

Government Senators' dissenting report

1.1 The Government was elected with a clear mandate to repair the budget and place public expenditures on a sustainable footing. The Government remains committed to the crucial task of repairing the unsustainable public spending trajectory inherited from the Labor Government.

1.2 Labor and the Greens want to talk about the effect of the 2014-15 Budget on young people. This dissenting report accordingly has a parallel focus on how the 2014-15 Budget assists younger Australians, by helping them get a start in the workforce and by addressing the debt burden which Labor and the Greens bequeathed to them.

1.3 What they don't wish to talk about is the fact that if public expenditure is not brought under control, future generations will be asked to pay for our current health, education and welfare systems. The Coalition Government believes it is not fair to ask future generations to pay for our debt. Labor and the Greens don't want to recognise the seriousness of the fiscal gap between Commonwealth Government revenues and expenditures, because the structural deficit was chiefly caused by them during their calamitous six year partnership in office from 2007 to 2013.

1.4 Government Senators consider it is time for opposition and crossbench Senators to engage in sensible consultation with the Government to ensure public spending is sustainable and well-targeted into the future.

Unsustainable funding needs to be addressed

1.5 The legacy of the former Labor Government was six successive deficits, which totalled \$240 billion. Including 2013-14, Labor left the Government with deficits across the forward estimates of \$123 billion to 30 June 2017.¹

1.6 Mr Henry Ergas the noted economist, recently warned that the 'budget crisis is real, it's serious, and we ignore it at our children's peril', suggesting that:

As well as shifting on to tomorrow's taxpayers the burden of paying for today's benefits, greater debt will limit the borrowing capacity of future Governments, reducing their scope to use fiscal policy to cushion the impact of adverse shocks.

As a result, when an adverse shock comes the cuts will have to be deeper and the hardship more widespread and prolonged. And such shocks are not merely possible; they are probable.²

1 2013-14 Final Budget Outcome, 25 September 2014 available at www.joehockey.com/media/media-releases/details.aspx?r=422 (accessed 17 November 2014).

2 Henry Ergas, 'The budget crisis is real, it's serious, and we ignore it at our children's peril', *The Australian* (12 July 2014) at www.theaustralian.com.au/opinion/columnists/the-budget-crisis-is-real-its-serious-and-we-ignore-it-at-our-childrens-peril/story-fn7078da-1226986129892 (accessed 1 December 2014).

1.7 The unsustainable budget position has been recognised by many key international financial organisations. For instance, the International Monetary Fund warned Australia in February 2014 that Australia was heading toward recording the fastest spending growth in the 17 advanced economies, as well as the third largest increase in net debt as a share of the economy.³

1.8 The OECD recently noted that Australia's public debt burden as a share of GDP had risen from 20 per cent to 30 per cent over recent years, commenting that 'Turning this trend around is important for ensuring a substantial fiscal buffer given uncertainties in economic rebalancing and other risks.'⁴ A rise of that extent in a relatively short time should be a major cause for concern to all political leaders. It is a sign of a structural flaw in Australia's budget – one that will widen and gather pace unless there is urgent corrective action.

1.9 The greatest risk for young Australians would be if we did not embark on fiscal repair and were left without a fiscal buffer to protect against future economic shocks, as the OECD has called for. Without fiscal headroom, the Commonwealth will not have the capacity to respond to emerging policy pressures and, in the event of any future recession, will be less able to effectively countermand any decline in private economic activity with temporary public economic activity.

1.10 Australia's own independent Parliamentary Budget Office (an institution established by Labor and the Greens under the former Government) supports the OECD analysis, recently warning that the Government must boost productivity and keep its spending in check in the interests of the budget's long-term health:

Continuing efforts to enhance productivity and maintain fiscal discipline will be necessary to ensure the structural soundness of the budget over the medium term and to build a buffer to provide the fiscal space to accommodate unexpected economic shocks and other risks to the budget.⁵

The Government's budget is responsible and timely

1.11 The Government is committed to growing the economy and improving the prosperity of Australians. The 2014-15 Budget marked a responsible and timely change in direction from the Labor-Green approach, to reform unsustainable spending patterns and protect the nation's economy and living standards into the future. The Government will not shirk the tough decisions, particularly some reductions in public spending that will make Government more efficient, effective, and affordable.

1.12 A structural budget problem requires both heavy lifting to control spending, as well as pro-growth policies that will encourage private economic activity to support sustainable revenue growth. The Labor-Green preference for ever higher taxes is one

3 IM, *IMF Country Report, Australia* (February 2014) at www.imf.org/external/pubs/ft/scr/2014/cr1451.pdf (accessed 1 December 2014).

4 OECD, *Economic Outlook (November 2014)*, p. 81 at www.oecd.org/eco/economicoutlook.htm (accessed 9 December 2014).

5 PBO, *The sensitivity of budget projections to changes in economic parameters: Estimates from 2014–15 to 2024–25* (November 2014), p. ix.

that would repress growth and, perversely, stymie the long-run prospects of growing the Government's revenue base.

