

1997-98 BUDGET PAPER No. 2

# BUDGET MEASURES 1997-98

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ON THE OCCASION OF THE BUDGET 1997-98  
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## FOREWORD

*Budget Paper No.2 — Budget Measures 1997-98* appears for the first time this year. It ensures that the Budget Papers provide comprehensive information on all outlays and revenue measures announced in the Budget. It represents a significant increase in the level of information concerning individual budget measures.

*Budget Paper No.2* comprises two parts:

- Part I: Outlays Measures; and
- Part II: Revenue Measures.

A summary table of all measures introduced since the 1996-97 Budget is included in each part, with those measures introduced since the *Mid-Year Economic and Fiscal Outlook 1996-97* (MYEFO) (including in this Budget) described in detail. Detailed descriptions of measures up to the time of the MYEFO are included in that document.

Measures taken in the 1997-98 Budget build on the already substantial fiscal consolidation implemented in the 1996-97 Budget.

- Outlays savings measures taken in this Budget enable the Government to provide funding for high priority areas.
- In keeping with the Government's commitments, there have been no new taxes or increases in tax rates. The primary purpose of many of the revenue measures introduced in the Budget is to protect the tax base and address anomalies in the tax system.

*Budget Paper No.1 — Budget Strategy and Outlook 1997-98*, also provides information on overall trends in budget outlays and revenue estimates in: Statement 1 — Fiscal Strategy; Statement 2 — Economic and Fiscal Outlook; Statement 4 — Outlays; and Statement 5 — Revenue. In particular, Statements 1 and 2 provide a detailed discussion of how measures contribute to the Government's fiscal strategy and are reflected in the Government's budget priorities.

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## NOTES

- (a) The following definitions are used in this Budget Paper:
- underlying outlays = total outlays - net advances;
  - net advances = net equity transactions + net policy lending;
  - ‘real’ means adjusted for the effect of inflation;
  - real growth in outlays is measured by the non-farm Gross Domestic Product deflator;
  - Budget year refers to 1997-98, while the forward years refer to 1998-99, 1999-2000 and 2000-01; and
  - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
  - estimates \$100,000 and over are rounded to the nearest tenth of a million;
  - estimates midway between rounding points are rounded up; and
  - the percentage changes in statistical tables are calculated using unrounded data.
- (c) In tables, the sign in front of the number reflects the impact of the change on the aggregate concerned, eg a negative in a revenue table reflects a reduction in revenue.
- (d) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (e) The following notations are used:
- |         |   |
|---------|---|
| NEC/nec | not elsewhere classified                    |
| AEST    | Australian Eastern Standard Time            |
| -       | nil   |
| ..      | not zero, but rounded to zero               |
| na      | not applicable (unless otherwise specified) |
| nfp     | not for publication                         |
| \$m     | \$ million                                  |

- (f) References to the 'States' or 'each State' include the Territories, because from 1993-94 onwards, general purpose funding has been on the same basis for all jurisdictions. The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC/Vic	Victoria
QLD/Qld	Queensland
WA	Western Australia
SA	South Australia
TAS/Tas	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

*Budget Measures 1997-98* is one of a series of Budget Papers, the purpose of which is to provide information supplementary to that in the Budget Speech. A full list of the series is printed on the inside cover of this paper.

## BUDGET MEASURES

### PART I: OUTLAY MEASURES

#### Summary of outlays measures in the 1996-97 Mid Year Economic and Fiscal Outlook

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
<b>ADMINISTRATIVE SERVICES</b>				
Funding for the Menzies Research Centre and the Evatt Foundation	0.2	0.2	0.2	0.2
Total	0.2	0.2	0.2	0.2
<b>COMMUNICATIONS AND THE ARTS</b>				
Regional Telecommunications Infrastructure Fund	50.0	50.0	50.0	50.0
Proceeds from sale of additional Spectrum	nfp	nfp	nfp	nfp
Funding for Radiofrequency Electromagnetic Energy Public Health Issues (a)	0.3	0.3	0.3	0.3
Total	nfp	nfp	nfp	nfp
<b>EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS</b>				
Higher Education Contribution Scheme repayment exemption for those in receipt of Medicare exemption or reduction because of low family income (b)	0.0	0.0	0.0	0.0
Change the age of Independence for AUSTUDY to 25 years	9.0	10.4	11.2	12.1
Drought - Extension of recovery period (a)	2.8	0.4	0.0	0.0
Total	11.8	10.8	11.2	12.1
<b>ENVIRONMENT, SPORT AND TERRITORIES</b>				
Great Barrier Reef Marine Park Authority - Reinstatement of savings related to the Environment Management Charge revenue increase	2.7	0.0	0.0	0.0
Additional funding for Natural Heritage Trust of Australia Reserve	25.0	25.0	25.0	25.0
Total	27.7	25.0	25.0	25.0
<b>HEALTH AND FAMILY SERVICES</b>				
Provision of safety net arrangements in connection with 1996-97 Budget measure limiting Medicare access to new doctors without post graduate qualifications	0.4	5.8	11.3	16.1
Adjust 1996-97 Budget measure reducing Medicare benefits for psychiatry consultations in excess of 50 per patient per year	0.4	0.4	0.4	0.4
Funding for Radiofrequency Electromagnetic Energy Public Health Issues (a)	0.7	0.7	0.7	0.7
Drought - Extension of recovery period (a)	0.4	0.0	0.0	0.0
Total	1.9	6.9	12.4	17.3
<b>IMMIGRATION AND MULTICULTURAL AFFAIRS</b>				
Regionally sponsored migration scheme	0.5	0.5	0.5	0.5
Total	0.5	0.5	0.5	0.5
<b>INDUSTRY, SCIENCE AND TOURISM</b>				
Nuclear Spent Fuel Rods - Repayment of borrowings	3.9	0.0	0.0	0.0
Extension of the operation of the Shipbuilding Bounty to 31 December 1997 (c)	10.0	0.0	0.0	0.0
Amendment of the proposed termination date of the book bounty to 30 June 1997	3.6	0.0	0.0	0.0
Total	17.5	0.0	0.0	0.0

**Summary of outlays measures in the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
<b>PRIMARY INDUSTRIES AND ENERGY</b>				
Drought - Extension of recovery period (a)	27.3	0.0	0.0	0.0
Total	27.3	0.0	0.0	0.0
<b>SOCIAL SECURITY</b>				
Correction of anomalies in the measure to reduce the maximum Rent Assistance payable to singles in shared accommodation	1.7	1.7	1.8	1.8
Exclude Disability Support Pensioners and Carer Pensioners from the application of sharers' rate from Rent Assistance (d)	5.4	7.0	7.5	13.2
Interim Computer Mainframe Leases (d)	7.4	4.8	0.0	0.0
Modify eligibility of, and payment conditions for, Partners' and Widows' Allowance Recipients and Widows' Pensions (d)	7.6	9.1	10.3	7.4
Application of time limits to the recovery of certain debts (d)	23.6	66.2	68.9	70.1
Tighten Newstart Allowance activity test - delay in implementation	0.8	0.0	0.0	0.0
Drought - extension of recovery period (a)	2.2	0.0	0.0	0.0
Total	48.6	88.8	88.4	92.5
<b>TRANSPORT AND REGIONAL DEVELOPMENT</b>				
Restructure of Australian National Railways Commission (ANRC)	nfp	nfp	nfp	nfp
Total	nfp	nfp	nfp	nfp

(a) Measure affects more than one portfolio.

