



Federal Budget Briefing Kit 2003-04

ACOSS Paper 128

May 2003

Reader's guide

The ACOSS *Budget Briefing Kit 2003-04* is a summary of key measures likely to be of most interest to the community services sector because they impact directly or indirectly on low income and disadvantaged people. It is largely descriptive, with little commentary. Readers should turn to the Appendix for media releases issued by ACOSS following the Budget, as well as from a selection of other community organisations. The Kit focuses on new policy measures. Consequently, the financial figures in bold refer only to the costs or savings which result from the implementation of the change (for example, only to the cost of new funding in health care, not to the cost of the whole health program). Expenditure or savings announced in previous Budgets (contained in the forward estimates) are not new measures and therefore not listed. This Briefing Kit has been produced within two weeks of the release of the May 13 Budget. It has been produced with all possible care, relying on information at hand at the time.

Other resources

A collection of short Budget opinion and commentary pieces from voluntary ACOSS Policy Advisers and representatives of key national community organisations is also available in the June 2003 edition of *Impact* magazine. Detailed information on ACOSS policies and Budget proposals are contained in *Piecing it Together: Federal Budget Priorities Statement 2003-04*, ACOSS Paper 124, released in January 2003 and available from ACOSS.

Cover graphic

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Chapter 1

Fiscal parameters

Economic forecasts

The economy is projected to slow in 2003 and 2004 from the level of economic and employment growth enjoyed in 2001-02. Excluding any positive effects of the breaking of the drought on farm production, non-farm economic growth is expected to decline from 4% in 2002-03 to 2.75%, a level at which jobs growth is unlikely to keep pace with growth in the labour force. As a result, unemployment is projected to remain stuck at around 6% next year. A major cause of the projected slow-down is the much-heralded demise of the housing boom.

Treasury repeated its warning that overseas economic developments pose serious risks for future economic growth in Australia.

Figure 1.1
Estimates for key economic parameters

Parameter	2002-03 %	2003-04 %
Gross domestic product	3%	3.25%
Employment	2.5%	1.75%
Unemployment *	6%	6%
Consumer price index	3.25%	2.75%
Average weekly earnings	3.25%	4%
Dwellings investment	18%	-5%
Business investment (buildings)	28%	14%
Business investment (equipment)	12%	4%
Current account deficit **	-5.75%	-5.25%

Source: Federal Budget Papers (2003-04)

Notes: *Average level during the year

** Per cent of GDP

Budget outcome and fiscal strategy

Figure 1.2 shows that the Government has persisted with its policy of shaving the Budget surplus to the lowest possible level without running a deficit. In this Budget, personal tax cuts slash around \$2.5 billion per year from the Budget bottom line. Expenditure is also boosted by around \$1.5 billion, but these measures are overshadowed by the cost of the tax cuts.

Both revenue and expenditure are projected to decline as a proportion of GDP over the next three years.

Figure 1.2
Budget parameters

	Expenditures (accruals basis)	Revenue (accruals basis)	Fiscal Balance (accruals basis)	Budget Balance (underlying cash basis)
2002-03				
\$billion p.a.	170.5	171.8	1.5	3.9
As a % of GDP	22.6%	22.8%	0.2%	0.5%
2003-04				
\$billion p.a.	178	178.3	0.7	2.2
As a % of GDP	22.4%	22.4%	0.1%	0.3%
2004-05				
\$billion p.a.	186.5	185	-1.1	1.3
As a % of GDP	22.2%	22.0%	-0.1%	0.2%

Source: Federal Budget Papers (2003-04)

The key budget measures on the expenditure side are:

- ◆ a higher education package (\$250m in 2004-05);
- ◆ the previously announced Medicare package (\$209m in 2004-05);
- ◆ extra defence and national security funding including for the Iraq war and the "Safer Australia" internal security package (\$443m in 2004-05);
- ◆ drought assistance (\$150m in 2004-05).

In health and education, the Government is responding to severe funding shortfalls with a combination of modest investment and a marked shift in future costs to consumers. Modest safety nets are offered for some low-income and disadvantaged groups in the form of bulk billing for doctor's visits and higher education scholarships.

Social expenditure

Figure 1.3 outlines trends in federal social expenditure in recent years. The rows showing expenditure as a proportion of GDP - that is, what proportion of the Australian economy is devoted to federal social expenditure - offer the most informative account of expenditure trends. The other

figures are expressed in current dollars (without taking account of inflation, population growth, or other factors that automatically boost social expenditure over time).

The expenditure-to-GDP data shows a steady decline in most social expenditures, except health (which is steadily rising) and labour and employment affairs (which is stable). This is consistent with the general decline in federal Government expenditure over the next three years projected in the Budget papers.

Figure 1.3
Federal social expenditure

Social expenditure	1999-00 \$m & as % of GDP	2000-01 \$m & as % of GDP	2001-02 \$m & as % of GDP	2002-03* \$m & as % of GDP	2003-04* \$m & as % of GDP
Courts & legal services	\$567	\$481	\$579	\$567	\$574
(% of GDP)	0.09	0.07	0.08	0.08	0.07
Education	\$10,390	\$10,992	\$11,692	\$12,342	\$13,160
(% of GDP)	1.66	1.63	1.60	1.63	1.64
Health	\$23,409	\$25,162	\$27,461	\$29,566	\$31,183
(% of GDP)	3.73	3.75	3.69	3.92	3.91
Social security and welfare	\$57,361	\$67,688	\$69,637	\$71,313	\$74,875
(% of GDP)	9.15	10.08	9.33	9.43	9.40
Housing and community amenities	\$1,858	\$1,811	\$2,206	\$1,733	\$1,662
(% of GDP)	0.3	0.27	0.28	0.22	0.21
Labour and employment affairs	\$2,754	\$2,745	\$3,441	\$3,151	\$3,381
(% of GDP)	0.44	0.41	0.43	0.42	0.43
Total social expenses	\$96,339	\$108,875	\$109,198	\$118,762	\$124,835
(% of GDP)	15.37	16.22	15.4	15.7	15.7

Source: Federal Budget Papers (2003-04)

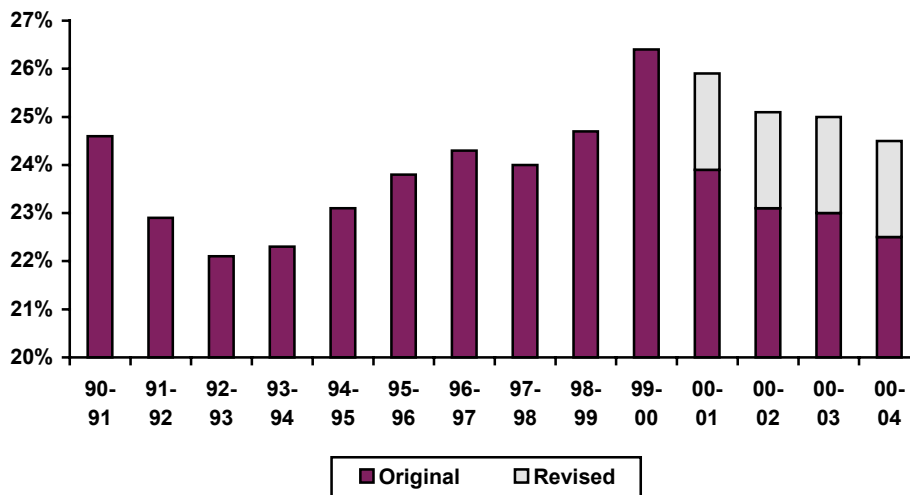
Notes: * Forecasts

Revenue

Figure 1.4 outlines trends in Federal Government revenue in recent years. It shows that after peaking prior to the year 2000 tax package, federal general government revenue has declined sharply, and is now about equal to its previous peak before the recession of the early 1990s. These figures attempt to take account of the GST as a federal tax, and to net out other shifts in revenue and expenditure in the 2000 tax package.

The proposed 2003 tax cuts are responsible for the revenue decline in that year. The Budget papers project an ongoing decline in revenue (in proportion to GDP) over the next three years.

*Figure 1.4
Trends in Federal Government revenue as a proportion of Gross Domestic Product*



Source: *Federal Budget Papers (2003-04)*

Note: The *Original data* (dark columns) are estimates from the Budget Papers. The Budget Papers treat the GST as a State tax. The *Revised data* (light columns) are our estimates of revenue trends, in which the GST is treated as a federal tax. At the same time, the artefactual effects of the New Tax System package - including the replacement of the WST with a GST, the transfer of GST revenues to the States, compensating reductions in Federal grants to the States, and the re-classification of diesel fuel excise rebates as an expense - are taken onto account. Taken together, these factors "artificially" reduced revenue by approximately 2% of GDP, so this amount is added back into the revised revenue estimates for the last 4 years. The reason that revenue still falls in 2000-01 in the revised estimates is that it was reduced "in reality" by a further 1% of GDP because the income tax cuts in the package were not fully funded (they were further "under-funded" in the final version of the package negotiated with the Democrats). These reductions in revenue were offset to a significant extent by a bring-forward of company tax revenues, and the effects of strong economic growth on tax revenues, so that the net reduction in Federal revenue "in reality" was around 0.5% of GDP.

Chapter 2

Taxation

Figure 2.1
Taxation — Key Measures

Key Budget 2003 Measures	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Personal income tax:				
Personal income tax cuts	-\$2,400	-\$2,650	-\$2,750	-\$2,900
Medicare Levy threshold increase	-\$34	-\$17	-\$17	-\$17
Losses in companies and trusts	-	-	-	-
Discretionary trusts	\$1	\$1	\$1	\$1
Capital protected financial products	\$3	\$7	\$9	\$11
Taxation of financial arrangements	-	-	-	-
Charities:				
Govt response to Charity Definitions Inquiry*	-	-\$2	-\$4	-\$4
Business income tax:				
Review of international tax arrangements	-\$60	-\$165	-\$10	-\$35
All revenue measures since last year's Budget:	-\$2,310	-\$2,636	-\$2,520	

Notes: * Measures announced since last year's Budget but before November 2002

Personal income tax

Personal income tax cuts

Personal income tax is to be reduced from July 2003 by:

- ◆ increasing the top three tax thresholds;
- ◆ increasing the low income tax offset and easing its income test;
- ◆ increasing the Medicare Levy free area for seniors, in conjunction with the above changes.

The current and proposed income tax scales are in the table below¹:

¹ The low income rebate/offset is to be increased from a maximum of \$150 to \$235 per year, and the income test free area for this rebate increased from \$20,700 to \$21,600 (so it cuts out at \$27,475). The Medicare Levy exemption threshold for Senior Australians is also to be increased so that older people do not have to pay the Medicare Levy on incomes up to \$20,500 (now \$20,000) for singles and \$33,612 (now \$32,612) for couples - their new tax free thresholds as a result of the increase in the low income rebate.

Figure 2.1
Existing and proposed personal income tax rates

Current thresholds \$	Proposed thresholds \$	Tax rate (unchanged)
0 - 6,000	0-6,000	0
6,001-20,000	6,001-21,600	17%
20,001-50,000	21,601-52,000	30%
50,001-60,000	52,001-62,500	42%
60,001+	62,501+	47%

These tax cuts return about half the income tax bracket creep accruing since the last income tax cuts in 2000. The result is a reduction in tax of roughly:

- ◆ \$2pw for a tax-payer on up to \$20,000;
- ◆ \$6pw for a tax-payer on \$21,000 to \$25,000 (the income range where the low income rebate income test phases out);
- ◆ \$4pw for a tax-payer on \$25,000 to \$50,000;
- ◆ \$9pw for a tax-payer on \$55,000 to \$60,000;
- ◆ \$11pw for a tax-payer on \$60,000 or more.

