

ALIA federal budget analysis

'Just let 'em feel that you can save 'em something on taxes and nobody will keep you out.' Warren Buffett

Mid-term Budgets are often the least interesting — especially when Government's are well-established. A treasurer's standard approach to the electoral cycle is: do the hard stuff in the first budget; don't scare the horses in the second; offer a lump of sugar in the third so that they rush to vote for you in the election which follows.

That is the theory. In practice, the unexpected sometimes turns up. When the smokey is a mid-term tax cut, it usually means one of three things: the government is in trouble; the government feels an early election coming on; or by spending its money now, the government wants to prevent its opposition spending it later. Whichever, surprise is of the essence. And it helps to have a distraction.

So this year Peter Costello must have been overjoyed to find that his Labor opposition have created the smokescreen for him. Who can recall a year when — even before its delivery — the Budget was already dwarfed politically by the opposition leader's response to it? Once Kim Beazley announced that Simon Crean's speech in reply would determine his fate, Crean in the Colosseum became the main political game for what Joh Bjelke Petersen used to call 'the chooks' of the media. The Governor-General's travails reduced the focus on this year's Budget still further. And then the Indonesian government kindly began the Bali bomber trial the same week. Not since Elvis died on Budget Eve in 1977 has Budget anticipation been so overshadowed by other events.

Mr Costello will not be complaining. While attention has been directed elsewhere, he has been able to get on quietly with the task of presenting a clever but cynical Budget. He has handed back only a tiny portion of his bracket-creep windfall. But in doing so, the treasurer has neatly positioned the Government for a tax-cut-centred poll later this year — when Crean, Beazley and the ALP could be drowning in blood and gore. And if his prime minister decides to go full-term, the Opposition is nicely hedged in by his spending much of the surplus this year. In trying to develop an attractive program, Labor will inevitably face the old cry of 'Where's the money coming from?'

The Budget spends heavily on defence and security which will be electorally-popular too. The costs of war in Iraq are met with additional spending of more than \$2 billion over five years. Total defence spending rises to more than \$15 billion.

Yet for all its superficial political attrac-

tions, there are potential vulnerabilities. The Budget's controversial changes to Australia's health system were made public well ahead of Mr Costello's speech. They are certain to increase costs for average families and to date seem unpopular. Now they are joined by radical plans for overhaul of higher education which threaten many students with sharply higher fees. Both offer an electoral lifeline to the opposition if it can move beyond internal brawling; both face difficulties in the Senate, which might add fuel to any early election fire. And there are disappointments. There are no measures to assist Australians balance work and family responsibilities, despite recent Government pronouncements on the subject's importance. There is silence on maternity leave.

Overall, Mr Costello will be pleased with himself. Thanks to huge increases in taxation revenues, he has been able to meet many competing demands and still claim a \$2.2 billion surplus — quite a platform from which to boast of further sound economic management. A solid surplus and tax cuts is something few of his international counterparts can even dream of. And this has been achieved despite the high-profile challenges of war, drought and fire.

So far, still calm for the good ship Australia whose captain can add an armoured 'economic miracle' to his new man-of-steel image. But storm clouds gathering over the world economy will have the treasurer casting nervous glances at the horizon. The United States federal reserve is growing increasingly concerned about deflation; Europe and Japan are struggling; sharemarkets everywhere remain sluggish despite the quick victory in Iraq; the SARS outbreak is hitting Asian industrial activity hard; and international airlines and tourism are in a parlous state.

The conjunction of these negative factors does not encourage optimism about the direction of the world economy. The Budget has marked forecast growth down to 3.25 per cent. While this remains a thoroughly respectable number, it will mean little if the world in general — and the USA in particular — turns seriously downward. Mr Costello will be crossing fingers, toes and everything else against such a development.

Wages

Average earnings are tipped to rise by four per cent. But taxation will take a greater share as the Government confirms its highest-ever take of 25.1 per cent of GDP this year.

Industrial relations

The most significant item is the linking of higher education funding to non-union Australian Workplace Agreements [AWAs]. AWAs have been a dismal failure since their introduction in 1997 with less than two per cent of Australian workers covered by them. The Budget's blatant force-feeding of them to higher education workers will not be popular.