(b) This measure reduces the headline balance by \$15.7 million in 1997-98, \$16.0 million in 1998-99, \$17.6 million in 1999-00 and \$17.6 million in 2000-01.

(c) See also the budget measure 'Extension of application of the Shipbuilding Bounty' under the Industry, Science and Tourism portfolio.

(d) Estimates have been revised since the Mid Year Economic and Fiscal Outlook.

## Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
<b>ADMINISTRATIVE SERVICES</b>					
13	Withdrawal from the direct provision of certain support services	1.5	-8.1	-11.8	-12.0
13	Sale of the commercial arm of the Domestic Property Group (formerly known as the Australian Property Group) (a) (c)	13.3	8.7	1.5	1.5
14	Revised funding arrangements for the repair, maintenance and refurbishment of properties remaining in Commonwealth ownership	-46.8	-52.2	-8.2	-29.7
14	Reduction in major capital works	-13.0	0.0	0.0	0.0
15	Remove preset payments to fire brigades for callouts on Commonwealth properties	-1.7	-14.9	-15.2	-15.5
15	Restriction to VIP transport (COMCAR) services to Members	9.4	4.1	4.1	4.1
16	Annual Grants in Aid to community organisations	0.1	0.1	0.1	0.1
16	Savings in running costs to fund annual Grants in Aid to community organisations	-0.1	-0.1	-0.1	-0.1
17	Provision of funding to the Australian Electoral Commission for the cost of the election of delegates to the Constitutional Convention	24.0	0.0	0.0	0.0
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-25.0	-1.8	-2.0
112	Organisation and conduct of the Constitutional Convention (a)	0.1	0.0	0.0	0.0
	<b>Total</b>	<b>-13.2</b>	<b>-87.4</b>	<b>-31.4</b>	<b>-53.6</b>
<b>ATTORNEY-GENERAL'S</b>					
18	Savings in Attorney-General's portfolio running costs	-26.5	-26.9	-27.4	-27.9
19	Additional specific savings in Attorney-General's portfolio running costs	0.0	-7.1	-7.2	-7.4
19	Reform of the provision of legal services provided by the Legal Practice to enhance contestability and competitiveness	14.8	8.5	0.0	0.0
20	Introduction of full cost recovery for the Office of Film and Literature Classification	0.0	-1.2	-1.2	-1.2
20	Additional savings from the transfer of the industrial relations jurisdiction to the Federal Court	0.0	-0.4	-1.2	-1.4
21	Additional funding for the Federal Court and the National Native Title Tribunal for workload increases and amendments to the <i>Native Title Act 1993</i>	16.1	14.5	14.8	15.1
21	Divestment of Auscript (a)	4.2	-0.3	-0.2	0.0
22	Review of funding arrangements for the Australian Federal Police Adjustment Scheme	0.9	1.0	1.0	1.0
22	Additional funding to target serious and large scale fraud and related crime against the Commonwealth	6.9	6.7	6.8	0.0
23	Additional funding for the Protective Security Coordination Centre for diplomatic and consular protection	1.1	0.0	0.0	0.0
23	Rationalisation of the Australian Protective Service through greater contestability	11.3	1.2	-0.7	-1.7
24	Revised arrangements for personal security for Senators and Members (other than Ministers), former office holders, their staff, and their families	-1.6	-1.6	-1.6	-1.6
24	Replacement of security vehicles	0.1	0.1	0.1	0.1
48	Sydney 2000 Games - Olympics and Paralympics (a)	1.0	10.4	21.6	16.3
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-1.4	-3.1
	<b>Total</b>	<b>28.3</b>	<b>4.9</b>	<b>3.4</b>	<b>-11.8</b>

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<b>COMMUNICATIONS AND THE ARTS</b>				
25	Grants in support of Centenary of Federation community activities	6.0	0.0	0.0	0.0
25	Additional funding to the Visions of Australia programme to continue the provision for touring of cultural exhibitions	1.5	1.5	0.0	0.0
26	Savings from the Cultural Development Programme to absorb the costs of the Visions of Australia programme	-1.5	-1.5	0.0	0.0
26	Continuation of funding to the Australian Children's Television Foundation	0.8	0.8	0.8	0.8
27	Funding for development of the National Museum of Australia	7.0	0.0	0.0	0.0
27	New funding for the Australian Film Finance Corporation	0.0	48.0	48.0	48.0
27	Continued funding of Film Australia to maintain the National Interest Programme	0.0	6.6	0.0	0.0
28	Reduction in funding of the Australian Film Commission's Television Production Fund	-5.0	0.0	0.0	0.0
28	Funding provided to Symphony Australia Holdings Pty Ltd for orchestral services previously performed by the ABC	32.0	32.5	33.1	33.7
29	Transfer of base funding from the ABC to establish Symphony Australia Holdings Pty Ltd	-32.0	-32.5	-33.1	-33.7
29	Deferral of ABC debt repayments	4.8	-4.8	0.0	0.0
30	Additional funding to the Australian Broadcasting Corporation (ABC) for the broadcast of English and Tok Pisin language radio services by Radio Australia	4.7	4.8	4.9	5.0
30	Savings from broadcasting and television capital works to offset additional funding provided to the Australian Broadcasting Corporation (ABC) for Radio Australia services	-3.2	-3.3	-3.4	-3.4
31	Savings in transmission costs arising from the reduced broadcasting of shortwave radio services by Radio Australia	-1.6	-2.0	-3.1	-4.2
31	Reduction in Government subsidy as a result of the sale or wind-up of Australia Television	-3.5	-3.5	0.0	0.0
32	Application of the efficiency dividend to the Special Broadcasting Service	-0.9	-1.6	-2.5	-3.4
32	Funding for setup costs and new functions of the Australian Communications Authority	3.6	0.9	0.6	0.6
33	Funding for costs incurred by AUSTEL in 1996-97 to implement telecommunications reform initiatives	0.6	0.0	0.0	0.0
33	Funding for the Australian Communications Authority to enhance administration of cabler licensing	0.2	0.2	0.2	0.2
34	Increased efficiency dividend on Communications and the Arts portfolio running costs	-3.1	-3.1	-3.1	-3.2
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-1.0	-2.2
	<b>Total</b>	<b>10.4</b>	<b>43.0</b>	<b>41.4</b>	<b>38.2</b>
	<b>EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS</b>				
35	Phase out specific funding for Language Australia	-0.5	-1.0	-1.5	-1.5
35	Improvement and streamlining of Higher Education Contribution Scheme arrangements (d)	1.0	1.6	1.9	2.1
36	Higher education restructuring and rationalisation package	10.2	7.3	4.3	4.4
37	Phased abolition of the Higher Education Commonwealth Industry Places Scheme	-5.2	-16.5	-22.7	-23.0
37	Reduction of National Board of Employment Education and Training administrative budget and removal of Australian Language and Literacy Council funds	-2.9	-2.7	-2.8	-2.8
38	Increased AUSTUDY for families with two or more tertiary students living away from home	1.6	1.5	1.6	1.6