The graph below shows how the tax cuts are distributed among *individual tax-payers*. The heavy line shows the tax cut as a proportion of gross income (the conventional measure of the progressivity or fairness of a tax), while the bars show the proportion of tax-payers *below* each of the income levels at the bottom of the graph.²

Figure 7: Proposed tax cuts as a % of gross income

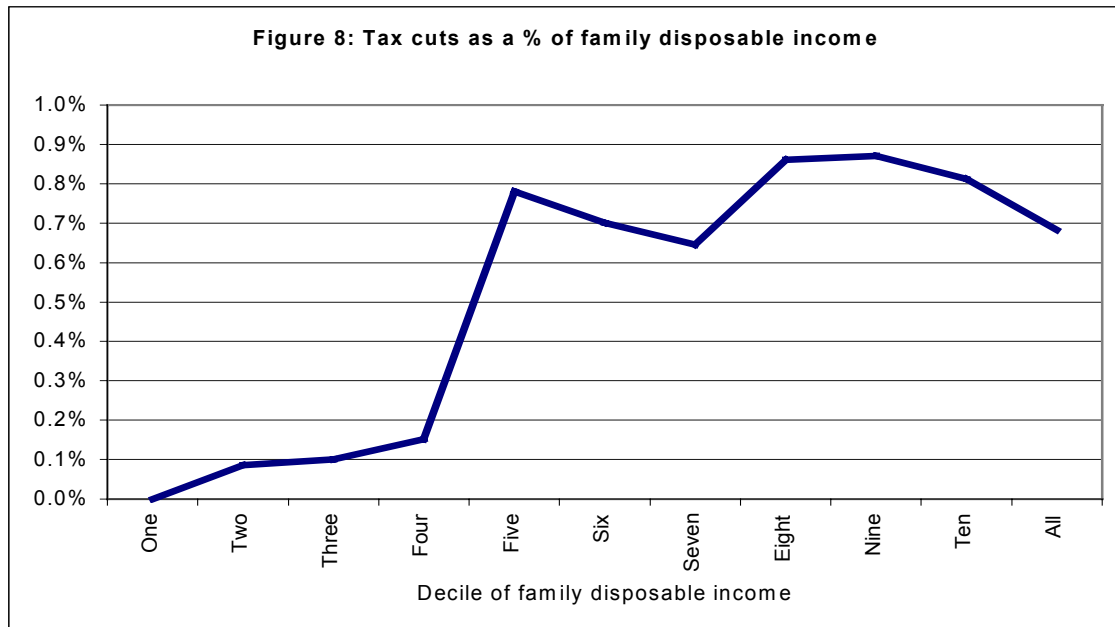


Sources: Federal Budget papers 2003-04, Taxation Statistics 1999-00, with incomes updated to 2003 using movements in average earnings.

² For example, the graph indicates that 50% of tax-payers earn less than about \$35,000 per year.

The above graph indicates that the tax cuts are moderately regressive, although some low income-earners on \$20,000 to \$30,000 receive a larger tax cut (in proportion to income) than high income-earners.³

The graph below shows how the tax cuts are distributed among *families*, divided into ten groups of equal size (deciles) according to their *disposable* income. It shows the average effect of the tax cut on *all* families (including single people and couples living alone), including those who pay no tax.



Source: ACOSS Calculations using STINMOD, the microsimulation model developed by NATSEM.

When the impact of the tax cuts on *all* families is modelled, the tax cuts are more regressive. The reason for this is that 35% of families do not pay enough tax to benefit from the tax cuts, for example they are pensioners or unemployed people. This is evident from the graph above.⁴

Cost: \$2,400 million (\$2,650 million in 2004-05)

Indexation of Medicare Levy threshold

The threshold below which the Medicare Levy is not payable will be increased from 1 July 2002 to \$15,062 for individuals and \$25,417 for families, in line with increases in the CPI. The threshold for pensioners below age pension age will rise to \$17,164.

Cost: -\$34 million (-\$17 million in 2004-05)

Losses in companies and trusts

Tax-payers with tax losses from the provision of personal services through companies or trusts will be able to deduct them from their personal taxable income, from July 2000. This is equivalent to

³ This is due mainly to the increase in the low-income tax offset and the easing of its income test.

⁴ Another reason for this is that the tax cuts are expressed in proportion to disposable (after tax) income - the only data readily available from Stinmod. Because tax rates are higher for high-income earners, a tax cut expressed in these terms will appear more generous towards high income earners and less generous towards low income-earners.

the tax treatment as that applied to income from the provision of personal services through companies or trusts.

Cost: not specified

Discretionary trusts

The tax treatment of certain payment to beneficiaries of discretionary trusts will be tightened, and "unfair" taxation of other distributions from trusts will be eased, consistent with recommendations of the Board of Taxation. However, no fundamental reform of the tax treatment of these trusts is proposed.

Saving: \$1 million (\$1 million in 2004-05)

Capital protected financial products

The tax treatment of financial products that offer capital protected loans to buy shares will be tightened from 16 April 2003. This is to overcome the effects of an adverse Federal Court decision that allowed tax-payers to claim the full interest costs of these loans as a deduction, even though the interest rates were inflated to take account of the fact that these products protected the investor's capital. This measure is important to protect the integrity of the income tax system.

Saving: \$3 million (\$7 million in 2004-05)

Taxation of financial arrangements

The Government will make regulations to clarify whether certain financial products will be taxed as debt or equity. This is part of a wider reform of the tax treatment of "hybrid" financial products such as derivatives.

Saving: not specified

Charities

Government response to Charity Definitions Inquiry

The Government responded last year to its Charity Definitions Inquiry, deciding to introduce a statutory definition of charitable purposes that extends charitable status to organisations such as child care services but restricts it with regard to advocacy organisations. The Government declined to introduce other measures recommended by the Inquiry, including the modernisation of the Public Benevolent Institution category and establishment of a Charities Commission.

Cost: nil (\$2 million in 2004-05)

Business income tax

Review of international taxation arrangements

The Government responded to its review of international tax arrangements, established in response to business concerns that overseas income and transfers of Australian companies and investors

were overtaxed or unfairly taxed compared with their domestic income. It was argued that this discouraged overseas investment by Australian companies and investors.

The Government did not implement potentially costly proposals to extend dividend imputation to overseas investments by Australian investors, presumably on the grounds that no Australian corporate tax is levied on such investments.

However, it proposes a number of changes (mainly from 1 July 2004), to liberalise the tax treatment of overseas income and transfers and to simplify administration of rules to prevent tax avoidance through the accumulation of Australian investment income in overseas business entities (especially in tax shelter countries):

- ◆ simplifying the Controlled Foreign Corporations (CFC) rules;
- ◆ Capital Gains Tax exemptions for the sale of certain interests in overseas companies by Australian corporations;
- ◆ easing the Foreign Investment fund rules, including an exemption for Australian superannuation funds with overseas investments;
- ◆ easing the double taxation of employee share options for expatriate employees;
- ◆ easing the tax treatment of certain overseas trusts;
- ◆ negotiation of the UK-Australia tax treaty along similar lines to the US-Australia treaty.

Cost: -\$60 million (-\$165 million in 2004-05)

Chapter 3

Employment, education & training

Figure 3.1
Employment, Education and Training — Key Measures

Key Budget 2003 Measures (Effect on outlays)	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Employment and Workplace Relations:				
Expansion of Commonwealth Unfair Dismissal Scheme	1.1	5.1	5.1	5.2
Response to Building Industry Royal Commission	17.0	-	-	-
Employee Share Ownership Development Unit	0.4	0.4	0.4	0.4
Employment Innovation Fund*	-	-	-	-
Indigenous Capital Assistance*	-	-	-	-
Education Science and Training:				
<i>Higher education reforms (total)</i>	<i>(65.8)</i>	<i>(249.3)</i>	<i>(491.5)</i>	<i>(681.6)</i>
- Commonwealth Grants Scheme Initiatives	-	139.0	252.2	384.2
- Regional universities loading	27.9	30.3	31.5	32.9
- Higher Education Loans Programme (HELP)	-	-15.7	-18.1	-16.8
- National priority funding for courses	11.9	47.5	49.8	51.8
- Disadvantaged students improved participation	0.3	5.4	7.1	9.0
- Scholarships	11.2	29.9	49.7	70.7
- Teaching quality incentives			79.3	108.9
- Quality assurance enhancement		0.9	0.9	0.9
- Collaboration and Structural Reform Fund		6.5	6.7	6.8
- Workplace Productivity Programme			27.3	27.9
- Higher Education Info Management System	14.5	5.4	5.1	5.3
- Marcus Oldham College	2.1	-	-	-
- Marine Science Institute	-2.1	-	-	-
New Apprenticeships Incentives Program	18.2	6.3	-11.7	-13.3
New Apprenticeship Workforce Skills Development	-3.0	-1.0	-3.0	-3.0
Transition (School to Work) Programmes	-1.5	-0.7	-0.7	-1.2
Other:				
Expanded CDEP places*	10.7	11.0	11.2	11.5

Notes: * Funded through savings

Overview

Unemployment is predicted to continue at a rate of 6%. There is little in this Budget for new employment measures, following last year's major overhaul of the employment services system which will be fully implemented this financial year. The new employment measures that are introduced are contained within the existing employment funding and there is a small amount of new spending in workplace relations.

The major Budget item in education is the overhaul of the higher education system. This follows a review undertaken last year. In the 1996 Budget, universities lost \$837.4 million over four years in Commonwealth operating grants and discretionary funding. The changes announced in this Budget will increase the per student funding to universities. This funding will be linked to an agreed number of student places per discipline, and to the university administration demonstrating changes to workplace relations practices.

There will be a partial deregulation in universities setting student fees, with HECS fees able to be set from a zero amount to 30% above the standard rate. Universities can also increase the number of full-fee paying students from 25% to 50% of their student load. There is also the introduction of an interest bearing loan for full-fee paying students. These changes are a concern for equity of access because they are likely to result in the more elite universities and high demand courses setting higher HECS fees, discouraging lower socio-economic background students. This imbalance may be increased further if students from wealthier families opt to buy a full-fee paying university place. Scholarships for low income and Indigenous students have been introduced, which will provide some assistance to poorer students with high academic achievement, but at a limited number and at only \$2000 per annum they are unlikely to encourage and enable students from low and middle income families to attend university when they otherwise might not.

Vocational education, which young people from lower socio-economic families are more likely to pursue, has received no extra funding in this budget, and there have been cuts to the School to Work Programme and to part of the New Apprenticeships Programme through changes to their administration.

Employment

Community Development Employment Programme (CDEP) – additional places

CDEP will be expanded by 1,000 places a year at a cost of around \$11 million per year. These places are to go towards projects in remote communities that address family violence and substance misuse. Wages will come out of savings in Newstart Allowance and the additional on-cost component of \$17.1 million over four years will come out of existing Aboriginal and Torres Strait Islander Services funds. (See also *Chapter 10: Indigenous communities*).

Cost: \$10.7 million (\$11.0 million in 2004-05)

Employment Innovation Fund

\$1 million per annum will be made available for the Employment Innovation Fund to fund small innovative community based projects that tackle employment and labour market problems.

Funding will be around \$100,000 per project. It will be available to a wide range of organisations, not just Job Network members, and funded out of the existing Job Network budget.

Immediate referral to job search training for young unemployed people

Job seekers aged 16 to 24 will be referred to Intensive Support job search training as soon as they are registered as unemployed, rather than waiting for three months for this assistance. \$12.5 million dollars over three years will be provided from the existing Job Network budget.

Indigenous Capital Assistance Scheme

An Indigenous Capital Assistance Scheme is being introduced to engage the private financial sector in providing loans and business advice to enable Indigenous business development at the local level. \$10.5 million dollars over four years will be allocated to this scheme out of the existing Indigenous Employment Policy budget.

Expanded coverage of the Commonwealth Unfair Dismissal Scheme

The federal unfair dismissal scheme will expand its coverage from about 50% to 85% of employees. This will replace the degree of State coverage of unfair dismissal. It will cost \$16.5 million over four years.

Cost: \$1.1 million (\$5.1 million in 2004-05)

Response to the Royal Commission into the Building Industry

A preliminary response to the Royal Commission into the Building and Construction Industry includes an extension of the Interim Building Industry Task Force until 30 June 2004, \$5 million dollars for preparatory costs for establishing new agencies, and \$5.1 million to facilitate the implementation of the recommendations.

Cost: \$17 million

Employee Share Ownership Development Unit

An Employee Share Ownership Development Unit will be established within the Department of Employment and Workplace Relations and funded at \$1.7 million over four years. The unit will promote employee share ownership and provide advice and assistance to employers and employees.

