant battle: suicide by veterans, The Senate, Canberra, August 2017, pp. 69, 100.
783. DVA, Mental health treatment for Australian Defence Force reservists with disaster relief and certain other service, factsheet, DVA, May 2018.
784. DVA, 7.7 Person has been incapacitated for a cumulative period exceeding 45 weeks, Military Compensation MRCA Manuals and Resources Library, DVA website, last amended 10 August 2017.
may result in recipients making short-term decisions about employment ‘at the expense of effective rehabilitation outcomes’. 785

To be eligible, former ADF members will need to be on a DVA rehabilitation plan, undertaking approved full-time study and be fully supported by the incapacity payment system while undertaking their studies. The measure will cost $10.8 million over four years. It is unclear if an evaluation of the pilot will be undertaken. The measure will require legislation.

**Continuing employment programs**

The Budget includes $8.3 million for veterans’ employment programs, including support for the Industry Advisory Committee on Veterans’ Employment, the annual awards program for businesses employing veterans under the Prime Minister’s Veterans’ Employment Program and support for a ‘framework for employers to make a public commitment to veterans’ employment’. The Industry Advisory Committee has met three times since being established and the proposed ‘framework’ is one of its initiatives. 786

In terms of support directly for veterans, $4.3 million of the allocation will fund additional services such as resume and interview preparation, mentoring and translating defence-skills into civilian competencies. These services are provided through the Department of Defence’s Career Transition Assistance Scheme for up to 12 months after separation from the ADF. 787

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785. DVA, ‘Support for veterans through improved compensation arrangements—removing the stepdown for incapacity payments—increased payments for veterans studying’, factsheet, DVA, May 2018.


787. DVA, ‘Support for veterans’ employment opportunities—continuation’, op. cit.
Workforce participation measures
Dr Matthew Thomas and Geoff Gilfillan

In keeping with the broader emphasis on older Australians in this year’s Budget, much of the funding for employment participation measures is directed towards supporting mature age job seekers to remain in or re-enter the workforce. Mature age job seekers are defined as those aged 45 years and older.

Mature age labour force participation

As Graph 1 indicates, labour force participation for men aged 45 to 54 years has remained strong and stable over the past 40 years, only falling slightly from around 92.5 per cent in March 1978 to 88.2 per cent in March 2018.788 Over the same time interval, the labour force participation of women of the same age has risen significantly, from 46.6 per cent to 80.2 per cent.

Graph 1: labour force participation, 45 to 54 years

The rate of labour force participation for men aged 55 to 64 years fell steadily from around 75 per cent in the late 1970s to around 60 per cent in the mid-1980s, as indicated in Graph 2, and remained at about this level for the next 20 years. The rate steadily increased from 60.3 per cent in March 2000 to 73.6 per cent in March 2018. Labour force participation for women aged 55 to 64 years stood at around 20 per cent from the late 1970s to the mid-1980s, but has been rising steadily to around 59.9 per cent in March 2018. The labour force participation rate for all people


The rate of labour force participation for men aged 55 to 64 years fell steadily from around 75 per cent in the late 1970s to around 60 per cent in the mid-1980s, as indicated in Graph 2, and remained at about this level for the next 20 years. The rate steadily increased from 60.3 per cent in March 2000 to 73.6 per cent in March 2018. Labour force participation for women aged 55 to 64 years stood at around 20 per cent from the late 1970s to the mid-1980s, but has been rising steadily to around 59.9 per cent in March 2018. The labour force participation rate for all people

788. Under the Australian Bureau of Statistics’ definition of employment, which aligns closely with international standards and guidelines, employed persons are those aged 15 years or over who, during the reference week, worked for one hour or more for pay, profit, commission or payment in-kind, in a job or business or on a farm (employees and owner managers), or worked for one hour or more without pay in a family business or on a farm (contributing family workers), or had a job, business or farm, but were temporarily not at work. Australian Bureau of Statistics (ABS), Labour statistics: concepts, sources and methods, cat. no. 6102.0.55.001, ABS, February 2018.
aged 55 to 64 years was exactly two-thirds (66.6 per cent) in March 2018, which compares with 47.9 per cent in March 2000.

**Graph 2: labour force participation, 55 to 64 years**

![Graph showing labour force participation rate for 55 to 64 years from 1978 to 2014]


The labour force participation rate for both men and women aged 65 years and older started to accelerate from around 2004. The rate for men aged 65 years plus increased from 10.1 per cent in March 2004 to 17.6 per cent in March 2018, while the rate for women of the same age increased from 3.3 per cent to 10.3 per cent. The labour force participation rate for all people aged 65 years plus more than doubled from 6.2 per cent to 13.7 per cent during the same interval.