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<b>EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS (continued)</b>				
39	Improved targeting of ABSTUDY	-5.0	-10.9	-11.2	-11.6
40	Benchmarking efficiencies in Vocational Education and Training Grants to the States	-10.0	-20.3	-20.7	-21.0
41	Changes to entry level training employer incentives	-0.9	6.4	16.2	29.5
42	Work for the Dole Initiative (a)	11.0	3.8	0.0	0.0
43	Subsume National Skills Shortages Programme into the regional assistance element of Enterprise and Adjustment Programme	-2.1	-2.8	-2.9	-3.0
43	Savings in Employment, Education, Training and Youth Affairs portfolio running costs	0.0	-15.2	-15.5	-15.8
44	Labour Market Programme funding adjustment	-30.2	0.0	0.0	0.0
133	Rental assistance to people living in public housing - Remove double subsidy (a)	-0.1	-0.2	-0.2	-0.2
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-0.7	-11.6	-11.4
	<b>Total</b>	-33.1	-49.7	-65.1	-52.7
	<b>ENVIRONMENT, SPORT AND TERRITORIES</b>				
45	Environment, Sport and Territories portfolio savings initiatives	-5.0	-5.7	-4.5	-5.2
45	Natural Heritage Trust of Australia Reserve (a)	161.9	265.4	272.7	254.9
47	Willandra Lakes Structural Adjustment Package	2.0	0.0	0.0	0.0
47	Payment to QLD - Sugar Coast Environment Rescue Package	1.0	2.0	0.0	0.0
48	Funding for capital works at Orielton Lagoon in Tasmania	0.7	0.0	0.0	0.0
48	Sydney 2000 Games - Olympics and Paralympics (a)	0.0	50.0	50.0	50.0
50	Discontinuation of the Save the Bush Programme	-1.5	-1.5	0.0	0.0
50	Grant to AAP Mawson's Huts Foundation for the restoration effort on Mawson's Huts (c)	0.3	0.0	0.0	0.0
51	Maintain Local Government General Purpose Assistance Grants in real terms - Determination of 1997-98 payments	-14.7	-15.2	-15.8	-16.4
51	Restoration and management of National Assets Programme in the ACT	5.0	5.1	5.2	5.3
52	Indian Ocean Territories - Recurrent funding adjustment	3.0	0.0	0.0	0.0
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.2	-1.9
	<b>Total</b>	152.7	300.0	307.4	286.7
	<b>FINANCE</b>				
53	Efficiencies in Whole of Government Information Technology Infrastructure - Additional funding for Office of Government Information Technology	0.0	8.6	4.7	0.0
21	Divestment of Auscript - Office of Asset Sales - Cost of sale (a)	0.4	0.0	0.0	0.0
13	Sale of the commercial arm of the Domestic Property Group (formerly known as the Australian Property Group) - Office of Asset Sales - Cost of sale (a)	0.5	0.0	0.0	0.0
13	Sale of the commercial arm of the Domestic Property Group (formerly known as the Australian Property Group) - Office of Asset Sales - Proceeds of sale (a)	nfp	nfp	nfp	nfp
54	Office of Asset Sales - Additional running costs in relation to sales/reviews in the 1997-98 Budget	0.3	0.0	0.0	0.0
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-2.0	-2.3	-2.5
	<b>Total</b>	nfp	nfp	nfp	nfp

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<b>FOREIGN AFFAIRS AND TRADE</b>				
55	Closure of Australian diplomatic missions in Copenhagen and Nauru	-1.5	-1.9	-2.0	-2.0
55	Reduction in Grants and Contributions Programme	-0.9	-1.0	-1.0	-1.0
56	Reduction in overseas aid	-7.5	-7.7	-7.9	-8.1
56	Transfer from the overseas aid programme to fund part of the cost of maintaining Radio Australia services	-4.0	-4.1	-4.2	-4.3
57	Increased cost recovery by Austrade	-2.0	-3.0	-4.1	-5.3
57	Accelerated recovery of International Trade Enhancement Scheme loan funds	-5.0	-3.0	-1.0	0.0
48	Sydney 2000 Games - Olympics and Paralympics (a)	0.4	2.6	3.7	2.1
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-0.1	-1.4	-2.1
	<b>Total</b>	<b>-20.5</b>	<b>-18.2</b>	<b>-17.9</b>	<b>-20.7</b>
	<b>HEALTH AND FAMILY SERVICES</b>				
58	National Public Health - Continuation of Public Health Programmes	11.5	22.3	0.0	0.0
58	Restructure arrangements for funding services related to the provision of methadone	0.0	-1.9	-7.8	-9.6
59	Development of a National Food Hygiene Standard	0.9	1.7	1.2	0.0
60	Supplementation of the Australia New Zealand Food Authority funding base	0.7	1.8	1.6	1.3
61	Comprehensive National Immunisation Strategy (a)(c)	3.3	3.3	3.3	3.4
62	Funding mechanism for the purchase of essential vaccines including Hepatitis B vaccine	2.6	3.9	3.9	4.0
63	Hepatitis B Pre-Adolescent Immunisation Delivery Programme	0.2	0.4	0.5	0.5
64	Strengthening Australia's health and medical research workforce	0.8	1.4	2.3	2.6
65	Revised process for Medicare Benefits Schedule listing and review	1.5	0.5	-0.5	-3.1
65	Adjust Medicare benefits when more than one person is treated during a home visit	-2.0	-3.5	-3.7	-3.8
66	Adjust Medicare benefits for some optometrical consultations (a)	-7.8	-13.9	-14.8	-15.5
67	National Rural and Remote Health Support Programme	2.0	3.6	5.5	6.3
67	Pilot study of alternative funding arrangements for rural obstetric services	0.0	0.0	0.0	0.0
68	Refocusing the General Practice Strategy on outcomes	-34.4	-28.0	-37.9	-39.9
69	Combine General Practice Evaluation Programmes and adjust to reflect current spending levels	-2.0	-2.0	-2.1	-2.1
69	Introduction of electronic commerce for Medicare claiming	-0.1	0.1	11.7	16.4
70	Therapeutic group premiums (a)	-41.4	-157.5	-173.8	-188.7
71	National Prescriber Service	0.4	-8.1	-8.0	-7.9
72	Delisting medicine items for less serious medical conditions from the Pharmaceutical Benefits Schedule (a)	-10.9	-29.7	-33.4	-37.6
72	Public education campaign for private health insurance and Health Insurance Commission restructuring	3.5	0.5	0.3	0.0
73	Initiatives to stimulate microeconomic reform in management of acute health care and information technology and performance measurement	6.1	11.7	12.7	9.8
74	Renewal of the National Mental Health Strategy	0.2	7.5	11.8	9.0
74	Extension of funding for palliative care	14.7	0.0	0.0	0.0
75	A Planning System to influence the location and supply of new child care places with annual limit of 7,000 new private places for 1998 and 1999 only	-9.7	-41.8	-72.3	-83.1