Cost: \$0.4 million (\$0.4 million in 2004-05)

Higher education reforms

Changes to university funding, student fees, support for disadvantaged students, and staff workplace relations are all part of a package of changes to universities, costing about \$1.5 billion over four years. Many measures will not be introduced until 2004-05.

Measures affecting *students* include:

- ◆ Higher Education Contribution Scheme (HECS) changes. From 2005, universities will be able to vary the HECS course rates, charging from nil to 30% more than the set rate. Students who pay HECS up-front will have their discount reduced from 25% to 20%. All students will receive a Learning Entitlement which limits the amount of study they can do to a maximum of five years of equivalent full-time study under a HECS funded place (with extensions granted for courses longer than five years, and for double degrees with honours).
- ◆ Higher Education Loans Programme (HELP).
 - HECS-HELP. The deferred payment option for HECS will now be called HECS-HELP and from 2005-06 the repayment earnings threshold will be raised from \$24,365 to \$30,000 per annum. Voluntary repayment discounts will be reduced from 15% to 10%.
 - FEE-HELP. A loan scheme for full-fee paying students at public and private universities will be introduced in 2005. Students will be able to borrow up to \$50,000 to pay for university fees at a loan interest rate of 3.5% (for the first ten years) plus CPI, repaid under the same income contingent conditions as HECS.
 - OS-HELP. From 2005 loans of up to \$10,000 each will be available to undergraduate students to help with travel and living expenses while studying abroad for one or two semesters. The loan will have the same conditions as FEE-HELP.

HELP will create savings of \$50.6 million over three years (beginning in 2004-05) and \$26.2 million in revenue over two years (beginning in 2005-06).

- ◆ Expansion of full-fee paying domestic student places. Universities will be able to enrol 50% of their student load as full-fee paying students, up from 25%.
- ◆ National priority funding for particular vocational areas. To start \$161 million over four years, beginning in 2003-04, will be given to universities to address Indigenous education and to increase the number of nursing and teaching places, and give a greater contribution to nursing and teaching course costs.
- ◆ Measures to improve participation for disadvantaged students costing \$9 million over four years.
 - The Indigenous Support Fund will receive additional funding of \$10.4 million over three years, beginning in 2004-05, to improve Indigenous participation and success in higher education.
 - An Indigenous Higher Education Advisory Council will be established to: advise the Minister and DEST, set strategies for increasing Indigenous staff numbers, and convene an annual Indigenous Higher Education Conference. It will receive funding of \$260,000 per year, beginning in 2003-04.
 - The Higher Education Equity Programme (HEEP) will receive additional funding of \$2.3 million a year from 2004-06, and an additional \$2.4 million in 2006-07. Funds will be allocated according to a performance based formula.
 - The Students with Disabilities Programme will be increased by \$1.1 million per year for three years from 2005.
- ◆ \$161.5 million over four years, starting from January 2004, will introduce three new scholarship programs and additional funding for the Australian Postgraduate Awards Scheme:

- Commonwealth Education Costs Scholarships will be merit based and granted to undergraduate students from low socio-economic and/or Indigenous backgrounds at a rate of \$2000 per year for up to four years. In 2004 there will be 2,500 scholarships, and by 2007 there will be 5,075 new scholarships awarded each year with approximately 17,630 students in receipt of a scholarship. It will cost \$84.4 million over four years.
- Commonwealth Accommodation Scholarships will be granted by universities to students from rural and regional areas at a rate of \$4,000 per year for up to four years. The scholarships will be based on academic merit. In 2004, there will be 1,500 scholarships, and by 2007 there will be 2,030 new scholarships awarded each year with about 7,550 students in receipt of a scholarship. It will cost \$75.8 million over four years.
- Indigenous Staff Scholarships will be granted at a rate of five per year for Indigenous university staff to undertake study in their chosen area. They will provide \$10,400 for fees and a non-taxable stipend of \$20,900.

Measures affecting *university funding* and administration include:

- ◆ Commonwealth Grants Scheme costing \$775.4 million over four years.
 - Commonwealth funding per student place will be increased incrementally up to 7.5% by 2007. This funding is conditional on universities complying with the National Governance Protocols and changing workplace relations practices.
 - From 2005, the Commonwealth will no longer provide partial funding for student over-enrolments. Instead there will be an additional 24,833 fully funded places at a cost of \$347.6 million over three years to 2006-07.
 - From 2007, the number of student places will be increased in line with population growth with an additional 1,400 places in 2007.
- ◆ A regional university loading of \$122.6 million over four years beginning in 2004 will be introduced with four bands of loading eligibility according to the degree of isolation and university size. The largest loading of 30% will go to two Darwin universities. The lowest loading will be 2.5%.
- ◆ Other measures in the university sector include the introduction of teaching quality improvement incentives, grants to foster institutional specialisation and links with industry, a workplace productivity program, and the introduction of an electronic Higher Education Information Management System to track student data across universities.

Cost: \$65.8 million (\$249.3 million in 2004-05)

Other education and training

Review of the New Apprenticeships Incentives Programme

In response to a review of the Programme providing incentives for employers to employ new apprentices, there was a redistribution of funding across the Programme. 80% of progression payments to employers will be made when the apprentice completes their training as an incentive to keep apprentices until the end, creating savings of \$80.3 million over four years. Extra incentives are provided to support disadvantaged mature aged workers, and the Disabled Apprentice Wage Subsidy extended to cover trainees as well as apprentices with disabilities. Increases in the living away from home allowance for rural apprentices are provided, and cuts are

made to the Women in Non-Traditional Occupations Programme. The Special Assistance Programme will be terminated.

Cost: \$18.2 million (\$6.3 million in 2004-05)

New Apprenticeships Workforce Skills Development Programme

Funding for the New Apprenticeships Skills Development Programme will be reduced by consolidating different program elements, saving \$10 million over four years. The Programme funds strategic projects that support the vocational education and training system.

Saving: \$3 million (\$1 million in 2004-05)

Transition (school to work) programs

The Enterprise and Career Education Foundation is being folded and the School to Work Transition Programme functions will be transferred to DEST, saving \$4.1 million over four years.

Saving: \$1.5 million (\$0.7 million in 2004-05)

Chapter 4

Social security

Figure 4.1
Social security and welfare reform - Key Measures

Key Budget 2003 Measures	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<i>Families and Youth</i>				
Reconnect (extension)	0.9	1.2	1.4	1.7
JPET	0.5	0.3	0.3	0.3
<i>International</i>				
Assurance of Support Scheme	2.0	-4.1	-4.6	-5.0
Temporary overseas absence provisions	3.1	0.1	-3.5	-3.7
Social Security Agreement with Malta	0.3	-	-0.2	-0.3
<i>Child support</i>				
Debt collection	-2.3	-2.4	-2.4	-2.5
Unemployed parents	-	-0.1	-0.1	-0.1
<i>Support for Indigenous people</i>				
Expansion of Centrelink services	0.7	1.6	2.7	3.0
Longitudinal study of Indigenous children	0.6	1.3	5.9	0.8
<i>Australians Working Together</i>				
Activity and participation agreements, reduced duration for 1 st breach penalties	14.2	12.7	11.8	12.0
<i>Centrelink service delivery</i>				
Enhanced information technology	27.0	7.9	-26.3	-57.3

Key Budget 2003 Measures	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<i>Compliance and reviews</i>				
Parenting Payment profiling	-3.4	-8.3	-8.6	-9.0
Disability Support Pensioner reviews	-8.0	-25.7	-27.3	-28.2
Restructured reviews for Youth Allowance and Austudy recipients	-16.8	-13.9	-9.9	-6.5
Expanded data matching and asset reviews*	-29.6	-66.3	-71.7	-73.5
Extension 2002-03 data matching pilot*	-21.0	-22.1	-22.9	-23.4
Research into emerging areas of risks	2.6	-	-	-
Increased investigations for identify fraud **	-5.8	-15.0	-19.4	-21.3
Notification of departing Australia and foreign debt recovery	2.7	-0.2	-2.0	-3.5
<i>Other social security measures</i>				
Pensioner Education Supplement ***	-5.7	-11.1	-11.2	-11.4
Repeal of Student Financial Supplement Scheme ****	26.1	71.2	59.3	47.8
Extension of HILDA survey	0.5	2.8	-	-
Holocaust payments	0.2	0.1	0.1	0.1
Simplification of Social Security Act 1991	-	-0.8	-0.7	-0.7
Increased compliance for Veterans +	0.9	-1.3	-4.9	-7.1
Validation of concession cards (Pharmaceutical Benefits Scheme)	1.8	-	-	-

Notes: Refer to Chapter 7: Community Services for disability assistance measures.

*Includes savings to Department of Health and Ageing

**Cross portfolio measure with DH&A and Office of the Director of Public Prosecutions

***Cross portfolio measure with DEST

****Cross portfolio measure with DEST and ATO

+ Under Department of Veterans' Affairs

Overview

The focal point for measures in the social security and welfare areas of this year's Budget is surveillance of income support recipients, in particular sole parents and people with disabilities. The measures are aimed at cutting the welfare bill by more than \$500 million over the next four years. There is little that is new with many measures previously announced and repackaged, or continued with a new commitment to extend or expand funding.

The continued focus on compliance will make life more difficult for limited gain for many income support recipients. Measures to enhance data matching to identify fraud are desirable, however, the numerous new compliance measures such as enhanced reviews and risk profiling are of concern, especially for disability pensioners, parents and students. The result will be increased profiling of customers considered 'at risk' and many more face to face interviews with recipients thereby increasing the opportunities for cancellation of payment or, at the very least, a change to a lower payment.

This follows last year's Budget measure *Recognising and improving the capacity of people with a disability* designed to reduce the number of new claims approved for the Disability Support Pension (DSP). To date the Bill, to change the work hours criteria for DSP, has been rejected by the Senate. Once again the Government is emphasising the need to decrease numbers on DSP but will do this by trimming money from their entitlements to increase spending on services.

The proposed changes to the Pensioner Education Supplement (PES), limiting payment to periods of actual study, is a cost saving measure likely to decrease many people's capacity to participate in education. This measure will adversely affect sole parents, carers and people with a disability who rely on the supplement as an anticipated component of income support through the year. These recipients often have a long term need for income support, as distinct from students, who would be jobseekers or in the workforce if not for their studies.

On the positive side, three areas targeted in this Budget will be of real benefit to disadvantaged Australians: additional funding for disability employment services to improve viability of business services and increase case based funding (refer to *Chapter 7: Community services*); changes to the breach penalty provisions in Australians Working Together (AWT) announced in the 2001-02 Budget, and extension of Reconnect and JPET. There is also some funding for Indigenous Australians with a focus on enhancing Centrelink services in rural and remote locations, including continuation of funding for two rural call centres in Maryborough in Queensland and Port Augusta, South Australia (refer to *Chapter 8: Rural and remote communities* and *Chapter 10: Indigenous communities*).

Previously foreshadowed reforms to family assistance and social security are not included in this Budget. Social security and welfare priorities emphasise prevention, early intervention and mutual obligation in the provision of assistance to recipients. Expenses for this function total \$74.9 billion in 2003-04 with moderate growth predicted over the forward years. The main driver for growth is the indexation of payments, including maintaining the single rate of Age Pension, Parenting Payment Single and the Disability Support Pension at 25% of Male Total Average Weekly Earnings (MTAWE). Demographic and social factors such as the ageing population will affect future growth.

Other anticipated increases in expenditure relate to: a shift to Special Benefit as eligibility for other payments change; implementation of Parent Migration Intake measures in July 2003; and reduced expenses for Widow B Pension, closed to new claimants in 1997.

Family and youth programs

Reconnect

From 1 July 2003 funding for the Reconnect program will be extended for a further four years until June 2007, at a total of \$5.2 million. In addition, indexation of the program's funding will be applied from 2003-04.

Cost: \$0.9 million (\$1.2 million in 2004-05)

Job Placement, Employment and Training (JPET)

Additional funding of \$1.3 million over four years has been provided for current services under the JPET program to maintain service delivery, with a focus on regional Australia.

