

Labor to release savings package

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The opposition will attempt to strengthen its economic credentials by announcing on Friday a package of savings to help pay for its policies and improve the budget bottom line.

It will include both new savings and Labor's decisions on so-called "zombie" measures that the government has not been able to get through the parliament.

Among the items will be what the opposition will present as a better targeting of family payments, while protecting people most needing support.

The Parliamentary Budget Office on Thursday released an update of the impact of unlegislated measures carried forward from the 2014 budget and later into this year's budget. This puts the impact over the forward estimates at more than \$8 billion while over a decade it is \$33.8 billion. Among the measures are increases in prescription charges, changes to family payments, and the removal of "double dipping" from the paid parental leave provisions.

The update does not include new policy decisions announced in the May budget.

The government, including new decisions in its figuring, says measures stuck are worth \$18 billion over the forward estimates.

Labor has already indicated its attitude on some "zombie" measures but left others hanging.

The opposition's announcement of savings follows its politically risky strategy, unveiled on Wednesday, to run bigger deficits than the Coalition over the forward estimates – although it said it would match the government's commitment to return the budget to balance in 2020-21.

This was part of a "10 year plan for Australia's economy" which Opposition Leader Bill Shorten launched, bringing together a range of ALP policy initiatives already announced including its

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investment in schools and infrastructure. Shorten said that while Labor “will not have the same degree of fiscal contraction” as the Liberals over the forward estimates, it “will deliver better and bigger structural budget improvements over the decade”. Labor says this is because its revenue measures build up strongly over the longer term, while the government’s plan to cut company tax will be expensive in those years.

But the opposition’s admission of higher deficits than the Coalition’s in the shorter term drew criticism which it hopes will be countered by the release of the savings.

Shadow Treasurer Chris Bowen on Thursday said the savings would include “difficult decisions which won’t be universally popular but which are necessary to ensure our Budget plans - which are necessary to ensure we can invest in schools, in hospitals, in infrastructure at the same time as having Budget repair.

“We’ve said consistently we’ll have more savings than spending over the decade,” Bowen said.

He stressed that Labor’s fiscal program, when fully released, would “see us return to budget balance in exactly the same time frame as the government”.

While Labor will drop its opposition to some “zombie” items it will continue to resist others. The ones it commits to reverse will be excluded from its bottom line.

Questioned about the impact of Labor’s fiscal program on Australia’s AAA credit rating, Bowen said: “It remains a priority for Labor to defend the AAA rating.

“The ratings agencies will look at the return to the balance year, exactly the same as the government, and then they will look at what happens next and they will see a stark difference in Labor’s approach - surpluses building more substantially and more quickly. The government won’t be able to make that claim.”

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Greens Treasury spokesman Adam Bandt said the PBO report “reveals that the government’s banking of \$33.8 billion in savings is pure fantasy”.

The government has flagged that it would be looking for further savings if it is re-elected, while the opposition has indicated that it does not trust the budget’s numbers and would, if elected, have a quick mini budget. So whichever side wins on July 2 there must be some doubt over the numbers which are being debated at the moment.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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