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98	1998-99	1999-00	2000-01
		\$m	\$m	\$m	\$m
<b>HEALTH AND FAMILY SERVICES (continued)</b>					
76	Improve targeting of Children's Services Programme to work related care (a)	-4.4	-16.0	-25.4	-34.9
77	Increase supply of Family Day Care places	0.7	1.7	3.3	5.1
77	Reform of school age care (a)	5.0	5.1	2.5	-1.3
78	Broadbanding other family and children's services	-3.0	-6.4	-6.6	-6.8
79	Pay Childcare Assistance fortnightly in arrears	0.0	-32.5	-3.1	-3.2
79	Revised arrangements for emergency relief funding	0.7	1.9	3.0	9.5
80	Targeted support for people with dementia and their carers	2.5	2.5	2.6	2.6
80	Best practice grants for dementia specific facilities	0.6	0.0	0.0	0.0
81	Residential aged care structural reform - Additional funding for systems development	4.4	0.9	0.2	0.2
81	Carers' support and information	1.2	2.3	2.3	2.4
82	Additional accommodation support places for people with disabilities and their families	5.9	11.8	18.0	18.3
82	Replacement of speech processors for children with cochlear implants	0.6	0.4	0.4	0.5
83	Funding for National Telephone Typewriter Relay Service	0.0	-7.9	-7.9	-8.0
83	Support for social and economic micro-simulation modelling	0.1	0.3	0.3	0.3
92	<i>More Time for Business</i> - Government's Small Business Statement (a)(c)	0.3	0.0	0.0	0.0
120	Revised arrangements for carers of adults and children with disabilities (a)	-0.3	20.4	22.8	25.7
135	Extend the period of the income test for the 'low income' Health Care Card from four to eight weeks (a)	0.0	-1.7	-1.8	-1.8
122	Amendments to migrant two-year waiting period for social security payments (a)(b)(c)	8.1	0.9	2.8	2.8
116	Introduce a Bonus Plan for persons deferring retirement (a)	0.0	-0.6	-1.7	-2.5
155	Link treatment benefit eligibility to pension rate (a)	0.0	-0.1	-0.1	-0.1
42	Work for the Dole Initiative (a)	0.5	0.1	0.0	0.0
153	Addressing anomalies in entitlements for veterans deployed overseas (a)	-0.1	-0.2	-0.3	-0.4
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-1.9	-11.0	-10.5
	<b>Total</b>	<b>-37.1</b>	<b>-246.7</b>	<b>-299.2</b>	<b>-340.1</b>
<b>IMMIGRATION AND MULTICULTURAL AFFAIRS</b>					
85	Health assessments, health undertakings and medical reviews	2.3	1.5	1.6	1.6
85	Enhanced services for business entrants	0.8	0.8	0.9	1.0
86	Merging of the Migration Internal Review Office and the Immigration Review Tribunal (c)	1.3	0.7	-0.5	-1.3
87	Extension of the Migration Agents Registration Scheme (c)	0.6	0.0	0.0	0.0
87	Increased efficiency dividend on Immigration and Multicultural Affairs portfolio running costs	-3.4	-3.5	-3.6	-3.6
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-0.3	-3.6	-3.6
	<b>Total</b>	<b>1.6</b>	<b>-0.8</b>	<b>-5.2</b>	<b>-5.9</b>

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<b>INDUSTRIAL RELATIONS</b>				
88	Referral to the Commonwealth of the Victorian industrial relations system	2.2	2.3	2.3	2.4
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.4	-0.8
	<b>Total</b>	2.2	2.3	1.9	1.6
	<b>INDUSTRY, SCIENCE AND TOURISM</b>				
89	Enhanced assistance to the pharmaceutical industry (c)	0.1	0.2	22.7	49.0
90	Extension of application of the Shipbuilding Bounty	8.0	21.3	1.0	0.0
90	Monitoring telecommunications industry development	0.6	0.7	0.8	0.9
91	Facilitation of small and medium sized enterprises - Supplier access to major projects	0.8	0.6	0.4	0.4
92	Savings in the Department of Industry, Science and Tourism running costs to fund the 'Facilitation of small and medium sized enterprises - Supplier access to major projects'	-0.8	-0.6	-0.4	-0.4
92	<i>More Time for Business</i> - Government's Small Business Statement (a)(c)	4.7	8.2	5.1	4.5
94	Australian Leather Holdings Ltd Package (c)	12.5	12.5	0.0	0.0
95	Funding for Gene Technology Regulation	1.3	1.1	0.0	0.0
48	Sydney 2000 Games - Olympics and Paralympics (a)	3.0	0.0	0.0	0.0
95	Replacement and upgrade of Customs Marine Fleet	5.2	5.0	7.0	8.7
96	Increased running costs associated with measures to reduce fuel substitution	1.4	1.5	1.6	1.6
97	Savings in Office of National Tourism running costs	-0.7	-0.3	-0.1	0.0
97	Savings from Cooperative Research Centres Programme	-1.0	-9.2	0.0	0.0
98	Increased efficiency dividend on Industry, Science and Tourism portfolio running costs	-2.8	-2.9	-2.9	-2.9
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-4.7	-11.0
	<b>Total</b>	32.3	38.1	30.5	50.8
	<b>PARLIAMENT</b>				
112	Organisation and conduct of the Constitutional Convention (a)	0.0	0.0	0.0	0.0
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.6	-1.4
	<b>Total</b>	0.0	0.0	-0.6	-1.4
	<b>PRIMARY INDUSTRIES AND ENERGY</b>				
99	NSW Sugar Export Industry - Infrastructure support (c)	1.0	0.0	0.0	0.0
100	Reallocation of funds from natural resource management programmes	-5.0	-5.1	-5.2	-5.3
100	Quality Food Australia (c)	0.2	0.0	0.0	0.0
101	Supermarket to Asia - The Delicatessen	1.0	0.0	0.0	0.0
101	Integrated Rural Policy Package	44.7	46.3	52.4	55.4
102	Rural Adjustment Scheme	-46.3	-43.7	-50.3	-55.3
103	Reallocation of funds from the Rural Communities Access Programme	-2.4	0.0	0.0	0.0
103	Australian Quarantine and Inspection Service - Implementation of reports into quarantine and imported fish and fish products	15.0	20.2	20.3	20.5
104	Australian Quarantine and Inspection Service - Implementation of the Review of Export Meat Inspection (redundancies)	13.1	11.1	12.9	7.2
105	South East Fisheries Adjustment Package	1.5	0.0	0.0	0.0