Cost: \$0.5 million (\$0.5 million in 2004-05)

International arrangements

Assurance of Support Scheme

New arrangements for the Assurance of Support Scheme, from 1 July 2004, will see the Department of Immigration and Multicultural and Indigenous Affairs continue to determine which new migrants are subjected to Assurance of Support. Post grant administration will be transferred to Centrelink and the scheme administered under social security legislation. A net reduction of \$11.6 million in expenses is expected over the four years. This measure also includes savings to the Department of Immigration and Multicultural and Indigenous Affairs.

Cost: \$2.0 million (\$4.1 million savings in 2004-05)

Temporary overseas absence provisions

Portability rules will change so that payment of income support during temporary absences overseas is reduced from 26 to 13 weeks from 1 July 2004. Payment of DSP may be granted for longer if the person suffers a terminal illness and needs the care and support of family members overseas. This change will not affect Age Pensioners, Austudy and YA recipients undertaking approved overseas study. Expected to generate savings in social welfare payments of \$15.3 million over four years.

Cost: \$3.1 million (\$0.1 million in 2004-05)

Revised Social Security Agreement with Malta

From 1 July 2004 a revised Agreement with Malta will limit overseas payment of the Disability Support Pension for non severely disabled recipients to a maximum of 26 weeks. This will not affect existing recipients entitlements and is expected to generate net saving of \$0.2 million over four years.

Cost: \$0.3 million

Child support

Debt collection

From 1 July 2003 the Child Support Agency will focus on improved collection of debts from an expected 60,000 'non paying partners' (with a history of not paying child support) to recover \$130 million worth of child support. Parents who volunteer to reconcile their debt with the Child Support Agency will have the penalty cancelled and the chance to negotiate a manageable repayment schedule. Over 105,000 children are expected to benefit over four years. This measure is expected to lead to net savings of \$9.6 million over four years.

Saving: \$2.3 million (\$2.4 million in 2004-05)

Unemployed parents

From 1 July 2003 funding of \$11.9 million over four years will assist 31,500 unemployed parents who are newly separated and not living with their children. The Child Support Agency will refer unemployed parents on Newstart Allowances to community based programs to assist with

parenting and relationship skills. The cost is expected to be offset by savings of \$12.2 million due to reduced outlays on Family Tax Benefit (\$2.7 million) and Newstart Allowance (\$9.5 million), giving net saving of \$0.4 million over four years.

Cost: nil (\$0.1 million savings in 2004-05)

Support for Indigenous people

Expansion of Centrelink services

\$8.2 million in additional funds over four years will expand Centrelink's agent and access point network in rural and remote Australia by 50 new access points. From 1 July 2003 Centrelink will contract local community based organisations to provide these services, with a review by October 2006.

Cost: \$0.7 million (\$1.6 million in 2004-05)

Longitudinal study of Indigenous children

From 1 July 2003 a longitudinal study comprising 2 000 babies less than 12 months old and 2,000 four to five year olds will be conducted. At \$8.6 million over four years, the study will focus on linkages between early childhood experiences and later life outcomes for Indigenous children living in remote, rural, regional and urban centres. The study will complement the existing Longitudinal Study of Australian Children.

Cost: \$0.6 million (\$1.3 million in 2004-05)

Australians Working Together (AWT) – changed arrangements

At a cost of \$50.7 million over four years, this Budget continues welfare reform as introduced in the AWT package in 2001-02. Changed arrangements start from 20 September 2003 in the areas of administration of activity and participation agreements and breach processing and include:

- ◆ A formal cooling off period for activity and participation agreements.
- ◆ More detailed consideration of personal circumstances in activity and participation agreements, activity exemptions and breaching.
- ◆ Earlier and improved notice of impending breach penalties.
- ◆ Reduced penalty periods for first breaches (from 26 to 8 weeks).
- ◆ Reduced job search requirements for some mature aged job seekers.

Cost: \$14.2 million (\$12.7 million in 2004-05)

Centrelink service delivery

Enhanced information technology

From 1 July 2003 Centrelink will receive \$312 million over five years, including \$120.7 million in capital, to enhance IT systems and expand on line services. This includes increased payment

accuracy through automated data matching and information exchange with businesses, government departments, banks and others. The measure will reduce net expenses by \$48.7 million over four years.

Cost: \$27 million (\$7.9 million in 2004-05)

Increased compliance and reviews

Enhanced profiling for Parenting Payments (PP)

From 1 July 2003 face to face interviews will be held with approximately 27,000 PP recipients who will be 'profiled' to determine if they are 'at risk' of failing to declare changes in their circumstances, (for example, living arrangements, including the intention to live with a partner). This builds on profiling measures announced in the 2001-02 Budget at a cost of \$12.3 million, with net savings of \$29.4 million over four years.

Saving: \$3.4 million (\$8.3 million in 2004-05)

Enhanced reviews for Disability Support Pensioners (DSP)

From 1 September 2003 'Service Update' reviews will be introduced for DSP recipients deemed likely to be paid incorrectly to catch claimants who have misrepresented the nature or extent of their disability. The number of targeted reviews will increase by 61,000 in total, with an additional 25,000 reviews commencing from 8 September 2003 at a cost of \$18.7 million, resulting in net savings of \$89.2 million over four years.

Saving: \$8 million (\$25.7 million in 2004-05)

Restructured reviews for Youth Allowance (YA) and Austudy

Students on YA and Austudy payments will undergo increased payment and activity tests, saving \$47.2 million over four years. This aligns review activity of YA with other income support programs and introduces new profiled review activity for Austudy recipients. From 1 July 2003 Centrelink will profile an additional 23,000 full time students on YA and 17,000 job seekers on YA, and 5,000 new Austudy recipients from 1 April 2004.

Saving: \$16.8 million (\$13.9 million in 2004-05)

Expanded data matching and asset reviews

Data matching reviews will be expanded from 1 July 2003 by an additional 125,000 each year. Legislative changes will allow Centrelink access to Australian Business Numbers, Pay As You Go payment summaries and Job Network data to match earned income levels with benefits. Age Pensioners will be subject to increased scrutiny over their real estate assets with an additional 20,000 reviews each year. Enhanced profiling capability will be applied to identify people at risk of failing to declare changes in real estate holdings. The measure is expected to save \$241.2 million over four years (including savings for Department of Health and Ageing).

Saving: \$29.6 million (\$66.3 million in 2004-05)

Extension of the 2002-03 data matching pilot

Announced in the last Budget, the data matching pilot program will be integrated into existing ongoing compliance activity from 1 July 2003. Compliance reviews will be increased by 43,000 a year at a cost of \$18.5 million. The measure is expected to generate savings of \$89.3 million over four years. Savings for the Department of Health and Ageing total \$6.4 million over four years.

Saving: \$21 million (\$22.1 million in 2004-05)

Research into emerging areas of risk

From 1 July 2003 to 30 June 2004 research and development will be undertaken into emerging areas of risk including customer identification and the cash economy. Strategies to allay future risk will be proposed.

Cost: \$2.6 million

Identity fraud – increased investigations for all payments

The number of investigations into identity fraud will be increased from 1 January 2004 by approximately 1,200 (increasing to 3,000 by 2006-07) through enhanced use of external and internal data sources. This measure will cost \$37.3 million to administer, providing net savings of \$60.1 million over four years. This is a cross portfolio measure which include saving and expenditure in the Department of Health and Ageing and Office of the Director of Public Prosecutions.

Saving: \$5.8 million (\$15 million in 2004-05)

Notification of departing Australia and foreign debt recovery

Notification requirements for income support recipients intending to travel overseas will be tightened from 1 July 2004. If a recipient fails to notify Centrelink prior to their departure their payment will be suspended and potentially cancelled. This measure is expected to deliver net savings of \$3.2 million over four years.

Cost: \$2.7 million (\$0.2 million saving in 2004-05)

Other social security measures

Pensioner Education Supplement (PES)

From January 2004 payments of the PES will be made only during periods of study – students participating in full year or longer courses will be paid over the academic year including the mid year break(s). Students participating in shorter courses will be paid for the duration of the course but not over the breaks between courses. Savings of \$39.3 million are expected over four years (plus \$3 million in savings for the Department of Education, Science and Training).

Saving: \$5.7 million (\$11.1 million in 2004-05)

Repeal of Student Financial Supplement Scheme (SFSS)

From 1 January 2004 the SFSS will be repealed due to reduced take-up of loans from bad and doubtful debts. Repeal will not affect entitlements for YA, Austudy, Abstudy or PES. Expenses will

increase by \$204.4 million over four years because students will no longer trade part of their entitlement for the supplement. This is a cross portfolio measure between FaCS, DEST and the ATO.

Cost: \$26.1 million (\$71.2 million in 2004-05)

Extension of Household, Income and Labour Dynamics in Australia (HILDA) survey

From 1 July 2003 additional funding of \$3.5 million over three years will extend HILDA, administered by the Melbourne Institute, by an additional fourth wave of data collection. The measure will deliver data to assess the effects of policy and other changes on families and household formation; labour market and education participation; and retirement and retirement preparation.

Cost: \$0.5 million (\$2.8 million in 2004-05)

Holocaust payments

From 13 May 2003 Holocaust victims receiving restitution payments will be exempt from assessment under social security income testing, regardless of the payment's country of origin. Payments were previously only exempt if paid by the German or Austrian Governments.

Cost: \$0.2 million (\$0.1 million in 2004-05)

Further simplification of the Social Security Act 1991

From 1 July 2004 measures introduced will reduce the number of rate calculators that determine the rates of payment to which social security customers are entitled. This measure is expected to result in savings of \$2.2 million over four years and includes:

- ◆ consolidation of the Commonwealth Rent Assistance calculation process;
- ◆ clarification of payments recoverable due to economic loss compensation payments;
- ◆ clarification of the definition of independence for DSP youth recipients for consistency with that applied to YA recipients.

Cost: nil (\$0.8 million savings in 2004-05)

Increased compliance for Veterans

Veterans' Affairs pensioners will undergo increased reviews aimed at updating their payment levels by the introduction of an enhanced compliance program to review the circumstances of income support pensioners (in the Veterans' Affairs portfolio) who have not recently been reviewed. Savings for the Department of Veterans' Affairs will commence in 2004-05 totalling \$17.2 million over three years, at a cost of \$4.7 million over four years.

Cost: \$0.9 million (\$1.3 million savings in 2004-05)

Validation of Concession Cards - Pharmaceutical Benefits Scheme (PBS)

From 1 July 2004 Centrelink will develop software to assist in the implementation of the PBS. The measure is based on the use of the Medicare number on pharmaceutical benefit prescription information provided to the Health Insurance Commission and will facilitate the monitoring of entitlement to concessional pharmaceutical benefits (also refer *Chapter 6: Health*).

Cost: \$1.8 million (\$1.3 million savings in 2004-05)

Chapter 5

Housing and regional development

Figure 5.1
Housing and Regional Development – Key Measures

Key Budget 2003 Measures	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
AusLink development *	3.8	2.5	2.6	2.6

Note: *Allocated to Department of Transport and Regional Services (DOTARS). See also Chapter 8: Rural and Remote communities.

Overview

The Budget is silent on initiatives to alleviate the current affordable housing crisis in Australia, or to help the 105,000 or more homeless people struggling to survive without shelter. This is in an environment where public housing waiting lists, already over 200,000, continue to grow; and where Commonwealth Rent Assistance is inadequate to assist many people with housing affordability.

It is particularly disappointing that the Budget provides no new resources to move the National Homelessness Strategy, which appears to have been lying dormant since 2001, forward.

Total expenses in the housing and community amenities function decline from 2002-03 to 2003-04 reflecting the conclusion of the additional First Home Owners Scheme (FHOS) and lower Commonwealth-State/Territory Housing Agreement (CSHA) base funding. Generally expenses decrease over the forward years with a reduction from 2003-04 to 2006-07 with the termination of funding for several regional development programs.

Housing affordability

First Home Owners Scheme (FHOS)

Although the additional FHOS has ended (extended by a further \$3,000 for new homes built or purchased between 1 January and 30 June 2002), some payments continue to be made. In 2002-03 the allocation is \$56.5 million down to \$10 million in 2003-04, then zero for the out years.

