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Bills Digest

No. 154 2001–02

Appropriation Bill (No.1) 2002-2003

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No. 154 2001-02

Appropriation Bill (No.1) 2002-2003

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Appropriation Bill (No.1) 2002-2003

Date Introduced: 14 May 2002

House: House of Representatives

Portfolio: Finance and Administration

Commencement: Royal Assent.

Purpose

To authorise the Minister for Finance to issue \$43 445 965 000 from the Consolidated Revenue Fund for the ordinary annual services of government during 2002-03.

Background

The basic appropriation in this Bill is \$43 445 965 000. This compares to \$41 425 224 000 in 2001-02 and \$38 530 846 000 in 2000-01. A concise assessment of the 2002-03 Budget can be found in a forthcoming Parliamentary Library publication *Implications: Budget 2002-03*. An overview of the process and context of appropriation bills can be found in another Library publication *The Commonwealth Budget: Process and Presentation*.¹

Under section 83 of the Constitution, no monies may be drawn from Treasury except 'under an appropriation made by law'. Appropriation Bill (No. 1) 2002-03, together with the Appropriation Bill (No.2) 2002-03 and the Appropriation (Parliamentary Departments) 2002-03, are introduced in May each year for the annual appropriations of Government. Where 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, annual appropriations comprise approximately 25 per cent of agency expenses. The remaining 75 per cent comes from special or standing appropriations and income receipts.

Appropriation Bill (No. 1) provides for the appropriation of money from the Consolidated Revenue Fund for the ordinary annual services of government. Appropriation Bill (No. 2) provides for the appropriation of money for purposes other than the ordinary services of government (for example, departmental capital, administered expenses for new agency outcomes, and grants to the States and Territories). The division of items between the Bills accords with the 1965 'compact' between the House of Representatives and the Senate.²

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Appropriation Bill (No. 1) sets out agency appropriations by outcome and distinguishes between administered and departmental expenses. *Administered items* are revenues, expenses, assets and liabilities that the government controls, but which an agency manages on the government's behalf. Examples include subsidies, grants and benefit payments; taxes, fees, fines and excises; and public debt and related interest. *Departmental items* are resources (assets, liabilities, revenues and expenses) that agencies control directly and use to produce outputs on behalf of government. Examples are computers and plant and equipment used in providing goods and services; accruing liabilities for employee entitlements; revenues from user charges and profits; and employee salaries. The data are highly aggregated and additional information is contained in Portfolio Budget Statements.

The difference between administered and departmental items and the issue of control are particularly significant for the present Bill. While expenditure in relation to departmental items is controlled by agencies, expenditure in relation to administered items, such as subsidies, grants and benefit payments, is extensively controlled by legislation. For present purposes, three key administered items are the Pharmaceutical Benefits Scheme, the Disability Support Pension and the Superannuation Surcharge. Expenditure on these items will be significantly affected by proposed amendments to the *National Health Act 1953*,³ *Social Security Act 1991*⁴ and the *Superannuation (Guarantee) Administration Act 1992*.⁵

The Opposition and Democrats have indicated that they will block the proposed amendments in the Senate.⁶

Importantly, an attempt to block these amendments is *not* an attempt to block supply. The changes to PBS and DSP appear in legislation separate from the Appropriation Bills.⁷ At the same time, some commentators have argued that the threat to block these amendments 'undermines democratic process nonetheless'⁸ and 'breaches the intent of the Constitution'.⁹

Revenue and Expenditure Measures

Significant new revenue and expenditure measures are indicated below. Figures are *expenses in 2002-03* first and *expenses over 5 years 2002-03 to 2005-06* second.

- Additional funding for the deployment to the 'War Against Terrorism': 'the additional funding for this deployment in 2001-02 and 2002-03 is around \$524 million'.¹⁰

Measure	2002-03	5 years
– Additional funding for the War Against Terrorism (a)	\$194.0m	–

(a) Together with expenditure in 2001-02 (\$329.8m) this is \$523.8 million in 2001-02 and 2002-03.