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<b>PRIMARY INDUSTRIES AND ENERGY (continued)</b>				
106	Fisheries Research and Development Corporation	-3.6	0.0	0.0	0.0
106	Fisheries Resources Research Fund	-0.2	-0.2	-0.2	-0.2
107	National Electricity Market reform and corporatisation of the Snowy Mountains Hydro-electric Authority	2.5	0.5	0.0	0.0
107	Rationalisation of the National Energy Efficiency Programme	-2.8	-2.8	-2.7	-2.7
108	The Energy Research and Development Corporation	-2.6	-9.0	-11.3	-13.8
109	Savings in Primary Industries and Energy portfolio running costs	-1.0	0.0	0.0	0.0
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.9	-1.2
45	Natural Heritage Trust of Australia Reserve (a)	na	na	na	na
	<b>Total</b>	15.1	17.3	15.0	4.6
	<b>PRIME MINISTER AND CABINET</b>				
110	Establishment of the Federation Fund	0.0	100.0	200.0	300.0
110	Improved integration of young offenders into mainstream community and economic life - Pilot projects	1.0	0.0	0.0	0.0
111	Operational funding for national women's non-government organisations	0.5	0.5	0.5	0.5
112	Organisation and conduct of the Constitutional Convention (a)	3.8	0.0	0.0	0.0
112	Aboriginal and Torres Strait Islander Affairs Agencies funding arrangements - Guaranteed funding with an increased base	15.0	15.2	15.5	15.8
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-1.3	-1.7
	<b>Total</b>	20.3	115.7	214.7	314.6
	<b>SOCIAL SECURITY</b>				
114	Maintain the single rate of pension at 25 per cent of male total average weekly earnings (a)(c)	57.3	409.2	639.6	942.3
115	Pay all Department of Social Security payments fortnightly in arrears	0.2	19.7	-100.8	-18.9
116	Introduce a Bonus Plan for persons deferring retirement (a)	2.4	-16.9	-36.8	-36.0
117	Simplify and amend date of effect rules for income support payments (a)	0.2	5.5	-23.9	-26.8
118	Revised arrangements for Financial Information Service and Migrant Liaison Officers	-4.2	-4.3	-4.3	-4.4
119	Reform of the income and assets test treatment of income streams by the Department of Social Security and the Department of Veterans' Affairs (a)	6.7	-0.9	-6.4	-9.9
120	Revised arrangements for carers of adults and children with disabilities (a)	-2.8	-23.2	-28.5	-33.5
122	Amendments to migrant two-year waiting period for social security payments (a)(b)(c)	106.0	59.5	40.3	40.0
123	Amendments to activity test penalty periods for Newstart Allowance (b)(c)	31.9	30.3	31.8	29.0
124	Apply consistent hardship rules to waiting periods for Newstart Allowance and related payments	0.5	0.1	9.9	9.6
42	Work for the Dole Initiative (a)	5.3	0.9	0.0	0.0
125	Consistently treat lump sums for Social Security recipients as either income over 12 months or as a deemed asset	1.5	-3.7	-6.2	-6.3
126	Expansion of temporary activity test exemptions in special circumstances	-0.9	-1.3	-1.4	-1.4

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<b>SOCIAL SECURITY (continued)</b>				
126	Increase Australian Taxation Office Employment Declaration Form matching with Department of Social Security data	-27.9	-27.4	-28.2	-28.9
127	Apply preclusion periods to high income seasonal or intermittent workers	0.8	-5.0	-5.7	-6.0
61	Comprehensive National Immunisation Strategy (a)(c)	-11.8	-26.6	9.2	4.6
128	Continue funding for the Family Service Centre and Retirement Service Centre pilots	1.9	0.0	0.0	0.0
129	Pay Family Payment above the minimum rate when a child and/or parent/s go overseas for up to eight weeks	4.2	6.8	7.0	7.1
129	Improvements to the Data-matching Programme and increased review activity	-16.1	-31.6	-39.4	-40.4
130	Parenting Payment simplification and rationalisation package	4.0	-1.0	-1.8	-2.1
131	Tightening of the hardship provisions for minimum Family Payment and Maternity Allowance	0.1	-3.5	-3.6	-3.7
133	Rental assistance to people living in public housing - Remove double subsidy (a)	-21.1	-58.0	-59.7	-61.2
134	Funding arrangements under the Commonwealth State Housing Agreement	-50.0	-50.0	-50.0	-50.0
153	Addressing anomalies in entitlements for veterans deployed overseas (a)	-0.3	-0.7	-1.1	-1.6
77	Reform of school age care (a)	1.1	0.6	0.4	0.4
76	Improve targeting of Children's Services Programme to work related care (a)	1.5	0.9	0.5	0.6
135	Extend the period of the income test for the 'low income' Health Care Card from four to eight weeks (a)	0.2	0.1	0.0	0.0
135	Increased efficiency dividend on Department of Social Security running costs	-0.8	-0.8	-0.9	-0.9
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-5.9	-25.4	-24.8
	<b>Total</b>	<b>89.9</b>	<b>272.8</b>	<b>314.6</b>	<b>676.8</b>
	<b>TRANSPORT AND REGIONAL DEVELOPMENT</b>				
137	Funding of Airport Environment Officers and Airport Building Controllers at federal airports subject to sale	1.4	1.4	1.4	1.4
137	Federal Airports Corporation - Conversion of grant to equity injection for the extension of the runway at Adelaide Airport	-25.0	-3.0	0.0	0.0
138	Funds for Roads of National Importance in WA	10.0	10.0	10.0	10.0
138	Rephasing of funding for the National Rail Infrastructure Authority	-15.3	-27.0	-19.0	-18.2
139	Continuation of funding for the National Road Transport Commission	0.6	1.2	1.2	1.2
140	Realignment of Tasmanian Freight Equalisation Scheme assistance rates	-3.0	-3.0	-3.0	-3.0
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.4	-1.0
	<b>Total</b>	<b>-31.3</b>	<b>-20.4</b>	<b>-9.8</b>	<b>-9.6</b>
	<b>TREASURY</b>				
92	<i>More Time for Business</i> - Government's Small Business Statement (a)(c)	1.8	0.6	0.3	0.3
141	Savings in Treasury portfolio running costs	-2.7	-2.7	-2.7	-2.8
141	Additional special revenue assistance to the ACT in the form of transitional allowances for education and health (c)	10.0	5.0	0.0	0.0