Commonwealth-State/Territory Housing Agreement (CSHA)

Base funding to the States and Territories for the Commonwealth State Housing Agreement (CSHA) declines from around \$824 million in 2002-03 to \$753 million in 2006-07. The cessation in 2002-03 of the GST transitional funding provided under the CSHA contributes to a reduction in expenses between 2002-03 and 2003-04.

Regional development

Support for the National Transport Commission and the National Transport Advisory Council, administered under the DOTARS portfolio, will be enhanced by \$11.5 million over four years. This includes continued work on the integrated land transport planning framework, AusLink.

Cost: \$3.8 million (\$2.5 million in 2004-05)

Regional Partnerships

From 1 July 2003 a range of regional programs will be incorporated into a new integrated program called 'Regional Partnerships'. The new program will support initiatives in four key areas:

- ◆ strengthening growth and opportunities;
- ◆ improving access to services;
- ◆ supporting planning, and
- ◆ assisting structural adjustments for communities.

Provision for this funding has already been allocated in the forward estimates. (See also *Chapter 8: Rural and remote communities*)

Chapter 6

Health

Figure 6.1
Health — Key Measures

Key Budget 2003 Measures (effect on outlays)	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<i>A Fairer Medicare</i>				
- Access to broadband technology	4.1	5.1	-	-
- Additional medical school places*	5.1	8.4	12.4	16.4
- Encourage GP take-up of HIC Online	4.2	2.0	1.3	0.2
- GP incentive payments to bulk bill patients with concession cards	46.8	80.0	103.1	115.6
- Improved information and practice management	1.8	1.9	1.4	1.0
- Information for the public and medical professionals	19.1	-	-	-
- More practice nurses and allied health workers for urban areas of workforce shortage	15.0	15.7	16.4	17.1
- New GP training places	12.9	37.5	63.0	76.0
- New Medicare safety net for patients with concession cards	12.8	17.9	17.7	18.1
- New private health insurance safety net for out-of-hospital Medicare expenses	16.3	24.2	23.5	24.4
- Reducing up front costs for GP visits	4.7	1.9	1.8	1.8
- Veteran access fee for Local Medical Officers**	15.6	14.7	15.3	16.0
<i>(Total – Fairer Medicare)</i>	<i>(158.4)</i>	<i>(209.3)</i>	<i>(255.9)</i>	<i>(286.6)</i>
<i>Focus on Prevention</i>				
Community awareness and infrastructure	2.1	1.5	0.7	-
Primary care providers working together	2.7	4.6	4.6	4.5
HealthConnect	2.5	2.5	-	-
Improved Monitoring of PBS Entitlements initiative	14.8	-	-	-
Severe Acute Respiratory Syndrome	1.7	-	-	-
Medical Indemnity Insurance Framework – rural obstetricians	3.8	2.3	2.1	2.1
National Meningococcal C Campaign	1.3	0.4	0.4	0.4

Key Budget 2003 Measures (effect on outlays)	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Trans-Tasman Therapeutic Products Agency	5.4	2.6	-	-
Health Insurance Commission	40.0	-	-	-
Food Standards Australia New Zealand – development of primary production and processing standards	0.5	0.5	0.5	0.5
Savings:				
Australian Health Care Agreements	-108.9	-172.0	-264.6	-372.9
General Practice Education, Support and Community Linkages Program	-1.4	-1.7	-1.8	-1.8
National Blood Authority – establishment and new Commonwealth funding arrangements	-3.4	-9.1	-11.2	-11.4
Lifetime Health Cover – terminate implementation funding	-1.5	-1.5	-1.6	-1.8
Pharmaceutical Benefits Scheme – improved entitlement validation of concession cards (see also capital expenditure under FaCS)	11.6	2.8	-14.0	-32.7
Private Health Insurance Premium – further measures to contain future increases	-0.1	-10.4	-14.4	-24.7

Notes * Includes DHAC and DEST funding

** Department of Veteran Affairs

Overview

The changes to Medicare (A Fairer Medicare) announced by the Government prior to the Budget account for most of the expenditure in the health portfolio, with a net impact on the Budget of \$910.2 million over the next four years. The major Budget initiatives within the 'Fairer Medicare' plan are:

- ◆ Incentive Payments for GPs to bulk bill concession card holders: \$345.5m
- ◆ New GP training places: \$189.4m
- ◆ New private health insurance safety net: \$88.4m

The most significant savings relate to the next Australian Health Care Agreements, with a \$918.4 million net saving to the Budget. The expected savings to the Commonwealth come from adjustments to previous estimates due to parameter changes which include downward adjustments in the proportion of public hospital services provided to *admitted* patients and in general public hospital usage growth beyond those resulting from demographic changes. The Budget papers claim that this latter change can be partly explained by the success of the Government's Private Health Insurance Rebate and Lifetime Health Cover in diverting demand for public hospital services to private hospitals.

The net effect of expenditure and saving measures in the Health and Ageing portfolio is a projected budget saving of \$51.5 million over the next four years.

Changes to Medicare (A Fairer Medicare)

Access to broadband technology

Funding of \$9.2 million over two years will pay GPs to access broadband technology necessary for them to adopt initiatives such as HIC Online.

Cost: \$4.1 million (\$5.1 million in 2004-05)

Additional medical school places

A total of \$42.1 million will be provided over four years to fund an additional 234 medical school places per year from the beginning of the 2004 academic year and is expected to address concerns that the current supply of medical practitioners will not be adequate to meet long term needs. The Government will require students who accept one of these additional places to enter into a contract to work in a designated area of workforce shortage for six years after completing their training. In the event that undergraduate medical students do not fulfil this obligation, they would be required to repay the entire cost of their training to the Commonwealth.

Cost: \$5.1 million (\$8.4 million in 2004-05)

Encourage GP takeup of HIC (Health Insurance Commission) Online

\$9 million over five years will be provided to assist GPs who have agreed to bulk bill concession card holders by providing them with access to a real-time electronic claiming service for Medicare rebates.

Cost: \$4.2 million (\$2.0 million in 2004-05)

GP incentive payments to bulk bill patients with concession cards

\$346.2 million will be provided over five years, including \$0.7 million in 2002-03, for GPs who elect to take part in the GP Access Scheme and will undertake to bulk bill all of their patients with concession cards in return for a fixed dollar additional payment per concessional service. Differing incentive payments will be offered on a regional basis – with the highest payments being offered in remote areas. The incentive payment will be indexed annually by the Consumer Price Index.

Cost: \$46.8 million (\$80.0 million in 2004-05)

Improved information and practice management

\$6.1 million will be provided over four years to pay GPs to place signage in their surgeries to ensure that patients are aware of which practices are participating in the GP Access Scheme and of any gap payments the practice may charge. Funding will also be provided for programs to assist GPs in improving waiting list management.

Cost: \$1.8 million (\$1.9 million in 2004-05)

Information for the public and medical professionals

\$21.1 million will be provided, with \$1.9 million provided in 2002-03, for advertising to promote the Government's *A Fairer Medicare* package.

Cost: \$19.1 million

More practice nurses and allied health workers for urban areas

\$64.2 million will be provided over four years for a general practice incentive payment for practices participating in the GP Access Scheme to employ practice nurses and allied health workers in urban areas of workplace shortage. This measure builds on the success of an earlier measure which provided similar funding to practices in rural and regional areas. (This measure redirects some resources from the 2002-03 Budget measure *More Doctors for Outer Metropolitan Areas*.)

Cost: \$15.0 million (\$15.7 million in 2004-05)

New GP training places

\$189.5 million over four years will fund an additional 150 GP trainees per year and will bring the total number of new GP trainees to 600 in any one year.

Cost: \$12.9 million (\$37.5 million in 2004-05)

New Medicare safety net for patients with concession cards

Funding of \$67.1 million over five years, including \$0.6 million in 2002-03, will cover 80 per cent of all out-of-pocket Medicare items over a set threshold for concession card holders. Under this measure, the maximum an individual or family covered by a Commonwealth concession card will pay in out-of-pocket costs on out-of-hospital items covered by Medicare will be \$500 per calendar year before the new safety net comes into effect. This initiative will supplement the existing Medicare safety net which funds up to 100 per cent of the scheduled fee once a registered individual or family exceeds and expenditure limit.

Cost: \$12.8 million (\$17.9 million in 2004-05)

New private health insurance safety net for out-of-hospital Medicare expenses

\$89.6 million over five years, including \$1.2 million in 2002-03, will provide the 30 per cent private health insurance rebate to people who take up a private health insurance product which provides a safety net for out-of-hospital medical expenses related to specialist, diagnostic or GP services provided out of hospital. Funds will be able to cover 100 per cent of members out-of-pocket expenses above \$1,000 in any calendar year.

Cost: \$16.3 million (\$24.2 million in 2004-05)

Reducing upfront costs for GP visits

\$11 million over five years, including \$0.9 million in 2002-03 will cover the administrative costs of a new scheme allowing GPs who charge patients above the Medicare rebate to collect the gap between the fee charged and the rebate directly from the patient while direct billing Medicare for the rebate. This measure will require amendments to the *Health Insurance Act 1973*.

Cost: \$4.7 million (\$1.9 million in 2004-05)

Veteran Access fee for Local Medical Officers

\$61.7 million over four years will pay Local Medical Officers an additional veteran access fee of \$3 for each service provided to an eligible veteran or war widow.

Cost: \$15.6 million (\$14.7 million in 2004-05)

Focus on prevention

Community awareness and infrastructure

Funding of \$4.3 million over three years will support general practices in assisting individuals to adopt healthier lifestyles through the development of tools for GPs, information for patients and families and a communication and information strategy focussing on nutrition, physical activity and obesity prevention.

Cost: \$2.1 million (\$1.5 million in 2004-05)

Primary health care providers working together

\$16.4 million over four years will fund a small number of pioneer general practices to develop evidence-based, multi-disciplinary approaches to prevention and early detection of chronic disease. Services will be enhanced through general practices working collaboratively with other primary care providers including nursing, pharmacy and allied health workers. (Funding for this and the following measure comes partly from funds redirected from the *General Practice Education, Support and Community Linkages Program* – see below under Savings).

Cost: \$2.7 million (\$4.6 million in 2004-05)

HealthConnect – a national information network

Additional funding of \$5 million over two years will allow completion of developmental work on a national health information network which will improve the flow of clinical information across the health care sector.

Cost: \$2.5 million (\$2.5 million in 2004-05)

Improved monitoring of Pharmaceutical Benefits Scheme entitlements

This initiative provides payments to pharmacists for requesting and recording Medicare numbers on prescriptions and verifying cardholder status. The aim of the initiative is to decrease the incidence of 'doctor shopping' amongst patients and protect against access to the PBS by people from countries which do not have reciprocal health care agreements with Australia.

Cost: \$14.8 million

Severe Acute Respiratory Syndrome (SARS)

The Government will provide \$2.2 million over two years (including \$0.5 million in 2002-03) to fund the placement of nurses at international airports to identify potential cases of SARS.

Cost: \$1.7 million

Medical indemnity insurance framework – rural obstetricians

\$10.3 million over four years will be used to increase the subsidy available to rural obstetricians from 50 per cent to 80 per cent of the difference between the cost of their premiums plus their Incurred but Not Reported contribution (if applicable) and the corresponding cost for gynaecologists in the same income band in the relevant State or Territory.

Cost: \$3.8 million (\$2.3 million in 2004-05)

National Meningococcal C Campaign

An additional \$7.4 million over five years, including \$4.8 million in 2002-03, will support the National Meningococcal C Vaccination Program by funding an awareness program to inform parents of eligible children for the vaccine and the Health Insurance Commission to collect information for the Australian Childhood Immunisation Register.

Cost: \$1.3 million (\$0.4 million in 2004-05)

Trans-Tasman Therapeutic Products Agency

This Agency will replace Australia's Therapeutic Goods Administration and New Zealand's Medsafe on 1 July 2005. The funding will cover Australia's share of establishing the joint Australian-New Zealand agency to safeguard public health and safety through the regulation of the quality, safety and efficacy of therapeutic goods.