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- **Measures to upgrade domestic security:**¹¹ '[i]n this Budget we are allocating an additional \$1.3 billion over five years to upgrade security within Australia'.¹²

Measure	2002-03	5 years
– <i>Improved aviation security:</i> airport security will be increased and the APS ¹³ will implement the Air Security Officer Programme (the 'Air Marshall' measure announced during the 2001 Election).	\$40.2m	\$169.5m
– <i>Identification of security threats:</i> ASIO, ¹⁴ AFP ¹⁵ and the NCA ¹⁶ will have increased technical investigative capacity (\$15.2m/\$46.9m); AFP will have increased protective security capacity (\$27.1m/\$110.1) and increased overseas cooperation, including 16 new overseas officers (\$3.8m/\$43m); ASIO, ASIS, ¹⁷ ONA ¹⁸ and Defence (eg DSD) ¹⁹ will have increased counter-terrorist capabilities (\$15.7m/\$88.2m)	\$110.9m	\$519.4m
– <i>Increased response capacity:</i> Health and Ageing will run a stockpile of biological weapons vaccines and antidotes (\$10.7m/\$11.3m). ADF ²⁰ will have an Incident Response Regiment (\$18.0m/\$85.0m) and a 2 nd counter-terrorist Tactical Assault Group (\$32.6m/\$132.6m).	\$113.7m	\$333.3m
Total (b)	\$219.6m	\$1177.9m

(b) *Together with net additional expenditure in 2001-02 (\$130.4m), this is \$1.3 billion over 5 years.*

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- **Additional funding for border security:**²¹ '[l]ast budget we proposed spending \$1.6 billion over five years on border security. The measures we have taken since, together with the measures I am announcing ... will increase that expenditure to \$2.8 billion'.

Measure	2002-03	5 years
– <i>Increased funding for coastal surveillance:</i> ADF will continue coastal surveillance of the north coast of Australia to deter asylum seekers. (c)	\$22.3m	–
– <i>Funding for Nauru:</i> AAID ²² will pay for the MOU with Nauru (\$7.0m) and DFAT will pay for the Australian presence (\$2.1m).	\$9.1m	–
– <i>Construction of an IRPC²³ on Christmas Island:</i> DIMIA and DoTRS will arrange for the construction of a refugee detention centre on Christmas Island by Jan. 2003 (\$21.1m/\$50.5m) (d)	\$21.1m	\$50.5m
– <i>Offshore processing (external territories):</i> this is the processing of refugees in external territories such as Christmas Island.	\$81.9m	\$455.1m
– <i>Offshore processing (third countries):</i> this is the processing of refugees under the Pacific Solution in countries such as Nauru.	\$129.3m	\$430.8m
– <i>Savings from offshore processing (third countries) (e)</i>	-\$85.8m	-\$350.0m
– <i>Regional Cooperation Agreement:</i> this includes measures to improve regional capacity to detect and intercept illegal people movement and Australia's contribution to the UNHCR ²⁴ and IOM. ²⁵		
– <i>Other Measures:</i> Including reintegration assistance for Afghans (\$2.3m/\$5.1m) and doubling of ACS ²⁶ National Maritime unit surveillance and response capacity (\$14.8m/\$77.4m)		
Total (f)	\$238.4m	\$825.4m

(c) *This is additional to the \$18.7m provided for coastal surveillance in 2001-02.*

(d) *Construction of the Christmas Island IRPC involves capital expenditure of \$116.4 in 2002-03.*

(e) *The savings result from an expectation that there will be no more unauthorised boat arrivals for onshore processing, compared to an expected 5,500 per annum in the 2001-02 Budget.*

(f) *Together with expenditure in 2001-02 (\$322m), capital and savings (\$114.9m/\$83.4m), and net additional expenditure to MYEFO (\$4.0m/\$5.6m), this is an additional \$1.2 billion over 5 years.*

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- **Making the Pharmaceutical Benefits Scheme Sustainable:** 'the government is taking some small steps to help put the [PBS] on a more sustainable basis so it can deliver access to medicines at affordable prices over the longer term'.²⁷

Measure	2002-03	5 years
– <i>Realigning patient co-payments:</i> co-payments will increase by \$1 to \$4.60 per script for concession card holders and by \$6.20 to \$28.60 for others. For card holders who pay for 52 prescriptions per annum, further prescriptions are free. For others who pay \$874.90 per annum, further prescriptions will be \$4.60.	-\$298.6m	\$1,207.9m
– <i>Reductions in pharmacy fraud:</i> the HIC ²⁸ will have greater capacity to identify and target pharmacies engaged in PBS fraud	-\$25.1m	\$201.3m
– <i>Increased information for doctors:</i> the pharmaceutical industry will ensure that information on PBS rules are given to doctors	-\$27.6m	\$147.2m
– <i>Facilitating the use of generic medicines:</i> the government intends to entrench the default use of generic medicines in return for guaranteed low prices from manufacturers of those medicines	-\$19m	-\$110.9m
– <i>Reinforcing the commitment to evidence based medicine:</i> various measures will be taken to limit unnecessary new listings on the PBS, to reduce over-prescription, to ensure greater compliance	-\$12.1m	-\$280.6m
– <i>Restrictions on 'doctor shopping':</i> the HIC will have greater surveillance capacity over clinically inappropriate prescriptions	-\$2.0m	-\$16.4m
Total	-\$400.6m	-\$1,964.3m