1.13 The Government's approach to getting our finances in order has been applauded by Mr Angel Gurría, Secretary General of the Organisation for Economic Cooperation and Development (OECD). He noted that the Australian Government's budget was a 'sustainable, durable solution' to the problem posed by the current deficit. He spoke particularly favourably about the choice to favour cuts over tax increases:

You [Australia] went for 80 per cent cuts, one-fifth tax increase. We're always saying you should at least keep it balanced, this is a more sustainable, more durable type of solution. Once you cut the expenses it stays low, with taxes there are certain temptations....It also tells the economic agents that in the medium and long term this situation moving into a balanced budget, or somewhat surplus budget, will allow Australia in the presence of growth to reduce its debt-to-GDP ratio.⁶

1.14 In addition, as Dr Martin Parkinson, former Secretary to the Treasury, commented on the need for reform:

It is one thing to argue that reform proposals should be designed with fairness in mind... It is quite another to invoke vague notions of fairness to oppose all reform...Using this kind of concept to defend what is clearly an unsustainable status quo means consigning Australia to a deteriorating future.⁷

Making welfare sustainable

1.15 The Government is committed to making welfare targeted and sustainable, while ensuring Australia continues to support and protect the most vulnerable Australians.

1.16 Australia currently devotes 35 per cent of public expenditure to welfare alone - more than we spend on defence, education or health. Social security and welfare payments have been growing over the last decade to around \$145 billion in 2014-15, so that now around one in five Australians receive income support payments.⁸

1.17 The modest welfare measures proposed in the budget focus on supporting those most in need. The budget balances these changes with creating economic growth and jobs so people don't need to rely on welfare (see below).

6 Emily Stewart, 'OECD boss praises Australian budget for gradual return to surplus', ABC Online (11 June 2014) at www.abc.net.au/news/2014-06-10/oecd-boss-praises-australian-budget-for-gradual-return-to-surpl/5512418

7 Dr Martin Parkinson, 'Challenges and opportunities for Australia over the next decade', Speech to the Association of Mining and Exploration Companies Convention (2 July 2014) at www.treasury.gov.au/PublicationsAndMedia/Speeches/2014/Challenges-and-opportunities-for-Australia-over-the-next-decade (accessed 1 July 2014).

8 *Commonwealth Budget 2014-15: Budget Overview*, p. 8.

Assisting Australians who want to work

1.18 The Government is committed to helping Australians find jobs, whether they are unemployed or looking to enter the workforce. The majority report neglected to discuss the Government's programs to help Australians into employment, such as the *Trade Support Loans*, the Industry Support Fund, and a reinvigorated Work for the Dole program.

1.19 The Government is delivering on its commitment to introduce *Trade Support Loans* for apprentices, which will offer loans of up to \$20,000 over the life of an apprenticeship. This will encourage more young people to take up a trade and complete their qualification, and will ease the financial burden of undertaking an apprenticeship.⁹

1.20 For the VET Sector, the Government has made provisions for a \$476 million Industry Skills Fund – Growth Stream Fund which will provide up to 200,000 training places and support services over four years. The Industry Skills Fund will assist industry to invest in training and support services.¹⁰

1.21 The Industry Skills Program also provides for the new Youth Employment Pathways program, which will be delivered with community organisations, to support disengaged youths to get back into school, transition into the workforce or engage in a VET program.¹¹

1.22 The Government has also committed to reinvigorating the Work for the Dole program that helps jobseekers remain active and engaged in the employment market while looking for work. The budget provided \$14.9 million to Work for the Dole, including funding for Work for the Dole Coordinators. The reinvigorated Work for the Dole program will move to a national scheme from 1 July 2015.¹²

Reforms to higher education

1.23 As part of the budget, the Government announced a fair, balanced and necessary set of reforms to Australia's higher education system. These reforms are designed to give opportunity to more students to study and to ensure Australia's tertiary system delivers an excellent education to local students, while remaining competitive globally.

9 Australian Apprenticeships, 'Trade Support Loans' at www.australianapprenticeships.gov.au/trade-support-loans (accessed 3 December 2014).

10 See <http://www.business.gov.au/grants-and-assistance/Industry-Skills-Fund/Pages/ISF-Factsheet.aspx> (accessed 29 January 2015). See also the Hon Ian Macfarlane MP, Minister for Industry and Science, 'Skilling Australia to grow industry', Media Release, 13 May 2014.

11 Department of Industry, 'Industry Skills Fund – youth streams' at www.vetreform.industry.gov.au/files/ISF%20Youth%20Streams.pdf (accessed 3 December 2014).

12 The Hon Luke Hartsuyker MP, Assistant Minister for Employment, 'Work for the Dole Coordinators' Media Release, 19 August 2014 at <https://ministers.employment.gov.au/hartsuyker/work-dole-coordinators> (accessed 9 December 2014).

