

Chapter 1

Introduction

Establishment of the Select Committee

1.1 On 25 June 2014, the Senate resolved to establish the Select Committee into the Abbott Government's Budget Cuts. The committee was established to inquire into the effect of cuts or changes in the Commonwealth budget and provide a final report to the Senate on or before 20 June 2016, with particular reference to:

- a) any reductions in access to services provided by the Commonwealth;
- b) the provision of other services, programs or benefits provided by the Government affected by the budget;
- c) Commonwealth – state relations and the impact of decreased Commonwealth investment on service delivery by the states;
- d) the fairness and efficiency of revenue raising;
- e) the structural budget balance over the forward estimates and the next 10 years;
- f) the reduced investment in scientific research and infrastructure and its impact on future productivity;
- g) public sector job cuts;
- h) the impact of the budget on retirement incomes and pensions;
- i) intergenerational mobility;
- j) the impact of the budget on young people and students;
- k) the impact of the budget on households; and
- l) other matters the committee considers relevant.¹

Background

1.2 The government delivered the 2014-15 Federal Budget (the budget) on 13 May 2014. Since that time the government has struggled to win support for many of its key budget measures from the Australian people and non-government parties due to their inherent unfairness.

1.3 Distributional analysis prepared by Treasury and released under Freedom of Information,² has clearly showed the fundamental unfairness of the budget with the proposed spending cuts affecting lower income households much more than wealthier

1 *Journals of the Senate No. 36—25 June 2014*, pp 1000-1001.

2 Final distributional analysis for 2014-15 Budget, at www.treasury.gov.au/Access-to-Information/DisclosureLog/2014/1510 (accessed 17 November 2014).

ones.³ The figure below, derived from the Treasury modelling shows that the budget will affect poorer households more than wealthier ones.

Figure 1: What families will lose per year in disposable income (earnings after tax and government payments) due to the budget

Lower income	\$844
Middle-income	\$492
Higher-income	\$517

1.4 Professor Emeritus Frank Stilwell referred to the Treasury modelling estimates figures above, indicating the widespread opposition to the budget is not surprising:

The predictable concerns of those most directly affected by the austerity measures that the Treasurer announced have been swelled by other expressions of broad social concern about unfairness. Even people who emerge relative[ly] unscathed from the tax and spending changes seem to sense that it runs counter to social concerns with equality and social cohesion. It is perceived as violating the cherished Australian ethos of 'the fair go'.⁴

1.5 The committee believes that this unfair budget, which penalises and targets those who are already marginalised, warrants further scrutiny to ensure those who are vulnerable are adequately protected.

Conduct of the inquiry

1.6 Details of the inquiry were placed on the committee's website. The committee also directly contacted a number of relevant organisations and individuals to invite them to make submissions by 22 August 2014. Submissions received by the committee are listed at Appendix 1.

1.7 The committee held a public hearing in Canberra on 16 October 2014, focussed on the effect of budget cuts on young Australians. The committee held a second hearing in Melbourne on 13 November 2014, which concentrated on transport and infrastructure issues. A third hearing in Canberra on 25 November 2014 took evidence from Reclink Australia. On 12 December 2014 the committee held a further hearing in Canberra to take evidence about cuts in funding to the ABC and SBS.

1.8 A list of witnesses who gave evidence to the committee at these public hearings is provided at Appendix 2. The Hansard transcripts of evidence may be accessed through the committee's website: www.aph.gov.au/senate_fpa.

3 Tom, Allard and Peter Martin, 'Budget cuts hit lowest-income earners hardest, says Treasury', *Sydney Morning Herald*, 3 August 2014, p. 4.

4 Professor Emeritus Frank Stilwell, *Submission 3*, pp 1-2.

1.9 The committee intends to examine areas of concern in the government's budget cuts over the course of this inquiry. However, the committee decided that this first interim report will concentrate on the effect of the budget on young Australians, particularly as budget cuts have resulted in the defunding of organisations such as Youth Connections and RecLink Australia, with Youth Connections ceasing operations on 31 December 2014.

1.10 This report will discuss the following issues:

- changes to Newstart allowances, including the raising of the eligibility age from 22 to 24 and introducing a six-month waiting period for new claimants before they receive benefits;
- the cessation of funding for important programs such as Youth Connections and RecLink Australia; and
- the deregulation of Australia's higher education system and funding cuts for schools and the vocational education and training (VET) sector.

Acknowledgements

1.11 The committee thanks all those who made submissions and appeared at hearings, particularly recognising the contribution made by organisations with constrained resources due to budget cuts.