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<b>TREASURY (continued)</b>				
142	Partial deferral of State fiscal contributions from the ACT and Tasmania (c)	13.5	-13.5	0.0	0.0
142	Extension of real per capita guarantee on Financial Assistance Grants to the States and Territories (c)	0.0	0.0	202.1	207.2
143	Australian Bureau of Statistics - Savings in statistical collections	-5.1	-5.2	-5.3	-5.4
143	Australian Bureau of Statistics - Increased cost recovery on the sale of products and services	-2.0	-2.0	-2.1	-2.1
143	Tax Law Improvement Project - Extension of administrative funding	1.1	1.9	0.0	0.0
144	Australian Taxation Office - Savings through efficiencies in corporate support	-10.0	-10.2	-10.3	-10.5
144	Australian Taxation Office - Savings through rationalisation of income tax withholding arrangements	0.0	-9.1	-11.4	-11.6
145	Australian Taxation Office - Savings through phasing out the Superannuation Holding Accounts Reserve	-10.0	-4.1	-5.2	-5.3
146	Australian Taxation Office - Savings through phasing out the community education campaign on superannuation	-3.4	0.0	0.0	0.0
146	Australian Taxation Office - Savings through alternative methods of data capture and other processing efficiencies	-5.0	-5.1	-5.2	-5.3
147	Australian Taxation Office - Savings through administrative efficiencies and further rationalisation of activities	0.0	0.0	-9.3	-9.5
147	Australian Taxation Office - Opting out of the Superannuation Guarantee system	2.4	2.1	1.3	1.3
148	Australian Taxation Office - Choice of Superannuation Fund	2.0	4.4	3.5	2.4
148	Taxation rebate for savings	1.0	-1079.0	-2414.0	-3980.0
149	Australian Competition and Consumer Commission - New regulatory arrangements for telecommunications	3.4	2.1	1.9	1.9
150	Australian Competition and Consumer Commission - Gas regulation role	1.8	1.5	1.5	1.5
150	Enhancement of National Competition Council responsibilities	0.8	0.8	0.8	0.8
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-2.2	-21.5	-22.2
	<b>Total</b>	-0.4	-1114.7	-2275.6	-3839.3
	<b>VETERANS' AFFAIRS</b>				
114	Maintain the single rate of pension at 25 per cent of male total average weekly earnings (a)(c)	6.5	41.0	59.9	87.3
152	Allow maximum lump sum advances to all Department of Veterans' Affairs pensioners	0.2	0.0	0.0	0.0
116	Introduce a Bonus Plan for persons deferring retirement (a)	1.4	-3.9	-3.9	-3.5
119	Reform of the income and assets test treatment of income streams by the Department of Social Security and the Department of Veterans' Affairs (a)	0.9	0.2	0.1	0.1
133	Rental assistance to people living in public housing - Remove double subsidy (a)	-0.0	-0.1	-0.1	-0.1
117	Simplify and amend date of effect rules for income support payments (a)	3.2	5.7	-1.3	-1.6
152	Indexation of the lump sum equivalent for the Disability Pension	-0.1	-0.3	-0.4	-0.6
153	Addressing anomalies in entitlements for veterans deployed overseas (a)	2.5	5.2	7.4	8.9
154	Extend the five year Refurbishment Programme for the Australian War Graves	0.4	0.5	0.2	0.0

**Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)**

Page		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<b>VETERANS' AFFAIRS (continued)</b>				
155	Security and structural works and management at Papua New Guinea War Cemeteries	0.4	0.7	0.6	0.2
155	Link treatment benefit eligibility to pension rate (a)	0.0	0.2	0.2	0.2
156	Medication management and treatment awareness	-0.8	-6.5	-6.5	-6.5
157	Improvement in services in rural and remote areas	0.1	-0.0	-0.1	-0.1
66	Adjust Medicare benefits for some optometrical consultations (a)	-0.2	-0.3	-0.3	-0.3
72	Delisting medicine items for less serious medical conditions from the Pharmaceutical Benefits Schedule (a)	-0.6	-1.7	-1.8	-2.0
70	Therapeutic group premiums (a)	-2.8	-9.4	-10.0	-10.7
158	Introduce panel diagnosis for certain conditions	-0.5	-2.9	-5.0	-7.1
158	Supplementation in lieu of an entrance fee for the Australian War Memorial	0.7	0.7	0.7	0.7
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.0	-0.0
	Total	11.3	29.1	39.7	64.9
	<b>CROSS PORTFOLIO</b>				
160	Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-38.1	-89.5	-103.5
	<b>Total</b>	0.0	-38.1	-89.5	-103.5

(a) Measure affects more than one portfolio.

(b) Decision arising out of Senate action.

(c) Measures announced between Mid Year Economic and Fiscal Outlook and the Budget.

(d) This measure reduces the headline balance by \$1.6 million in 1997-98, \$4.5 million in 1998-99, \$5.6 million in 1999-2000 and \$6.2 million in 2000-01.

## ADMINISTRATIVE SERVICES

### Withdrawal from the direct provision of certain support services

**Function: General Services**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.5	-8.1	-11.8	-12.0

#### Explanation

This measure involves a major reduction in support service activity levels to other agencies through sale/outsourcing of various personnel, financial and general services. The measure will see the Department of Administrative Services progressively withdraw from the provision of such services.

This reform is consistent with the Government's policy of withdrawing from commercial services and will provide new opportunities for the private sector to provide these services in a contestable environment.

## ADMINISTRATIVE SERVICES

### Sale of the commercial arm of the Domestic Property Group (formerly known as the Australian Property Group)

**Function: General Services, Asset Sales**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Administrative Services	13.3	8.7	1.5	1.5
Finance - costs of sales	0.5	0.0	0.0	0.0
Finance - proceeds of sale	nfp	nfp	nfp	nfp
TOTAL	nfp	nfp	nfp	nfp

#### Explanation

Following a review against the privatisation policy principles, the Government has decided to sell the commercial arm of the Domestic Property Group (formerly a stand-alone business known as the Australian Property Group). The principles recognise that purely commercial activities should not be retained within government when numerous alternative suppliers are available.

The outlays reported under the Administrative Services portfolio are for the handling of surplus staff and properties following the sale. Sales-related costs are reported under the Finance portfolio, as the sale will be undertaken by the Office of Asset Sales. The estimated proceeds of the sale are commercial-in-confidence and not for publication.

## ADMINISTRATIVE SERVICES

### Revised funding arrangements for the repair, maintenance and refurbishment of properties remaining in Commonwealth ownership

**Function: General Services**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-46.8	-52.2	-8.2	-29.7

#### Explanation

As a consequence of the Government's decision to divest the bulk of the commercial properties administered by the Department of Administrative Services, and to implement a revised funding arrangement for the few properties that are to be retained, the previous appropriation-based property funding arrangements are to be discontinued.

Under the new arrangements, the maintenance of buildings remaining in Commonwealth ownership is to be funded by retaining a proportion of gross rent in a trust account.