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A Better Superannuation System: '[t]he government announced last year in its superannuation policy statement ... a range of measures designed to enhance the overall attractiveness, accessibility and security of superannuation'.²⁹

Measure	2002-03	5 years
– <i>Superannuation co-contribution for low income earners:</i> from 1 July 2002, the Government will replace an existing rebate with a matching contribution up to \$1,000 per annum for low income earners up to \$20,000, tapering by 8c per dollar up to \$32,000.	\$0.0m	\$300.0m
– <i>Superannuation Guarantee contributions:</i> ATO will be funded to implement changes to the Superannuation Guarantee regime.	\$10.9m	\$31.9m
– <i>Superannuation Guarantee contributions:</i> from 1 July 2003 employers will be required to make quarterly contributions.	\$0.0m	\$46.0m
– <i>Temporary residents:</i> from 1 July 2002 temporary residents will be able to access their superannuation on permanent departure. This is subject to withholding of tax concessions on benefits.	-\$70.0m	-\$325.0m
– <i>Superannuation surcharge:</i> from 1 July 2003 surcharge rates for super and termination payments will fall by $\frac{1}{10}$ over 3 years.	\$0.0m	\$370.0m

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- **Miscellaneous:**

Measure	2002-03	5 years
– <i>ASIC Output Pricing Review:</i> ³⁰ following a pricing review ASIC will have additional funding to maintain its enforcement capacity and to administer the <i>Financial Services Reform Act 2001</i> .	\$19.4m	\$89.8m
– <i>ATO Output Pricing Review:</i> ³¹ following a pricing review, ATO will have additional resources for base tax administration functions. This is associated with revenue (\$33.0m/\$1,500m). ³²	\$358.9m	\$1,563.2m
– <i>Baby bonus:</i> ³³ from 1 July 2002, tax relief will be available to families of between \$500–2,500 per annum for 5 years where a parent or partner gives up or reduces their employment.	\$85.0m	\$1,235.0m
– <i>Advance to Mitsubishi Motors Corporation:</i> ³⁴ a promise of assistance has been made to Mitsubishi for the establishment of a global research and development centre in Adelaide in 2004-05.	–	\$35.0m
– <i>Intergovernmental Agreement—additional GST administration costs:</i> ³⁵ ATO will have additional funding to manage 'greater than anticipated GST workloads' and to enhance field services to small businesses. (g)	\$204.0	\$832.4m
– <i>Extension of First Home Owner's Scheme:</i> ³⁶ the original grant (\$7,000) was supplemented by an additional grant (\$7,000) in 2001 which is reduced (\$3,000) and ceases on 30 June 2002	\$30.0m	\$35.0m
– <i>Extension of Gold Card:</i> post WWII veterans over 70 years will be entitled to pharmaceuticals at a concessional rate and to an effectively unlimited health concession card	\$16.4m	\$93.0m
– <i>Recognising and improving the work capacity of people with a disability:</i> an additional 73,000 places will be provided for disability employment assistance, but the Family and Community Services Legislation Amendment (Disability Reform) Bill 2002 will restrict access and encourage greater participation in DSP	\$7.2m	-\$336.5m
(g) <i>A Guaranteed Amount (GMA) is paid by the States for these costs, subject to a balancing payment by the Commonwealth to offset any shortfall between the GMA and GST receipts for the State.</i>		

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Main Provisions

The amount available for agencies' expenditure on departmental and administered items is specified in the **Schedule**. The total of the items specified is **\$43 445 965 000 (clause 6)**.

In relation to departmental items, the Minister for Finance must issue:

- a *sufficient amount*, where a departmental item for an agency includes provision for payment of remuneration and allowances to a statutory office holder; and
- the *amount specified* in the **Schedule**, where an entity has a direct statutory entitlement to its own appropriation; or
- any *lesser amounts* to that specified in the **Schedule**, where an entity does not have a direct statutory entitlement to its own appropriation (**clause 7**).