Cost: \$5.4 million (\$2.6 million in 2004-05)

Health Insurance Commission – additional funding

This measure will ensure that the Health Insurance Commission (HIC) is appropriately resourced to continue to deliver a range of health and family services programs. The expense figure below reflects a change from the HIC's previously reported financial position for 2003-04 of a \$5.7 million profit, which could not be achieved, to a \$0 profit in 2003-04, as well as an additional \$34.3 million being provided by the Government. The funding in 2003-04 represents the first phase of a process to update the HIC's resourcing arrangements, with further funding to be decided after an activity-based costing and benchmarking exercise to be undertaken in 2004-05 to 2006-07.

Cost: \$40.0 million

Food Standards Australia New Zealand (FSANZ) – development of primary production and processing standards

Funding of \$2.1 million over four years will enable the FSANZ to develop nationally consistent primary production and processing standards.

Cost: \$0.5 million (\$0.5 million in 2004-05)

Illicit drugs strategy

The Budget announced a number of changes to the *National Illicit Drugs Strategy* but with no new net funding for the programs administered by the Department of Health and Ageing. New funding of \$4.3 million over four years has been provided for detection of illicit drug manufacturing under the Attorney-General's portfolio (See also *Chapter 9: Law and justice*).

Savings

Australian Health Care Agreements

The Government will provide \$42 billion over five years for the new Australian Health Care Agreements. This represents 17 per cent real growth over the life of the agreements. The Commonwealth's expected saving of \$918.4 million under the new Australian Health Care Agreements come from adjustments to previous estimates due to parameter changes.

Saving: \$108.9 million (\$172.0 million in 2004-05)

General Practice Education, Support and Community Linkages Program

Funding for this program was provided in the 1999-2000 Budget to educate GPs about the Enhanced Primary Care (EPC) package and is no longer required as the package is now fully implemented. The savings from this measure will partially fund the *Focus on Prevention* measures in this Budget.

Saving: \$1.4 million (\$1.7 million in 2004-05)

National Blood Authority

New national arrangements for the management of blood and plasma products in Australia will take effect from 1 July 2003, including new cost sharing arrangements between the Commonwealth and the States and Territories. The Commonwealth will provide funding of \$13.2 million over four years for the National Blood Authority. Savings of \$35.2 million over four years are anticipated due to new incentives for States and Territories to manage the clinical use and administration of blood and plasma products more efficiently and effectively.

Saving: \$3.4 million (\$9.1 million in 2004-05)

Lifetime Health Cover – terminate implementation funding

As work is now complete funding for the program will cease.

Saving: \$1.5 million (\$1.5 million in 2004-05)

Pharmaceutical Benefits Scheme – improved entitlement validation of concession cards

From 1 July 2004, pharmacists will be able to monitor entitlements to concessional pharmaceutical benefits by operating a real-time check of a patient's concessional status when processing a prescription. This is expected to save \$32.3 million over four years, but with a cost to the Budget in both 2003-04 and 2004-05 before savings are expected to flow.

Cost : \$11.6 million (\$2.8 million in 2004-05)

Private Health Insurance Premium – containing future increases

The Government will introduce a range of measures to contain future private health insurance premium increases which are expected to save \$49.6 million over four years. These measures will build on those announced on 11 September 2002.

New arrangements for private health insurance coverage of prostheses will require private health funds to offer products covering a full range of safe and cost-effective prostheses with no out-of-pocket cost to members for all procedures covered by Medicare. Members opting to have a prosthesis that costs more than the no-gap prosthesis will be required to pay the difference. However, funds will still be able to offer products, at a higher premium, covering more expensive prostheses or prostheses not related to Medicare items.

New arrangements will also be introduced for benefits paid to high-quality private hospitals and day surgeries where a contractual arrangement is not in place between the patient's health fund and the hospital provider. A new rural and regional default benefit will be introduced for rural and regional private hospitals where these hospitals provide the only service to their communities. This will replace the 'second tier' default benefit scheme which required certification of any private hospitals where a contractual relationship was not in place between the patients health fund and the hospital provider before the hospital provider was permitted to receive payments from the relevant private health fund. The Government has been concerned for some time about abuse of the 'second tier' default benefit scheme.

Enhanced risk sharing arrangements, which involve financial transfers between funds based on categories of risk based on age and gender will be introduced from 1 July 2004. These arrangements will reward more efficient funds and remove current disincentives for funds to manage risk and offer health promotion and disease prevention programs.

Saving: \$0.1 million (\$10.4 million in 2004-05)

Chapter 7

Community services

Figure 7.1
Community Services — Key Measures

Key Budget 2003 Measures	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Disability Employment Assistance – case based funding	6.5	17.2	44.2	44.0
Disability Employment Assistance – business services	14.6	9.3	-0.4	-0.8
Special Needs Subsidy Scheme – additional funding	6.3	6.4	6.5	6.7
Men and Family Relationships – extension of funds	6.1	6.2	6.3	6.5
Aged Care Assessment Teams	2.5	-	-	-
Commonwealth Hearing Services Program*	0.2	0.4	-0.7	-0.9
Community Care Grants Program – DVA**	1.5	1.5	1.6	1.6

Overview

Australia's system of community services is not a major focus of this Budget. Despite increasing need in a range of areas, there is little to report outside of the welcome growth in spending on services for people with disabilities.

For the third year in a row, there is a significant increase in funding for specialist disability employment services (funded primarily via planned cutbacks in spending on the Disability Support Pension – see *Chapter 4: Social security*). There is also an increase of over 30% in the number of places funded under the Special Needs Subsidy Scheme, which enables child care services to employ additional staff to care for children with high needs.

Disability employment assistance

Introduction of Case Based Funding

The Budget allocates \$135.3 million over four years to enable specialist disability employment services to implement case based funding. This total is made up of \$111.8 million in new money, and \$23.5 million which is expected to come from reduced income support payments as more people with disabilities commence paid work or increase their incomes.

This measure aims to assist 6,000 new job seekers and follows two prior years of growth in this area. Last year's Budget contained funding for 73,000 new employment, education and training places, of which 17,200 are places in disability employment services. In addition, the *Australians Working Together* package allocated \$57 million over four years for a further 7,000 new disability employment places. In total, the three years of growth represent a significant and welcome increase in the level of Government assistance to people with disabilities to find and keep employment.

The move to case based funding follows a three-year trial and evaluation of the model. Funding levels per person have been increased following the evaluation. The measure also includes funds for personal assistance at work, incentives for service delivery in rural and remote areas, and an allocation to support service providers making the transition to the new funding model.

Cost: \$6.5 million (\$17.2 million in 2004-05)

Viability of Business Services

Funding of \$25.4 million over three years has been allocated to assist Business Services achieve quality assurance certification, including the payment of fairer wages to people with disabilities. The funding will be used for a range of strategies including providing advice, training and support in business and change management.

This measure includes \$22.7 million new money and a further \$2.7 million which the Government expects to generate through new income reporting arrangements. With permission from employees, providers of business services will be able to give employees' income information to Centrelink.

Cost: \$14.6 million (\$9.3 million in 2004-05)

Special Needs Subsidy Scheme

The Budget allocates \$25.8 million over four years to the Special Needs Subsidy Scheme, which funds child care services to support children with high needs. This very welcome measure is expected to provide assistance to 1,250 children, which should address the needs of those on waiting lists since the scheme was frozen 12 months ago, and represents an increase of 34% in the number of available places.

Cost: \$6.3 million (\$6.4 million in 2004-05)

Family education

Extension of Funding for Men and Family Relationships Education Programs

Funding of \$25.1 million over four years has been allocated to continue the Men and Family Relationships and Family Relationships Education Programs. This welcome measure forms part of the Government's response to the Family Law Pathways Advisory Group report *Out of the Maze – Pathways to the Future for Families Experiencing Separation*. (Other related measures are included in the Attorney-General's Portfolio – See *Chapter 9: Law and justice*.)

Cost: \$6.1 million (\$6.2 million in 2004-05)

Aged and community care

Apart from \$2.5 million for Aged Care Assessment Teams in 2003-04, the Budget contains nothing new in the areas of aged and community care. As expected from earlier forward estimates, the Home and Community Care (HACC) Program will receive a funding increase of \$58.3 million, which represents 8.6 per cent growth. Residential aged care places and Community Aged Care Packages will also grow in line with expectations with increased allocations for 2003-04 of \$249 and \$17 million respectively.

The Budget papers contain several announcements in the Health and Ageing portfolio about the continuation of initiatives and programs. These do not represent new funding measures. Rather, they represent a four-yearly recommitment by the Government to existing programs. These include 100 aged care places under the Multi-Purpose Service Program, ongoing funding for Commonwealth Carelink Centres and funding for the dementia and challenging behaviours initiative.

Aged Care Assessment Teams

The Government has allocated \$2.5 million of additional funding in 2003-04 for Aged Care Assessment Teams. Continued funding of the program will be considered in the 2004-05 Budget following the Residential Care Pricing Review.

Cost: \$2.5 million

Commonwealth Hearing Services Program – Increased Client Charges

The Commonwealth Hearing Services Program offers clients maintenance agreements for the provision of batteries, maintenance and repairs for hearing devices. The fee to the client is \$31.50 annually – an amount which has not been indexed since 1999. Under this measure the annual charge will increase in line with the Consumer Price Index from 1 July 2003, which will save the Department of Family and Community Services \$2.2 million over four years. The Department of Veterans' Affairs will continue to pay the client contribution for maintenance for veterans, at an increased cost of \$0.7 million over four years.

Cost: \$0.2 million (\$0.4 million in 2004-05)

Department of Veterans' Affairs – Community Care Grants Program

The Community Care Grants Program provides funding to community organisations to increase veterans' access to community aged care. The Budget allocates an additional \$6.2 million over four years to the program to allow it to continue.

Cost: \$1.5 million (\$1.5 million in 2004-05)

Chapter 8

Rural and remote communities

Figure 8.1
Rural and Remote communities — Key Measures

Key Budget 2003 Measures	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Drought Assistance*	297.4	154.2	0.6	-
Aquaculture Industry Action Agenda	2.5	-	-	-
Farmhelp	-	-	-	-
AUSLINK**	3.8	2.5	2.6	2.6
Airservices Australia	7.0	-	-	-
Disaster Mitigation	6.2	13.2	6.9	6.9
National Roads	-	-	25.0	-
Extension of Energy Grants Scheme and incentive to switch to cleaner fuels	13.0	18.0	10.0	46.0

Note *Also provided in the Budget is an additional \$233.6 million for drought assistance and income support, the Country Women's Association Emergency Aid Fund, pest animal management, and personal counselling in 2002-3.

**This measure is also contained in Chapter 6: Housing and regional development.

Overview

While there were a number of measures provided for in the Budget to ameliorate the immediate effects of the prolonged experience of drought in rural Australia, there was little in terms of the new investment in infrastructure, services and land and water management needed to stem the economic decline in many areas.

Drought assistance

The 2003-04 Budget provides for a number of drought relief and related measures. Many new measures were announced prior to the Budget or provided in 2002-03. The package includes:

- a) \$76 million over two years for additional one off drought assistance of financial assistance to drought affected farmers, small business and communities, in advance of Exceptional Circumstance applications from State governments.

Cost: \$49.7 million (\$25.9 million in 2004-05)

- b) \$33.1 million interim income support and interest rate relief for up to six months for farmers in drought affected areas, and to those suffering a 1 in 20 year rainfall deficiency from March 2002 to November 2002.

Cost: \$30.5 million (\$12.6 million in 2004-05)

- c) \$333.5 million over three years for Exceptional Circumstances assistance to farmers in regions across NSW, Victoria, QLD and SA.

Cost: \$217.2 million (\$115.7 million in 2004-05)

Health and welfare

A number of measures designed to improve access to primary care and increase bulk billing levels in rural and remote communities are contained in the government's Medicare reform proposals (see *Chapter 6: Health*). Scholarships for students from rural areas are also provided for in the new higher education proposals (see *Chapter 3: Employment, education and training*).