## ADMINISTRATIVE SERVICES

### Reduction in major capital works

**Function: General Services**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-13.0	0.0	0.0	0.0

#### Explanation

The reduction is due to the decision not to proceed with the refurbishment of Scarborough House, Woden ACT, because of the lack of committed tenants to occupy the building.

## ADMINISTRATIVE SERVICES

### Remove preset payments to fire brigades for callouts on Commonwealth properties

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.7	-14.9	-15.2	-15.5

#### Explanation

As a consequence of the Government's decision to divest the bulk of the commercial properties administered by the Department of Administrative Services, and to implement a revised funding arrangement for the few properties that are to be retained, the previous appropriation-based property funding arrangements can be discontinued.

Previously fire protection for Commonwealth-owned buildings was paid in bulk to State fire authorities. In future, fire protection will be paid from retained rent by individual building managers.

## ADMINISTRATIVE SERVICES

### Restriction to VIP transport (COMCAR) services to Members

**Function: General Services**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
9.4	4.1	4.1	4.1

#### Explanation

Following a review, revised arrangements have been introduced that provide Members and Senators with restricted COMCAR car with driver services. For most of the year, COMCAR will only operate from 7am to 8pm with a 6am to 12 midnight operation when Parliament is sitting, rather than a 24-hour service.

The operating subsidy provided in 1997-78 is \$1.7 million lower than required in 1995-96. This measure presents as an increase to outlays, however, because pending the outcome of the review mentioned above, no provision was included in the forward estimates for a continuation of the earlier operating subsidy. For 1997-98, the \$9.4 million comprises the operating subsidy plus a provision to finance redundancies.

By restricting the hours of operation and other operating arrangements, e.g. minimal dedicated drivers and no 'as directed' services, the costs of COMCAR will continue to fall. Because of this and earlier reform initiatives, there will be some redundancies.

In addition to this measure, COMCAR resources are being further reduced by a fall in Community Service Obligation outlays by some \$2 million a year to \$1 million in 1997-98.

## ADMINISTRATIVE SERVICES

### Annual Grants in Aid to community organisations

**Function: General Research, Public Order and Safety, Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.1	0.1	0.1	0.1

#### Explanation

The Minister for Administrative Services has determined that four community organisations, i.e. the Royal Humane Society, the Australia and New Zealand Federation of Animal Societies, the Royal Society for the Prevention of Cruelty to Animals and the Australian Institute of Political Science should continue to receive annual grants in aid ranging from \$11,000 to \$23,000 a year. All the above agencies have been receiving grants over several years.

The cost of these grants are fully offset in the running costs of the Department of Administrative Services.

## ADMINISTRATIVE SERVICES

### Savings in running costs to fund annual Grants in Aid to community organisations

**Function: General Services**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.1	-0.1	-0.1	-0.1

#### Explanation

This measure fully offsets the cost of four grants to community organisations recommended by the Minister for Administrative Services described under the measure titled: 'Annual Grants in Aid to community organisations.'

## ADMINISTRATIVE SERVICES

### Provision of funding to the Australian Electoral Commission for the cost of the election of delegates to the Constitutional Convention

**Function: Legislative and Executive Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
24.0	0.0	0.0	0.0

#### Explanation

The Constitutional Convention (Election) Bill 1997 provides for an election process, the total cost of which is estimated at \$36 million. Up to \$12 million of this cost, to prepare for the election processes, may be incurred during 1996-97 through access to the Advance to the Minister for Finance. The 1997-98 allocation will provide resources to conduct the election process itself. A separate, cross portfolio measure titled 'Organisation and conduct of the Constitutional Convention', in the Prime Minister and Cabinet portfolio, relates to the cost of the running of the convention itself.

## ATTORNEY-GENERAL'S

### Savings in Attorney-General's portfolio running costs

**Function: Legislative and Executive Affairs, General Services, Public Order and Safety, Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-26.5	-26.9	-27.4	-27.9

#### Explanation

A 4 per cent across-the-board reduction has been made to the running costs of all agencies and departments within the Attorney-General's portfolio. The bodies affected are:

- Administrative Appeals Tribunal;
- Australian Bureau of Criminal Intelligence;
- Australian Federal Police;
- Attorney-General's Department;
- Australian Institute of Criminology;
- Australian Security Intelligence Organization;
- Australian Transaction Reports and Analysis Centre;
- Criminology Research Council;
- Office of the Director of Public Prosecutions;
- Family Court of Australia;
- Federal Court of Australia;
- High Court of Australia;
- Human Rights and Equal Opportunity Commission;
- Industrial Relations Court of Australia;
- Law Reform Commission;
- Legal Practice;
- National Crime Authority;
- National Native Title Tribunal;
- Office of Film and Literature Classification; and
- Office of Parliamentary Counsel.

The savings will contribute to the achievement of the Government's fiscal targets.

## ATTORNEY-GENERAL'S

### Additional specific savings in Attorney-General's portfolio running costs

**Function: Public Order and Safety, General Services**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	-7.1	-7.2	-7.4

#### Explanation

An additional reduction in running costs within the Attorney-General's portfolio will apply to the following agencies from 1998-99: the Insolvency and Trustee Service, Australia; the Australian Institute of Criminology; the Australian Transaction Reports and Analysis Centre; the Human Rights and Equal Opportunity Commission; the Law Reform Commission; the Australian Bureau of Criminal Intelligence; and the Administrative Appeals Tribunal. During 1997-98, these agencies will develop implementation strategies to achieve the savings through increased efficiencies and rationalisation of services.

## ATTORNEY-GENERAL'S

### Reform of the provision of legal services provided by the Legal Practice to enhance contestability and competitiveness

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
14.8	8.5	0.0	0.0

#### Explanation

Reform of the Legal Practice will involve separation of its policy advising function, which will continue to be budget funded, from the commercial legal services function, effective from 1 July 1997. During 1997-98, legal services will be progressively opened up to greater private sector competition. The commercial element of the business unit will be restructured with effect from 1 July 1998, to provide legal services to the Commonwealth in full competition with private sector providers. The new body is to be known as the Australian Government Solicitor (AGS).

The net addition to outlays over the first two years is due to transitional costs associated with establishment of the AGS, including funding for anticipated redundancy, corporatisation and human resource management costs in 1997-98, and lease termination costs in 1998-99. Included in 1998-99 is a working capital advance to the new organisation to be repaid in the same year through private sector refinancing. The corresponding revenue measure for this initiative is titled: 'Reform of the provision of legal services provided by the Attorney-General's Legal Practice to enhance contestability and competitiveness' (see Part II).

## ATTORNEY-GENERAL'S

### Introduction of full cost recovery for the Office of Film and Literature Classification

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	-1.2	-1.2	-1.2

#### Explanation

The Office of Film and Literature Classification (OFLC) classifies films, videos, publications and computer games in accordance with the National Classification Code under the *Classifications (Publications, Films and Computer Games) Act 1995*. The OFLC will increase classification fees to achieve full cost recovery from 1 July 1998. Taxation legislation will need to be introduced to give effect to the increases in charges. Budget funding for the OFLC will cease from 1998-99 which will remove the OFLC from operating on the Commonwealth Public Account.