**Increasing the labour force participation of older Australians**

In the case of older Australians (55 years and older), labour force participation has increased significantly as a result of a number of factors. These are likely to include:

- the generally improved health of older Australians
- the availability of more flexible and less physically demanding forms of employment which have been used by some older Australians to transition to retirement
- the extended period of economic growth in Australia from the mid-1990s to the global financial crisis (GFC) of mid-2007 to 2009 which created job opportunities for older people and
- decisions to remain in employment longer which have been influenced by the combination of a slowing in growth of superannuation balances following the impact of the GFC and various measures introduced by successive governments to increase older worker retention, such as the increase in the age at which people are eligible for the Age Pension.  

Despite the substantial increase in participation, Australia is on some estimates still only a mid-table performer where it comes to the employment of older people compared with other OECD

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There is also evidence that many older Australians who would like to work are unable to do so, whether for reasons of age discrimination or a lack of relevant skills. Older people who become unemployed tend to experience greater difficulty than younger people in gaining subsequent employment.

The Budget provides funding for a range of measures aimed at improving the labour force participation of mature age people. These include:

- $136.4 million over four years for training to assist job seekers aged 45 years and over with tailored career assistance and the development of information and communications technology (ICT) skills
- $19.3 million over three years for matched suitable training funding of up to $2,000 for workers aged 45 to 70 years who seek to stay in the workforce longer
- $15.2 million over three years to assist mature age workers who are likely to be retrenched or leave the workforce to remain employed or find a new job
- $17.7 million over four years towards Entrepreneurship Facilitators who will assist older Australians at risk of unemployment to become self-employed and
- $17.4 million over four years to establish the Skills Checkpoint for Older Workers program, which will provide employees aged 45 to 70 with guidance on transitioning into new roles within their current industry or pathways to a new career.

The Government has also indicated that it intends to ‘establish a collaborative partnership with the Age Discrimination Commissioner, business peak bodies, universities and other experts to encourage employers to create more mature age friendly workplaces and reduce age discrimination’.

Comment

The Skills Checkpoint for Older Workers program is based on a pilot which ran from December 2015 to May 2016. The pilot was delivered in three locations by select members of the Australian Apprenticeship Support Network (AASN), and had 1,067 participants. The findings of an evaluation of the pilot undertaken concurrent with its delivery were generally positive, and some of its recommendations, such as raising the upper participation age beyond 54 years, have been adopted. It was a recommendation of the Australian Human Rights Commission’s national inquiry into employment discrimination against older Australians and Australians with disability that the program be rolled out across Australia.

It should be noted that much of the funding for the above measures is not new; many of the measures have been partially funded from existing Department of Jobs and Small Business resources.

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790. PwC, *Golden Age Index: how well are OECD economies harnessing the power of an older workforce?*, 2016. For more detailed data on ageing and employment in Australia and other OECD countries, see the Organisation for Economic Co-operation and Development (OECD), ‘Ageing and employment policies’, OECD website.


792. Ibid., p. 11.


794. Ibid., p. 91.


Other workforce participation measures

While a majority of the funding for workforce participation measures in this year’s Budget is directed at mature age job seekers and workers, there is also funding for:

- an online employment services trial for the most job-ready job seekers ($12.2 million over three years)\(^{797}\)
- a trial of localised approaches to delivering employment services in ten disadvantaged regions ($18.4 million over three years)\(^{798}\)
- assistance to ensure continuity of service in the transition to a new funding model for Disability Employment Services ($9.9 million over two years) and
- the extension of the Transition to Work program which provides intensive, pre-employment support to early school leavers aged 15 to 21 years to improve their work readiness and help them into work or education ($89.0 million over four years).\(^ {799}\)

It should be noted that, once again, much of the funding for these measures has been derived from existing resources. While the budget papers state that an additional $89.0 million has been allocated towards the Transition to Work program it is not clear how this reconciles with the figures in the financial table at page 160 of Budget Paper no. 2, which indicate a reduction in funding over the forward estimates.

None of the above measures will require legislation.

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\(^{798}\) Ibid., p. 159.

\(^{799}\) Ibid., pp. 160–161.
Extending mutual obligation—court-ordered fines and arrest warrants

Don Arthur

According to the original principle of mutual obligation, recipients of unemployment payments have obligations to search for work, take advantage of opportunities to improve their employability, and to work in return for income support. Recipients who fail to meet their obligations can have their payments suspended or cancelled.

Two new budget measures extend this principle to include obligations under state and territory laws—to deal with outstanding arrest warrants and to pay court-ordered fines. Including these as obligations for income support recipients is consistent with the Government’s view that dysfunctional behaviour and a failure to abide by reasonable social norms have become important causes of welfare dependence and entrenched poverty.

