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No. 137 2000–01

Appropriation Bill (No. 1) 2001-2002

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No. 137 2000-01

Appropriation Bill (No. 1) 2001-2002

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Appropriation Bill (No. 1) 2001-2002

Date Introduced: 22 May 2001

House: House of Representatives

Portfolio: Finance and Administration

Commencement: Royal Assent

Purpose

To authorise the Minister for Finance to issue \$41,425,224,000 million from the Consolidated Revenue Fund for the ordinary annual services of government during 2001-2002.

Background

A concise assessment of the 2001-2002 Budget can be found in the Parliamentary Library e-brief *Budget 2001*.

The Second Reading speech for this Bill is the vehicle used to announce the annual Budget. This Bill, together with the Appropriation Bill (No. 2) 2001-2002 (which deals with capital works, grants to the States and Territories and various other matters) and the Appropriation (Parliamentary Departments) Bill 2001-2002, are introduced in May each year. If additional funds are needed later in the year it is common for further Appropriation Bills to be introduced and these are known as the additional estimates. Historically, funding from the Appropriation Bills comprises approximately 25% of the expenditure of Commonwealth agencies, the remainder coming from special appropriations and income receipts.

The \$41,425,224,000 million appropriated by this Bill compares to \$38,530,846,000 million for the equivalent 2000-2001 Act.¹

The Budget is based on a number of assumptions and forecasts regarding future economic conditions and activity. The following table reproduces Government's forecasts for 2000-2001, 2001-2002, together with its projections out to 2003-2005.² *The figures are the percentage change from the previous year.*

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Forecasts	Projections				
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Real GDP	2	3 1/4	3 1/2	3 1/2	1 1/2
Employment	2	1	2	2	2
Wages	3 1/2	3 3/4	3 1/2	3 1/2	3 1/2
CPI	6	2	2 1/5	2 1/2	2 1/5

The following table reproduces the Governments forecasts for various fiscal aggregates for 2000-2001 and 2001-2002, together with its projections out to 2004-2005, where they have been included in the Budget.³

Forecasts	Projections				
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Revenue (\$b)	161.0	158.8	164.9	175.5	185.7
Expenses (\$b)	157.6	160.9	166.8	173.1	179.0
Fiscal balance (\$b)	5.4	-0.8	-1.5	2.7	6.9
Net underlying cash balance (\$b)	2.3	1.5	1.1	4.1	7.4

In relation to the significant divergence between the expected underlying cash and fiscal balances in 2000-2001 and the following years in the above table, Budget Paper No. 1 comments:

The divergence... is largely explained by the impact of transitional arrangements associated with the introduction of the new Pay As You Go (PAYG) system of company taxation.⁴

Regarding the net underlying cash balance (the surplus), Budget Paper No. 1 comments:

An underlying cash surplus of \$1.5 billion is expected in 2001-2002, around \$0.8 billion lower than the anticipated outcome for 2000-01. Underlying cash surpluses are also expected throughout the forward years. In accrual terms, a deficit of \$0.8 billion is expected in 2001-02, before returning to surplus over the forward estimates period. This follows an estimated fiscal surplus of \$5.4 billion in 2000-01.⁵

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Other forecasts of interest in the Budget include a fall in the current account deficit on the balance of payments from -5.3 per cent of GDP (1999-2000) to -3 per cent (2000-2001)⁶ and an increase in the unemployment rate from 6 1/4 per cent (2000-2001 year average) to 7 per cent (2001-2002 year average).⁷

Expenditure

Significant new expenditure measures include (figures are over four years unless otherwise stated):

- Additional funding aimed at improving Australia's welfare system.
 - Job Search Training to be made available to all people unemployed for more than three months. An additional 30,000 places, at a cost of \$324 million are to be provided.⁸
 - The introduction of a Working Credit system at a cost of \$500 million.⁹
 - Training Credits of up to \$800 for job seekers undertaking Work for the Dole or equivalent community work activities.¹⁰
- Measures addressing older Australians
 - People of pension age who receive income support or are outside the taxation and social security system will receive a one-off payment of \$300. This measure will cost \$547.2 million.¹¹ The payment will not be subject to taxation or included in the social security assets test.¹²
 - For a single person of pension age, the tax-free threshold will increase to \$20,000 per annum. For couples, the tax-free threshold will increase to up to \$32,612 per annum.¹³ This measure will cost \$385 million in 2001-2002 and \$397 million in 2002-2003.¹⁴
- Measures addressing Australia's Health System
 - Additional funding of \$43 million for the development of up to 32 new sites to improve after-hours and emergency medical care.¹⁵
 - Additional funding of \$301 million to general practitioners through increasing patient rebates for general practitioner services.¹⁶
 - Additional funding of \$104.3 million to assist general practitioners in rural Australia and other areas of need to employ practice nurses.¹⁷
 - A new Alcohol Education and Rehabilitation Foundation will be established at a cost of \$115.7 million to help prevent alcohol and other legal substance misuse.¹⁸