Superannuation

Most superannuation policy holders will breathe a sigh of relief. At a time when most are experiencing their second successive year of negative results, no further fiddling with the system is about the best Budget news they could have had.

Communications

The triennium-based funding for the ABC and SBS will continue for 2003–2004 to 2005–2006.

NetAlert continues, just...

NetAlert, the independent body established under the Government's online regulatory scheme, will be provided with \$750 000 per year for the next three years in order to continue its work of promoting internet safety, particularly for children, and to conduct research into internet access management technologies. Of this budget allocation, \$500 000 will be transferred from the Australian Broadcasting Authority and \$250 000 from existing Department of Communications, Information Technology and the Arts resources.

National cultural institutions

The following institutions will be receiving decreased resourcing in the 2003–2004 budget: National Library of Australia, National Gallery of Australia, National Museum of Australia, and the National Office for the Information Economy.

Depreciation and preservation of national collections

The budget reduces funding for the depreciation of cultural and heritage assets by \$1.3 million in 2003–2004 increasing to \$2.2 million in 2006–07. The affected agencies are National Archives, the National Gallery and the National Museum.

Regional partnerships program

Key Federal government regional development programs (with the exception of the Sustainable Regions program) have been combined into a single Regional Partnerships program that will focus on supporting projects that strengthen economic and social growth, improve access to services in small communities, support regional planning and help specific regions adjust to structural change. \$277.2 million over

continued on page 12...

four years is allocated, including new funding of \$61.8 million.

Access to government services

The More Accessible Government program and the Commonwealth Regional Information Service (a free-call referral and information service for Commonwealth government programs and services for country Australians) are intended to deliver greater co-ordination and flexibility from government. Additional funding of \$3.8 million over four years will assist the Department of Transport and Regional Services to maintain its network of regional offices.

Arts and heritage

Creative Volunteering, the National Arts and Museums regional volunteers skills project is funded to train up to 15 000 volunteers in up to 100 regional communities.

Education and training

Reform of higher education forms the centrepiece of this year's budget. Based on four principles, sustainability, quality, equity and diversity, the government's integrated package of reforms, *Our Universities: Backing Australia's Future*, will impact on universities, students and other stakeholders.

Higher education

Aimed at enabling institutions to maximise

new opportunities, access to increased funding will, however, be contingent upon the universities undertaking management and industrial relations reforms.

From 2005 a fund of \$404.3 million will be distributed over three years to universities which meet government guidelines on National Governance Protocols, and also comply with workplace relations policies, in particular the option of negotiating Australian Workplace Agreements. Funds through the scheme will be released on an incremental basis beginning at 2.5 per cent per student in 2005, rising to 5 per cent in 2006 and 7.5 per cent in 2007.

The government will work to introduce voluntary student unionism by proposing a bill to make illegal the collection of student union fees by universities on enrolment.

Excellence in teaching and learning

The National Institute for Learning and Teaching in Higher Education will be established in 2004 from existing program funds. The institute's function will be to enhance learning and teaching in Australian higher education institutions. The Australian Universities Teaching Committee will oversee the institute which will be run by professional staff with expertise in teaching and learning at higher education level.

Regional loading

Regional campuses will attract a funding loading ranging from 2.5 per cent to 30 per cent according to size and degree of remoteness. The loading recognises that extra costs incurred for travel and freight and also the diminished ability of such campuses to attract full-fee paying students and to enter into business partnerships.

Vocational education and training

To ensure that vocational education and training continues to underpin the nation's strong economic growth, a new Australian National Training Authority (ANTA) agreement will prioritise quality outcomes and on meeting skill shortages in industry. This is backed by a budget allocation of \$2.1 billion.

Government initiatives since 1996 have seen increased participation in what is becoming a national vocational and education training system. \$2.8 billion over four years has been allocated to further build on the New Apprenticeships scheme which at the end of last year had 375 000 in training.

This is a summary of the budget review compiled by senior staff at the ALIA National Office. The full text is at <http://alia.org.au/publishing/budget.analysis/2003.html>

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