These measures are subject to the passage of legislation. They will also require extensive cooperation from state and territory governments. It is not evident whether the Australian Government has consulted with the states and territories before announcing this measure. The Queensland State Attorney-General is reportedly critical of the lack of consultation on the issue of data collection.

The measures

Under the ‘Encouraging lawful behaviour of income support recipients’ measures, the Australian Government will work with states and territories to ensure people on income support pay fines and clear outstanding arrest warrants.

These measures depend on the cooperation of state and territory governments. According to the Department of Social Services (DSS), the Government has yet to determine their feasibility. Each state and territory government will need to work out how to identify income support recipients targeted by the policy and how to provide this information to the Commonwealth.

Arrest warrants

According to a DSS fact sheet: ‘From 1 March 2019, people receiving welfare payments with outstanding arrest warrants for indictable criminal offences will have their payment suspended or reduced by half if they have dependent children.’

Recipients who clear their warrants within four weeks will have their payments reinstated from the date the warrant was cleared. Recipients who fail to clear their warrants within four weeks will have their payments cancelled.

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800.  D Kemp (Minister for Employment, Education, Training and Youth Affairs), Unemployed young people to take responsibility for their future, media release, 28 January 1998.
802.  See A Tudge (Minister for Human Services), Strengthening Australia’s social security safety net, speech to the Committee for Economic Development of Australia (CEDA), Sydney, 26 May 2017 and A Tudge, ‘No child will live in poverty’—30 years later, a new direction: speech to the Centre For Independent Studies, Sydney, 20 July 2017.
806.  Ibid., p. 2.
807.  Ibid.
808.  Ibid.
People who make a new claim or transfer between payments from 1 March 2019 will be required to provide information about any outstanding arrest warrants and agree to police checks. If they have an outstanding warrant and fail to clear it within seven days, their claim will be rejected.809

According to the DSS fact sheet the measure applies to people on ‘welfare payments’ but not to those receiving Farm Household Allowance or Department of Veterans’ Affairs payments. It is not clear which payments count as ‘welfare payments’.

What counts as an indictable offence varies between jurisdictions. They are generally serious criminal offences that are tried before a judge and jury (although some jurisdictions allow trial by judge alone).810

**Court-imposed fines**

A court-imposed fine is a monetary penalty imposed as the result of criminal proceedings. Under this measure, ‘welfare’ recipients with outstanding court-imposed fines will be encouraged to make repayment arrangements using Centrepay, a service offered by the Government whereby deductions can be made from Centrelink payments to cover regular bills and other expenses.

Centrelink will contact recipients with outstanding fines and encourage them to enter a repayment arrangement with the relevant state or territory government. If they fail to arrange repayment then Centrelink will make compulsory deductions to pay the fines.

This measure does not apply to debts to the Commonwealth such as Centrelink overpayments and tax debts.811

**Issues**

**International experience**

Similar requirements have been imposed in New Zealand, the United States (US) and the Canadian province of British Columbia.812

The US Social Security Administration experienced some difficulty obtaining and processing state government data.813 It faced a number of lawsuits and responded by changing the way it administers the program. Congress is currently considering new legislation.814

Implementation has been more straightforward in New Zealand. Most recipients have their warrant cleared without a benefit suspension or reduction.815 Unlike the US and Australia, New Zealand has only one level of government.

**Court-imposed fines and vulnerable recipients**

The National Social Security Rights Network and the Australian Council of Social Service argue that the court-imposed fines measure could push some vulnerable income support recipients into

809. Ibid.
810. LexisNexis, *Encyclopaedic Australian Legal Dictionary*
811. Department of Social Services (DSS), op. cit.
814. United States, Republican Policy Committee (RPC), ‘HR 2792, the Control Unlawful Fugitive Felons Act of 2017’, RPC website.
homelessness.816 These groups appear to be concerned, not just with this budget measure, but with the appropriateness of fines being applied to vulnerable people.

Some groups are particularly vulnerable to accumulating unpaid fines. Agencies that deal with people with intellectual disabilities and mental illness argue that these groups often struggle with the system and that fines may not be an appropriate tool for reducing offending.817 Indigenous people are also disproportionately affected by fines.818 The National Aboriginal and Torres Strait Islander Legal Services (NATSILS) and the National Congress of Australia’s First Peoples have expressed concern about this measure.819

This suggests that if governments are going to work together to deal with the problem of offending by income support recipients, they could look at the problem more broadly and consider a wider range of options.

819. National Aboriginal and Torres Strait Islander Legal Services (NATSILS), Federal Budget measures will create more legal need for Aboriginal and Torres Strait Islander people but no solutions, media release 9 May 2018. National Congress of Australia’s First Peoples, First peoples sacrificed in the name of budget surplus, media release, 9 May 2018.