1.24 The majority report stated the Government's reforms will reduce opportunity for some students from some backgrounds. This is not true, and is part of a shameful scare campaign by the opposition that has no basis in reality.

1.25 Contrary to Labor's assertions, the Government has worked hard to ensure disadvantaged students, including those from rural and regional areas, will benefit from the biggest Commonwealth scholarship scheme in Australia's history.¹³

1.26 For those students who enjoy higher incomes thanks to their education, it is only fair that the HECS system provides a means for them to co-contribute to the costs of their education based on their level of education.

1.27 When in office, Labor was content to cut university funding, but never had a plan that would help grow the sector to enhance its standing as a world class system.

1.28 The Coalition's reforms have garnered support across the higher education sector. Universities Australia said that they offered an 'opportunity for making real, lasting changes that are needed in positioning our universities for the challenges of the future'.¹⁴

1.29 Mr Mike Gallagher, one of the most experienced education administrators and policy experts in Australia, noted:

The 2014 higher education budget reforms are necessary. They are logical, coherent, sustainable, equitable and inevitable. My guess is that the detractors of microeconomic reform in Australia's higher education industry will find themselves on the wrong side of history in resisting efficiency, improvement and innovation, as they will be in opposing the redistributive measures of the package and, curiously, supporting socially regressive subsidies from general taxpayers to more advantaged segments of the community.¹⁵

1.30 There has been further notable support for the Government's reform proposals from one of Labor's most experienced figures, former Labor Education Minister and Treasurer, John Dawkins, who has publicly urged Labor to "engage with the Government"¹⁶ and support this sensible reform, instead of "sitting on its hands".¹⁷

13 The Hon Christopher Pyne MP, Minister for Education, UWA shows reforms a boost for regional students', Media Release 2 December 2014 at <https://ministers.education.gov.au/pyne/uwa-shows-reforms-boost-regional-students> (accessed 9 December 2014).

14 Universities Australia, 'Senate: approve higher education package with amendments' Media Release (28 August 2014) at www.universitiesaustralia.edu.au/news/media-releases/Senate--approve-higher-education-package-with-amendments#.VH59g00cRaQ (accessed 3 December 2014).

15 Mr Mike Gallagher, 'Address to the EduTECH Higher Education Leaders Congress, Brisbane, 4 June 2014' at https://go8.edu.au/sites/default/files/docs/article/edutech_presentation_-_4_june_2014-pdf_version.pdf (accessed 3 December 2014).

16 Kylar Loussikian & Rosie Lewis, 'Dawkins backs uni reforms', *The Australian*, 28 January 2015 (p. 1)

17 'Dawkins blasts reform impasse', *The Australian* (editorial), 29 January 2015 (p. 10)

1.31 The tired rhetoric from Labor and the Greens about ‘free education’ overlooks a simple fact. University education is not ‘free’. It is funded by taxpayers – including taxpayers who themselves have never had the opportunity to attend university.

1.32 As has been recently noted by Ms. Vicki Thomson, Chief Executive of the Group of Eight (representing the nation’s leading research-intensive universities):

“To hear some in political circles extol the virtues of “free” education is to listen to those who have the luxury of never having to deliver any policy or answer for any policy deficiencies. It is populist politics at its worst. Glib uninformed comments have no part in the urgent higher education funding negotiations of 2015.”¹⁸

1.33 Government Senators note the willingness of the Government to listen to the feedback it has received on budget measures. This has led to further consultation and proposed amendments to the higher education measures, including pausing indexation for new parents and maintaining repayment rates at the CPI rather than the 10-year bond rate. The Government has also announced a \$100 million structural fund for universities, and fee price monitoring by the Australian Competition and Consumer Commission.¹⁹

1.34 Yet despite the views of those who actually have experience in designing and implementing university funding systems, Labor and Greens Senators have instead chosen to pursue an irresponsible political campaign, based on misinformation.

Conclusion

1.35 Australia has a serious economic challenge that the Government is committed to addressing. If the record deficit, created by the Labor Government is not addressed, we risk the wellbeing of future generations. A failure to deal with this challenge now will ultimately weigh most heavily on younger generations, as they will be the ones left with a crushing debt burden.

1.36 The Government is prepared to take the tough decisions which are necessary to rein in Commonwealth spending without compromising protection for the most vulnerable Australians. This budget sets out an economic agenda that will make our nation strong, prosperous and secure in the future.

1.37 The Government has shown it is willing to listen and engage in consultation to improve the measures put forward in the budget and ultimately put the budget on a sustainable footing.

18 Vicki Thomson, ‘Free education never existed’, *The Australian*, 29 January 2015 (p. 10)

19 The Hon Christopher Pyne MP, Minister for Education, ‘Government will move amendments to the Higher Education Bill’, Media Release 2 December 2014 at <https://ministers.education.gov.au/pyne/Government-will-move-amendments-higher-education-bill> (accessed 9 December 2014).

Senator Matthew Canavan

Senator James McGrath

Senator Dean Smith