Specific measures include \$10.3 million over four years to increase the financial support for obstetricians in rural and remote areas as a part of medical indemnity measures and are described in *Chapter 6: Health*. Other health measures announced reflect a continuation of funds already provided for in the forward estimates.

Additional funds of \$8.2 million over four years have been provided to expand by 50 Centrelink's agent and access points in rural areas (See *Chapter 4: Social security*).

Transport, industry and infrastructure

Airservices

\$7 million will be provided in 2003-04 to continue the Location Specific Pricing Subsidy for Airservices Australia, to limit the effect of location specific pricing on smaller airports with limited ability to meet costs of air traffic control services.

Cost: \$7 million

Auslink

Additional funding of \$11.5 million over four years was provided to progress Auslink initiatives, a significant component of which is relevant to rural and remote communities. (See *Chapter 5: Housing and regional development* for more details.)

Cost: \$3.8 million (\$2.5 million in 2004-05)

Roads

The government will provide an additional \$25 million in 2005-06 to the National Highway – Roads of Importance Programme to improve road access, safety and transport efficiency for regional communities.

Regional planning and development

From July 2003, a range of regional programs will be consolidated into the "Regional Partnerships" Programme, supporting initiatives to strengthen growth, improve access to services, support planning, and support structural adjustment. (See also *Chapter 5: Housing and regional development*)

Agriculture and land management

Aquaculture

The Budget provides \$2.5 million towards the implementation of the Aquaculture Industry Action Agenda, including research and development and regulatory structures for the industry.

Cost: \$2.5 million

Farmhelp

The closing date for applications for assistance under this initiative will be extended to 30 June 2004. The Programme helps farmers improve the management of their farms or to explore non-farming options.

Disaster Mitigation

\$68.5 million will be provided over five years to establish a Disaster Mitigation Australia Package. Funding will be used to develop strategies to reduce the economic and social costs of natural disasters especially in rural and regional Australia

Cost: \$6.2 million (\$13.2 million in 2004-05)

Environment

Measures will be introduced to encourage conversion from 'dirty' fuels, by extending the Energy Grants Scheme to include liquefied natural gas and biodiesel from 2003 and for low sulphur fuels from 2005, bringing forward the production of higher quality fuels. Also announced are increases to off road grants for the agricultural sector to compensate for additional excise on high sulphur fuels, originally announced as part of the 1999 package – *Measures for a better environment*.

Cost: \$13.0 million (\$18 million in 2004-05)

Chapter 9

Law and justice

Figure 9.1
Law and Justice — Key Measures

Key Budget 2003 Measures	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Community Services Settlement Scheme	0.9	-	-	-
Immigration detention onshore – review of long term strategy*	-7.1	-9.6	-9.7	-9.9
Additional magistrates	0.5	0.5	0.5	0.5
Children's Contact Services**	4.1	4.2	4.3	4.4
Family Court of Western Australia – additional funding	0.9	1.0	1.1	1.2
Handgun buyback program	55.9	10.1	-	-
International Criminal Court – Australia's contribution	3.3	1.4	1.4	1.4
National Crime Prevention Programme – building safer communities	4.0	-	-	-

Note: * There is also capital expenditure of \$5.6 million to enhance fire compliance and 'detainee management' at Baxter Immigration Detention Centre associated with this measure.

** Represents continuation of funding.

Overview

The handgun buyback program is the major expenditure item in the law and justice area and an important long term measure for reducing the incidence of injury and death. While the Budget provides limited additional resources to the Family and Federal Magistrates Courts (and a contribution to the International Criminal Court) there are no additional resources to enhance access to justice for people on low incomes or who are otherwise disadvantaged. There is continuation of funding for a number of programs under Family Laws Pathways, including the Children's Contact Service and Victorian Court Network as well as for drug use monitoring by the Australian Institute of Criminology.

\$100.5 million has been committed for humanitarian aid and reconstruction activities in Iraq, part of which represents additional funds to AusAID in 2002-03, with the remainder sourced from AusAID's existing budget. \$0.4 million over four years has also been granted to the International Development Law Organisation.

The Budget also provides \$32.6 million over four years to maintain the Administrative Review Tribunal following the Senate's rejection of proposals to amalgamate this and other merit review tribunals.

On the savings side, the Government's strategies to dissuade asylum seekers from entering Australia have resulted in projected savings of \$30.7 million over four years due to the closing of Woomera Immigration Reception and Processing Centre from March 2003. These savings include an additional \$14.3 million over four years to build an alternative detention facility for women and children near the Baxter detention facility.

Migrants and refugees

There is a small increase in the Community Settlement Services Scheme which provides grants to community-based organisations to assist migrants and refugees to settle in Australia. The new money has been provided to enable the Scheme to give priority to the needs of emerging communities.

Cost: \$0.9 million

Crime and injury prevention

Funds of \$69 million from 2002-03 has been provided for the handgun buy-back scheme.

Cost: \$55 million (\$10.1 million in 2004-05)

An additional \$4 million in 2003-04 has been provided to the National Crime Prevention Programme to promote ways to reduce and prevent crime, fear of crime and young people's involvement in crime and delinquent behaviour.

Cost: \$4 million

\$7.5 million over four years will be provided as Australia's contribution to the International Criminal Court.

Cost: \$3.3 million (\$1.4 million in 2004-05)

Law and family law

\$4.1 million over four years will be provided to the Attorney-General's Department for additional resources for the Family Court of Western Australia.

Cost: \$0.9 million (\$1 million in 2004-05)

\$3.1 million over three years will be provided to expand the Parramatta Contact Order Service and provide new services in south east Queensland. This program works with families to reduce family conflict and improve compliance with child contact orders.

Cost: \$0.5 million (\$0.5 million in 2004-05)

\$4.4 million over four years will be provided to appoint two additional magistrates to the Federal Magistrate Service to ease the workload pressure in Brisbane and Melbourne.

Cost: \$1 million (\$1.1 million in 2004-05)

Chapter 10

Indigenous communities

Figure 10.1
Indigenous — Key Measures

Key Budget 2003 Measures	2003-4 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
CDEP – additional places*	10.7	11.0	11.2	11.5
COAG trial	3.0	3.0	-	-
Reconciliation Place-Stage 2	1.1	-	-	-
Report on indicators of Indigenous disadvantage	0.6	0.6	0.6	0.6
Longitudinal Study – Indigenous Children*	0.6	1.3	-	-
Expansion of Centrelink Services*	0.7	1.6	-	-

Note: * Measures also outlined in relevant portfolio chapters.

Overview

There are only modest measures in this Budget to advance the interests of Indigenous Australians. Overall ATSIC (and the new service provision entity, ATSIIS) will receive a total of \$2.24 billion, a small increase over last year. The Government reports that all Indigenous specific programs total \$2.7 billion through this Budget.

The most significant measure is the additional investment in CDEP places for remote areas. While this is welcome, as an Indigenous 'work for the dole' program CDEP has variable success at improving the economic circumstances of Indigenous Australians or in leading to real jobs. Moreover CDEP participation is counted as 'employment' such that increased participation is likely to further disguise real levels of Indigenous unemployment.

The Budget contains no serious commitment to reconciliation, or the Indigenous control over land and resources needed to make real progress. Particularly disappointing is a lack of any significant new commitments to invest in improving the standard of Indigenous health or housing. The commitment to trialing pooled funding under COAG is a step in the right direction, but needs to engage Indigenous people and communities in its development, steerage, delivery and evaluation, particularly in cities.

The decision announced before the Budget to significantly strip the Aboriginal and Torres Strait Islander Commission's resources and confine its role to a policy one is unjustified and likely to be counterproductive over the longer term.

Reconciliation

\$1.1 million will be provided in 2003-04 to further develop Reconciliation Place, including artworks covering the themes of experiences of separated children and Indigenous leaders.

Cost: \$1.1 million

Co-ordination, research and service development

\$6 million will be provided to the Department of Immigration and Multicultural and Indigenous Affairs for a two year trial of pooled funding arrangements conducted within the Council of Australian Government Indigenous trial regions. These trials are primarily being undertaken in rural and remote areas with limited benefit for the majority of Indigenous people who live in capital cities. The resources for this project are sourced from savings in a number of other agencies including \$2 million from ATSIC.

Cost: \$3 million (\$3 million in 2003-04)

Additional funding of \$2.4 million over four years will be provided to the Productivity Commission to prepare an annual report on key indicators of Indigenous disadvantage. This should contribute to a Budget priority identified by ACOSS - to develop a framework for assessing the impact of Commonwealth programs and services on Indigenous communities.

Cost: \$0.6 million (\$0.6 million in 2004-05)

A longitudinal study comprising 2,000 babies less than 12 months old and 2,000 four to five year olds will be conducted. This will cost \$8.6 million over four years. The study will focus on linkages between early childhood experiences and later life outcomes for Indigenous children living in remote, rural, regional and urban centres. The study will complement the existing Longitudinal Study of Australian Children. The government has also announced with this Budget continuation of funding for the ANU Centre for Aboriginal Economic and Policy Research (CAEPR) that was due to expire in 2003.

Cost: \$0.6 million (\$1.3 million in 2004-05)

Employment

\$61.5 million over five years will be provided to ATSIS to expand the Community Development and Employment Projects Programme (CDEP) by 1,000 places per year. For the first four years this is offset by a reduction in costs to the Department of Family and Community Services. An additional on-cost amount of \$17.1 million has been identified to be absorbed from the existing Aboriginal and Torres Strait Islander Services (ATSIS) budget. Places will be targeted at remote communities to support projects seeking to prevent and address family violence and substance misuse - including night patrols, police aids, court workers and interpreters.

Cost: \$10.7 million (\$11 million in 2004-05)

An Indigenous Capital Assistance Scheme is being introduced that will engage the private financial sector in providing loans and business advice to enable Indigenous business development at the local level. \$10.5 million dollars over four years will be allocated to this scheme out of the existing Indigenous Employment Policy budget.

Education

The Government's new university education package contains specific proposals to provide scholarships to disadvantaged students, including those from Indigenous backgrounds (see also *Chapter 3: Employment, education and training*). Most measures begin from 2004-05 and include:

- ◆ Funding for vocational areas identified as high national priority. Funding of \$161 million over four years, beginning in 2003-04, will be given to universities to address Indigenous education and to increase the number of nursing and teaching places, and to give a greater contribution to nursing and teaching course costs.
- ◆ The Indigenous Support Fund will receive additional funding of \$10.4 million over three years, from 2004-05, to improve Indigenous participation in higher education.
- ◆ An Indigenous Higher Education Advisory Council established to advise the Minister and DEST, set strategies for increasing Indigenous staff numbers, and to convene an annual Indigenous Higher Education Conference. It will receive funding of \$260,000 per year, beginning in 2003-04.
- ◆ The Higher Education Equity Programme (HEEP) will receive additional funding of \$2.3 million a year from 2004-06, and an additional \$2.4 million in 2006-07. Funds will be allocated according to a performance based formula.
- ◆ Introduction of three new scholarship programs and additional funding for the Australian Postgraduate Awards Scheme will cost \$161.5 million over four years, from January 2004.
 - Merit based Commonwealth Education Costs Scholarships (CECS) will be granted to undergraduate students from low socio-economic and/or Indigenous backgrounds at \$2000 per year for up to four years. In 2004 there will be 2,500 scholarships, and by 2007, 5,075 new scholarships awarded each year with approximately 17,630 students in receipt of a scholarship. It will cost \$84.4 million over four years.
 - Merit based Commonwealth Accommodation Scholarships will be granted to students from rural and regional areas at \$4,000 per year for up to four years. In 2004, there will be 1,500 scholarships, and by 2007, 2,030 new scholarships awarded each year with about 7,550 students in receipt of a scholarship. It will cost \$75.8 million over four years.
 - Five Indigenous Staff Scholarships will be granted each year for Indigenous university staff to undertake study. They will provide \$10,400 for fees and a non-taxable stipend of \$20,900.

Expansion of Centrelink services

\$8.2 million in additional funds over four years will expand Centrelink's agent and access point network in rural and remote Australia by 50 new access points. From 1 July 2003 Centrelink will contract local community based organisations to provide these services, with a review by October 2006.