In relation to administered items, where an amount is specified in the Schedule, the Minister for Finance may issue a lesser amount, as he or she determines, having regard to the relevant expenses incurred by the entity in the 2001-02 financial year (**clause 8**).

The Minister for Finance may increase the amounts specified in departmental items up to a maximum of \$20 million over all departmental items (**clause 10**). However, where there are unforeseen circumstances and the need is urgent, the Minister for Finance may increase expenditure by a total of \$175 million (**clause 11**). Parliament must be notified of increased spending under **clauses 10 and 11**.

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

Endnotes

- 1 Richard Webb, The Commonwealth Budget: Process and Presentation, [Research Paper No.10 2002-03](#), 19 March 2002.
- 2 Webb, op. cit., p. 16.
- 3 As noted in the commentary on expenditure, the Government has proposed an increase in co-payments for prescriptions covered by the Pharmaceutical Benefits Scheme. The level of co-payments is described in section 87 of the *National Health Act 1953*. As section 87 specifies a precise co-payment dollar amount, which is neither adjustable by regulation or ministerial order, it appears that an amendment to section 87 would be needed to increase the level of co-payment.
- 4 Family and Community Services Legislation Amendment (Disability Reform) Bill 2002.
- 5 Taxation Laws Amendment (Superannuation) Bill (No. 2) 2002.

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- 6 Simon Crean MP, '[Better Budget Choices](#)', *Media Release*, 16 May 2002; Senator Natasha Stott-Despoja, '[Fair go for the future not deprive and divide](#)', *Media Release*, 16 May 2002.
- 7 Sid Marris, 'Costello fights for his Budget', *The Australian*, 16 May 2002; Megan Saunders, 'Vanstone asks PM to help working disabled', *The Australian*, 17 May 2002.
- 8 Editorial, 'The Senate should let the budget pass', *The Age*, 17 May 2002.
- 9 Crispin Hull, 'We must end Senate's absurd power to block money Bills', *The Canberra Times*, 18 May 2002.
- 10 The Hon. Peter Costello MP, Appropriation Bill (No.1) 2002-03, Second Reading Speech, House of Representatives, *Debates*, 14 May 2002, p. 2012.
- 11 Source: Budget Measures 2002-03, *Budget Paper No. 2*, pp. 57–70.
- 12 The Hon. Peter Costello MP, Appropriation Bill (No.1) 2002-03, Second Reading Speech, House of Representatives, *Debates*, 14 May 2002, p. 2012.
- 13 Australian Protective Service.
- 14 Australian Security Intelligence Organisation.
- 15 Australian Federal Police.
- 16 National Crime Authority.
- 17 Australian Secret Intelligence Service.
- 18 Office of National Assessments.
- 19 Defence Signals Directorate.
- 20 Australian Defence Forces.
- 21 Source: Budget Measures 2002-03, *Budget Paper No. 2*, pp. 132–143.
- 22 Australian Agency for International Development.
- 23 Immigration Reception and Processing Centre.
- 24 United Nations High Commissioner for Refugees.
- 25 International Organisation for Migration.
- 26 Australian Customs Service.
- 27 The Hon. Peter Costello MP, Appropriation Bill (No.1) 2002-03, Second Reading Speech, House of Representatives, *Debates*, 14 May 2002, p. 2013.
- 28 Health Insurance Commission.
- 29 Peter Slipper MP, Taxation Laws Amendment (Superannuation) Bill (No.2) 2002, Second Reading Speech, House of Representatives, *Debates*, 16 May 2002, p. 2233.
- 30 Source: Budget Measures 2002-03, *Budget Paper No. 2*, p. 159.
- 31 Source: Budget Measures 2002-03, *Budget Paper No. 2*, p. 162.
- 32 Source: Budget Measures 2002-03, *Budget Paper No. 2*, p. 17.

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- 33 Source: Budget Measures 2002-03, *Budget Paper No. 2*, p. 163.
- 34 Source: Budget Measures 2002-03, *Budget Paper No. 2*, p. 144.
- 35 Source: Budget Measures 2002-03, *Budget Paper No. 2*, p. 165.
- 36 Source: Budget Measures 2002-03, *Budget Paper No. 2*, p. 167.

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