

Labor finds \$16 billion more savings to put on the table

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The opposition has announced more than A\$16 billion in new and updated budget savings over a decade, as Labor leader Bill Shorten seeks to convince voters that Labor would manage the budget credibly.

Its budget improvements are in three categories: revised numbers from the Parliamentary Budget Office for its previously announced measures (which now total \$13.4 billion over the forward estimates and \$122 billion over ten years); new measures (\$6.1 billion over a decade) and the acceptance of several so-called “zombie” measures that the government has been unable to legislate.

But Labor is holding the line on other zombie measures so the net impact of its revised stand on unlegislated items is a cost of \$5.5 billion over the forward estimates and \$23 billion over the medium term.

The opposition is proposing a tightening of the Family Tax Benefit system which does not go as far as the plan the government hasn't been able to get through parliament.

A Labor government would toughen the means test on Family Tax Benefit A end-of-year supplements, reducing the payment by 50% for families with incomes of more than \$100,000. This would rise \$505 million over the forward estimates, and \$2.1 billion over a decade.

A Shorten government would also continue to freeze the top income threshold for Family Tax benefits to 2019-20, hitting families with more than \$94,000 income a year. The change would raise \$275 million over the forward estimates and \$800 million over the decade.

At the news conference releasing the savings, Labor did not produce a figure of how many families would be worse off under its policy compared with a continuation of present arrangements. It said the “vast majority” of families were under \$100,000 income and that families would be better off under the ALP than under the Coalition.

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Later, Labor said 137,000 families were above \$100,000 income and so would be affected.

Among some 11 new savings initiatives, Labor proposes to save \$3 billion from the private health insurance rebate.

The rebate would no longer be available for natural therapies from July next year. This would save \$180.2 million over the forward estimates and \$704.7 million over a decade.

Labor would also continue the government's freeze on the indexation of the private health insurance rebate and Medicare levy surcharge thresholds to 2026-27. This would improve the budget by \$2.3 billion over a decade.

A Shorten government would reduce funding for the government's New Colombo Plan by 50%, saving \$83.5 million over the forward estimates and \$262 million over the decade.

It would reform industry growth centres, saving \$0.5 billion over the medium term. Some spending by the Foreign Affairs department would be redirected, including the abolition of the Innovation Xchange which Labor says "focused on purchasing bean bags". The saving is put at \$400 million over a decade.

Among the unlegislated measures on which the opposition has done a backflip is the proposed cutback of the Research and Development tax incentive, to save \$860 million over the forward estimates and \$2.8 billion over the medium term.

The opposition is accepting the government's plan for revised indexation arrangements for programs under the Australian Research Council Act and the Higher Education Support Act. The measure saves \$119 million over the forward estimates and \$3.7 billion over the decade.

Labor is also accepting changes to the repayment thresholds and indexation arrangements for the Higher Education Loan Program. This reduces the threshold for repayment from \$54,126 to

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\$50,638. The saving is \$9 million over the forward estimates and \$129 million over the decade.

It has agreed to the proposed ending of the HECS-HELP benefit currently applying to those study various courses, saving \$24 million over the forward estimates and \$159 million over ten years.

Shadow Treasurer Chris Bowen said Labor would have further savings announcements between now and the election. “We will continue to make these tough decisions,” he said.

“We will invest in schools, in infrastructure, in hospitals. We will protect the triple A rating and we will build budget repair over the long term and we will reduce the deficit every year.”

Finance spokesman Tony Burke said the four unlegislated measures the opposition had accepted would be “the sum total of where there is a change of position”. None of the future announcements would relate to measures that had been put to the parliament.

Among the measures Labor would continue to oppose are the four week waiting period for young jobs seekers to get benefits, increasing the age of eligibility for the Newstart allowance and sickness allowance and changes to the Medicare safety net.

Treasurer Scott Morrison said of Labor’s announcements: “The bottom line is this: they remain in a big black hole. They threw a few pebbles in it today but they’ve gone nowhere near filling it.”

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

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