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- Measures addressing Australia's indigenous people
 - Additional funding of \$75 million for upgrading indigenous housing in rural and remote areas.¹⁹
 - Additional funding of \$85 million to facilitate the recognition and protection of native title.²⁰
- Measures addressing Australia's environment
 - Additional funding of more than \$1 billion to the Natural Heritage Trust over five years.²¹
- Measures addressing rural and regional Australia
 - Additional funding of \$596.4 million over five years to the Australian Quarantine and Inspection Service, the Australian Customs Service, Australia Post and airports corporations to strengthen Australia's quarantine protection.²²
 - Additional funding of \$142.4 million to assist dairy producers experiencing difficulties as part of the deregulation of the dairy industry.²³
- Measures addressing telecommunications services
 - Additional funding of \$79.2 million to improve access to mobile telephony services by extending terrestrial coverage to smaller communities, improving coverage on key highways and subsidising satellite mobile handsets.²⁴
- Measures addressing Australia's transport system
 - Additional funding of \$36 million to the Civil Aviation Safety Authority to be used to undertake an aviation safety regulatory improvement programme used meet increasing demand for compliance and assist in the implementation of a single point of entry to provide better quality and more timely regulatory services to its clients.²⁵
- Measures addressing research and innovation
 - Additional funding of \$736.4 million for competitive research grants provided by the Australian Research Council over five years.²⁶
 - Additional funding of \$583 million over five years to support university research infrastructure.²⁷
 - The Research and Development Start Programme will be extended through additional funding of \$534.9 million.²⁸

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- An additional \$227 million will be provided for Cooperative Research Centres.
- Measures addressing education
 - An additional 2,000 university places each year with priority given to information and communication technology, mathematics and science.²⁹
 - An additional \$184.3 million will be provided to government schools, where the enrolment benchmark adjustment is triggered. This measure is intended to foster the foundational skills necessary for innovation.³⁰
- Measures addressing sports
 - An additional \$161.6 million, including \$32 million for participation initiatives and \$122.2 million for high performance sports. Funding is also being provided to enhance the Government's drugs in sport strategy.³¹
- Measures addressing Australia's defence
 - An additional \$5.1 billion to begin implementing defence capability enhancements (eg. Airborne early warning and control aircraft) identified in the Defence White Paper, including \$507 million in 2001-2002.³²
- Measures addressing the Australian Broadcasting Corporation
 - An additional \$71.2 million will be provided to the Australian Broadcasting Corporation to enable it to undertake further regional and local initiatives, including additional local radio production and local television production.
- Measures addressing veterans'
 - The Government will make a one-off payment of \$25,000 to former Australian Defence Force members who were Prisoners of War of the Japanese and to civilian internees and detainees of the Japanese.³³
 - Full access to the repatriation pharmaceutical benefits scheme will be provided to United Kingdom, other Commonwealth and allied veterans of World War II who are aged seventy years or over and have qualifying service.³⁴
- Measures addressing taxation
 - At a cost of \$805 million the input tax credits for motor vehicles will be brought forward from 1 July 2002. This is intended to allow GST registered businesses to claim full input tax credits for motor vehicles acquired on or after 23 May 2001.

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Main Provisions

The amount available for agencies expenditure on Departmental and administered items is specified in the Schedule to the Bill. The total amount specified is \$41,425,224,000 million (**clause 6**).

Where an amount is specified in the Schedule for an administered item, the Minister for Finance may issue the lesser of the amount specified in the item and the amount determined by the Minister having regard to the expenses incurred by the entity in relation to the item in the 1999-2000 year (**clause 8**). In relation to Departmental items, the Minister must issue the amount specified:

- where an Act specifies that an entity must be paid amounts appropriated for the purposes of the entity and this Bill specifies an amount, or
- for certain payments of remuneration and allowances (**clause 7**).

The Minister for Finance may increase the amount in a Departmental item/s by up to an additional total maximum of \$20 million (**clause 10**). However, **clause 11** provides that where there are unforeseen circumstances and the need is urgent, the Minister for Finance may increase expenditure by a total of \$175 million. Parliament must be notified of increased spending under **clauses 10** and **11**.

Clause 14 will formally appropriate the funds for the Bill from the Consolidated Revenue Fund.

Endnotes

- 1 That is, *Appropriation Act (No. 1) 2000-2001*.
- 2 Budget Strategy and Outlook 2000-20001: *Budget Paper* No. 1, p. 1-5.
- 3 *ibid*, p. 2-3.
- 4 *ibid*, p. 2-4.
- 5 *ibid*.
- 6 *ibid*, p. 3-5.
- 7 *ibid*.
- 8 *ibid*, p. 1-15.
- 9 *ibid*, p. 1-14.
- 10 Portfolio Budget Statements 2001-2002, Employment, Workplace Relations and Small Business, *Budget Related Paper 16*, pp. 38-39.

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- 11 Family and Community Services Legislation Amendment (One-off Payment to the Aged) Bill 2001, *Explanatory Memorandum*.
- 12 Budget Strategy and Outlook 2000-20001: *Budget Paper* No. 1, p. 1–16.
- 13 *ibid*.
- 14 Taxation Laws Amendment (Changes for Senior Australians) Bill 2001, *Explanatory Memorandum*, p. 12.
- 15 *ibid*, pp. 1–17 and 1–18.
- 16 *ibid*, p. 1–17.
- 17 *ibid*.
- 18 *ibid*, p. 1–19.
- 19 *ibid*.
- 20 *ibid*.
- 21 *ibid*, p. 1–20.
- 22 *ibid*, p. 1–21.
- 23 *ibid*.
- 24 *ibid*, p. 1–22.
- 25 *ibid*, p. 1–23.
- 26 *ibid*, p. 1–24.
- 27 *ibid*.
- 28 *ibid*.
- 29 *ibid*, p. 1–25.
- 30 *ibid*.
- 31 *ibid*, p. 1–26.
- 32 *ibid*.
- 33 *ibid*, p. 1–17.
- 34 *ibid*.

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