Cost: \$0.7 million (\$1.6 million in 2004-05)

Health

The Budget continues to expand the Aboriginal and Torres Strait Islander Primary Health Care Access Programme. This program, established as part of the 2001-02 Budget, is an innovative collaboration with State and Territory Governments in 17 priority areas. The program has had some early success and this Budget continues the roll-out of additional funding committed earlier. The PHCAP will receive, in total, \$55 million in 2003-04.



ACOSS Media Release Issued 1pm Wednesday 14 May 2003

How low and middle income Australians will pay for Budget tax cuts

The Australian Council of Social Service today warned that low and middle income Australians will pay for the Budget's tax cuts through higher user charges and declining services.

ACOSS President Andrew McCallum said: "The Budget's \$2.4 billion tax cuts will come at a high price for low and middle income Australians"

"This Budget heralds a fundamental shift in the funding of basic health, education and social services — a shift from Government and community responsibility towards user pays."

"At the same time, the Budget is silent on the Government's heralded reforms to family assistance and social security."

"If these tax cuts go ahead, there will be no room in this or future Budgets to stem the decline in basic community services, unless the users are made to pay more. The ACOSS national survey of community agencies, 'Australians Living on the Edge' shows that more than 180,000 people in need were turned away because of lack of resources in 2002."

"For \$4 a week in their pockets, low and middle income earners are being asked to take some very big risks, including:

- Higher doctor's bills for middle income earners and queues and lower quality health care for concession card holders — the average "gap fees" paid now are \$12 a visit or \$3 to \$4 a week. This could easily double under the Government's changes.
- It will cost more for a university place — up to \$2000 more a year for some courses. More students from high income backgrounds can buy their way into university, while queues for places continue to lengthen and student debt rises.
- The crisis in our public hospitals will worsen — public hospital funding is cut by more than \$100 million a year in this Budget.
- Public housing waiting lists, already over 200,000 will grow even longer — no action in this Budget
- Gap fees for child care services will continue to rise — already an average of \$50 for full-time day care.

"Two key reform programs promised by the Government have faded into the background with this Budget:

- Low and middle-income families will miss out on financial relief through improved family payments and paid maternity leave.
- Jobless Australians will miss out on reforms to social security and the Job Network to remove poverty traps and payment anomalies, simplify the system, and improve work prospects and incentives.

"It's not the time for tax cuts — just three years since \$12 billion in tax cuts. By using the tax system in this way Australia will become a less equal society and less able to redress poverty."

"It's time to stem the decline in basic social services and deliver on the Government's promise of improved social security and family payments".



Tasmanian Council of Social Service Inc. Australia

MEDIA RELEASE

13 May 2003

NOTHING FOR TASMANIA. NOTHING FOR LOW-INCOME AUSTRALIANS.

TasCOSS Executive Director Lis de Vries tonight described the Commonwealth Budget as a major missed opportunity that would disadvantage low-income Tasmanian households.

“The Budget surplus announced tonight is at the expense of struggling households and struggling states. The proposed changes to higher education continue this Government’s push towards a two-tiered, us-and-them Australia and are consistent with recent announcements about Medicare. Universities have been given a clear signal that they can charge more for the most popular courses and cut fees on unpopular courses. Guess which courses the low income students will be left with?”

“The cost of the very moderate tax cuts, when combined with the surplus, would have provided an extra \$4.6 billion to address the real problems facing those on low incomes. We could have fixed the problems with bulk billing, or genuinely increased access to higher education for poorer families, or finally raised the level of Newstart payments. Tonight’s announcements add up to a wasted opportunity.”

“While Treasurer Costello beams about his Budget surplus, his Ministerial colleagues continue to tell struggling states like Tasmania that there will be no real increases in crucial Commonwealth-State funding programs like Housing, Disability Services and Health Care. Will Tasmanians on low incomes actually welcome their extra \$6 a week in tax cuts knowing that they will pay so much more for essential health care and education services?”

Ms de Vries called on Tasmania’s Senators to vigorously oppose the flagged changes to Medicare and higher education.

“The Senate acted responsibly this year to stop the changes to Disability Pensions and pharmaceutical costs. They have an equally important role to play this year in protecting what remains of our health care and education systems. The current Senate inquiry into poverty in Australia will have surely reminded Senators that governments ¾ all governments ¾ have a vital role to play in addressing the needs of low-income Australians.

This Budget is part of the problem, not part of the solution, and we expect Tasmania’s Senate representatives to ensure that the proposals announced tonight are not allowed to worsen the plight of our most disadvantaged.”

Contact: Lis de Vries 6231 0755 409 214 781





BROTHERHOOD
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■ MEDIA RELEASE ■ MEDIA RELEASE ■ MEDIA RELEASE ■

Tuesday, 13 May 2003

FOR IMMEDIATE RELEASE

Federal Budget 2003-2004
Response from the Brotherhood of St Laurence

Changes to health and education in the 2003-2004 Federal Budget risk further entrenching the growing gap between rich and poor, says the Brotherhood of St Laurence.

Tax cuts announced in last night's budget won't offset real disadvantage but it will make it harder for those who aren't working, says the Brotherhood's executive director, Reverend Nic Frances.

And changes to Medicare and higher education are likely to create a user-pays system that impacts most on those on low incomes, Rev Frances says.

"If you are low paid you will get tax cuts to the value of two litres of milk per week.

"If you are unemployed you will get nothing at all. It's as if this government doesn't care. We are splitting this country in two and we will all have to pay for that.

"What is missing from this budget is a true commitment to job creation and labour market programs that will get people into work.

"For instance, it appears the \$135 million over four years announced by the Treasurer, Peter Costello, for disability employment services, comes at the cost of moving 90,000 people over four years from the Disability Support Pension onto the Newstart allowance.

"This means they lose \$25 a week.

"We have around 625,000 unemployed people and at least 500,000 underemployed. We need a vision from this government that gives these people hope – this budget doesn't deliver that."

**For more information, contact Brotherhood of St Laurence
Media Officer, Helen Westerman, on (03) 9483 1371 or mob: 0413 948 535.**

CATHOLIC HEALTH AUSTRALIA



Media Release

13 May 2003

Contact: Francis Sullivan, Chief Executive Officer

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Catholic Health Australia is the largest single grouping of non-government owned health, aged and community care services in Australia

Budget Raises Fees, Cuts Hospitals, And Abandons The Lower Paid

Speaking after the release of the federal budget CHA's CEO Francis Sullivan said 'this budget opens the door for higher charges for medicines and GP services for the sick and chronically ill, and imposes a massive cut to public hospitals. While softening the blow, the tax cuts will not erase these additional burdens, nor meet public hospital care costs'.

'With blatant disregard for the growth pressures on public hospitals, the Government has taken close to \$1 billion away from the next hospital funding agreements, to bolster GP incomes.'

'This will not improve health outcomes, just doctor salaries.'

'Once again we see a shift of the costs for health from the prosperous and well-off to those least able to afford new fees and already shouldering the burden of illness.'

'In anyone's terms this is far from fair and decent.'

'Australia is too wealthy a country to revert to policies where the weakest are the hardest hit.'

'Asking well-off Australians to pay more for health care is one thing, but taking more from those with little is unacceptable.'

'The Government's Medicare proposals are welcome on three fronts: more doctors, more nurses and more patient convenience. But more fees for lower income people is unnecessary and discriminatory.'

'These proposals will erode the benefits of Medicare and favour the well off and the fortunate. It's time to ask the better off to contribute more so that everyone can benefit from our universal public insurance scheme.'

'Unless a fairer arrangement can be put on the table and a sustainable entitlement provided, these proposals will hurt too many Australians.'



Indigenous Grassroots left to wither by Budget

Media Releases -- 15/5/2003

Budget statement by ATSIC's SA Zone Commissioner Klynton Wanganeen:

Grassroots Indigenous people and organisations have been left to wither by the Howard Government's latest budget.

This budget has shown up the Government's much touted "practical reconciliation" agenda to be little more than hollow rhetoric.

Where is the money to tackle the backlog in housing, water, power, sewerage and environmental health infrastructure which this Government said it would focus its attention on? What have we got instead?

A nine year "tracking" study of 4,000 Aboriginal children under the Family and Community Services portfolio costing \$8.6m over the first four years and two years of consultations before any work starts – yet another study?

When we already know we die 20 years younger, have shocking health, high infant mortality, low education retention rates, high incarceration rates, massive problems with substance abuse, family violence and suicide.

Government departments are stacked with reports on the situation Indigenous people face in this country today. We must be the most "reported on" people on the earth.

The \$110 million in new policy proposals announced in this budget will have limited impact on the overall level of disadvantage we face.

The Government has allocated \$24 million to promote faster resolution of Native Title issues and \$61.5m for 1,000 new CDEP places and they deserve recognition for that as employment and land are important for our future.

The new CDEP places aim to combat family violence and substance abuse.

But, where is the support from mainstream programs for shelters, counsellors, social and youth workers – services often not available to our communities.

Support for higher education institutions to facilitate Indigenous participation in Higher Education and overcome disadvantage gets \$10.4 million over three years but not starting until 2005!

The balance of the new policy money will be spent on things like the private sector, 50 new Centrelink agent sites, Reconciliation artworks and support for COAG trials in a selected few communities.

The great bulk of grassroots Indigenous people and organisations will see little in practical outcomes from this budget.

The 2.2 billion dollars of meaningless tax cuts could have made a real and lasting impact on Indigenous health, housing and infrastructure.

Media enquiries to Eric Roberts on 088 237 2148 or 0417 818482



Australia

MEDIA RELEASE

13 May 2003

Another step towards a divided Australia

"The books may be balanced, but many of those most in need have been left further behind by this budget," said Lin Hatfield Dodds, National Director of Uniting Care Australia.

"It is tragic that a budget focussed on security delivers nothing for those who are least secure."

"We live in an increasingly divided society. Real security is about having a roof over your head. Real security is about having a job. Real security is about feeling that you belong. Security for all requires a fair go for everyone. Poverty and social exclusion hurt us all."

"Addressing poverty and encouraging full participation requires sustained commitment. The longer we ignore these challenges the harder they will be to address."

"While the Budget contains some much needed extra funding for valuable programs such as Community Aged Care Packages, the Home and Community Care Program, and the Special Needs Subsidy Scheme for children with high support needs, the long term effects of the changes to Medicare remain unclear and there are no major initiatives to build stronger families and communities."

Rev. Elenie Poulos, National Director of Uniting Justice Australia, said, "This Budget represents a missed opportunity to put forward a vision for a fair and inclusive society. It is more about being seen to be tough on people on income support than addressing the real issues. It is mean-spirited and demonstrates the Government's lack of interest in Australians living on the edges."

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Issued by: Queensland Tertiary Education Alliance

FOR IMMEDIATE RELEASE PLEASE

Increasing Full Fee Paying Students - An Attack on Equity

The federal Government's plan to increase the number of full fee paying places at Australian universities will destroy any notion of equity. This proposal will allow up to 50% of the places at Australian universities to be bought by students who did not receive adequate marks to enter their prospective courses.

Most full fee paying courses cost roughly \$100 000 and course cost are required to be paid up front. The academic entry requirements for a place in one of these courses is usually considerably lower than the requirements for a HECS place.

"There are two different situations which will arise under this system; firstly students who are well below the current academic requirements can buy their way in if they come from an affluent background. Secondly there will be students who meet current requirements for a course but will miss out in future because of fewer HECS places. Both of these are inequitable," said outraged QTEA Spokesperson and QUT Student Guild President Jodie Jansen.

The Federal Government claims that these additional places will allow working class people with the assistance of a Government loan, charged at 6% interest, to gain entry into one of these places. However this position overlooks that the fact that many studies have shown that the current HECS repayment system is a disincentive to many people how are either sole parents or from a low socio-economic background.

More importantly, the government loans are capped at \$50 000. This means that many students will be anywhere from \$35 000 to \$95 000 short of the required course cost.

'The Government's claim that these places will allow working class people to gain entry to Australian universities is ludicrous. Where are working class people going to find \$50 000 up front to pay for course costs and this will be after taking a loan for \$50 000 from the government.' Responded an angry Ms Jansen.

Further Information:

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