## ATTORNEY-GENERAL'S

### Additional savings from the transfer of the industrial relations jurisdiction to the Federal Court

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	-0.4	-1.2	-1.4

#### Explanation

Savings of approximately \$3 million a year from 1997-98 were realised in the 1996-97 Budget as part of the Government's commitment in this area. Further savings have now been identified as a result of the rationalisation of staff and facilities being transferred from the Industrial Relations Court of Australia to the Federal Court.

## ATTORNEY-GENERAL'S

### Additional funding for the Federal Court and the National Native Title Tribunal for workload increases and amendments to the *Native Title Act 1993*

**Function: Social Security and Welfare, Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
16.1	14.5	14.8	15.1

#### Explanation

The Government has provided additional resources to the Federal Court and the National Native Title Tribunal to handle increased native title workload flowing through under the existing legislative regime and expected additional workload and responsibilities under proposed legislation to amend the *Native Title Act 1993*.

## ATTORNEY-GENERAL'S

### Divestment of Auscript

**Function: Public Order and Safety, Asset Sales**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Attorney General's	4.2	-0.3	-0.2	0.0
Finance	0.4	0.0	0.0	0.0
TOTAL	4.6	-0.3	-0.2	0.0

#### Explanation

The Government has decided to realise its investment in Auscript. The outlays effect in the Attorney-General's portfolio is due to transitional costs associated with divestment, including redundancy and lease termination costs.

Outlays shown for the Department of Finance relate to the divestment costs incurred by the Office of Asset Sales.

Estimated proceeds of the divestment have not been published for commercial-in-confidence reasons.

## ATTORNEY-GENERAL'S

### Review of funding arrangements for the Australian Federal Police Adjustment Scheme

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.9	1.0	1.0	1.0

#### Explanation

The Australian Federal Police Adjustment Scheme (AFPAS) is an unfunded eligible termination payment designed to support Australian Federal Police (AFP) anti-corruption measures, enhance performance, and compensate for loss of tenure. It is paid to all members of the AFP who successfully complete a fixed term appointment (FTA) with the AFP, except those convicted of serious misconduct or corruption. The payment is only paid on cessation of employment and is currently calculated as 12.5 per cent of a member's total accumulated salary earned over the period of all completed FTAs.

The Government is providing the AFP with additional funding in each of the four years to 2000-01 to meet the emerging costs of accrued AFPAS liabilities. This funding is in addition to approximately \$2.0 million already included in the AFP's budget and forward estimates.

## ATTORNEY-GENERAL'S

### Additional funding to target serious and large scale fraud and related crime against the Commonwealth

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
6.9	6.7	6.8	0.0

#### Explanation

Additional funding has been provided over three years to enable the National Crime Authority to extend its investigations of complex money laundering and tax evasion schemes. The anticipated impact of these investigations is a significant increase in collections of taxation revenue and recoveries under the *Proceeds of Crime Act (1987)*. The corresponding revenue measure for this initiative is titled: 'National Crime Authority Investigations' (see Part II).

**ATTORNEY-GENERAL'S**

**Additional funding for the Protective Security Coordination Centre for diplomatic and consular protection**

**Function: Public Order and Safety**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.1	0.0	0.0	0.0

**Explanation**

The Protective Security Co-ordination Centre (PSCC) is the Commonwealth body responsible for protecting missions and diplomats against any attack, intrusion, damage and the impairment of their dignity. The PSCC will receive an additional \$1.06 million in 1997-98, principally to continue the prevention of the impairment of the dignity of certain missions, consistent with Australia's international obligations.

**ATTORNEY-GENERAL'S**

**Rationalisation of the Australian Protective Service through greater contestability**

**Function: Public Order and Safety**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
11.3	1.2	-0.7	-1.7

**Explanation**

The recent review of the Commonwealth's provider of specialist protective and security services concluded that sensitive protective security work should continue to be provided by the Australian Protective Service. However, remaining work is to be opened up to competition from the private sector.

The net addition to outlays over the first two years is due to transitional costs associated with rationalisation of the business unit, including funding for redundancy and other rationalisation costs. Enhanced efficiencies in operation are expected to result in savings over the last two years and thereafter.

## ATTORNEY-GENERAL'S

### Revised arrangements for personal security for Senators and Members (other than Ministers), former office holders, their staff, and their families

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.6	-1.6	-1.6	-1.6

#### Explanation

The Government provided the Protective Security Coordination Centre (PSCC) with approximately \$2 million a year to provide personal security for Senators and Members other than Ministers, former office holders, their staff, and their families at the last Budget. The PSCC has subsequently identified it requires less to provide this security, providing a saving of approximately \$1.6 million a year.

## ATTORNEY-GENERAL'S

### Replacement of security vehicles

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.1	0.1	0.1	0.1

#### Explanation

The Government is providing the Protective Security Co-ordination Centre with approximately \$0.4 million for the replacement of security vehicles. Funding for the purchase of these vehicles has been provided over four years.

## COMMUNICATIONS AND THE ARTS

### Grants in support of Centenary of Federation community activities

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
6.0	0.0	0.0	0.0

#### Explanation

Funding will be used to provide grants in support of Centenary of Federation activities with the aim of encouraging a high level of community involvement in those activities. Grants will be administered by the Centenary of Federation Council.

## COMMUNICATIONS AND THE ARTS

### Additional funding to the Visions of Australia programme to continue the provision for touring of cultural exhibitions

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.5	1.5	0.0	0.0

#### Explanation

The Visions of Australia programme aims to make Australia's cultural material more accessible, expand audiences, encourage regional museums and galleries to create and tour their own exhibitions throughout Australia and promote greater use of existing exhibition spaces and venues, as well as alternative community spaces such as showgrounds, schools and shopping centres.

Funds are being provided to continue the Visions of Australia programme for a further two years. The costs of this initiative will be fully offset from savings within the Cultural Development Program.

## COMMUNICATIONS AND THE ARTS

### Savings from the Cultural Development Programme to absorb the costs of the Visions of Australia programme

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.5	-1.5	0.0	0.0

#### Explanation

This measure absorbs the costs of the additional funding for Visions of Australia within the Cultural Development Programme.

## COMMUNICATIONS AND THE ARTS

### Continuation of funding to the Australian Children's Television Foundation

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.8	0.8	0.8	0.8

#### Explanation

The Australian Children's Television Foundation (ACTF) has operated as a national non-profit organisation to encourage the development, production and dissemination of high quality, innovative television programmes, films and other audio-visual media for children, and to encourage their distribution by any form of technology.

The additional funding for the Australian Children's Television Foundation contained in this measure will maintain Commonwealth support for the development of new Australian children's programmes at around \$2.3 million a year.

## COMMUNICATIONS AND THE ARTS

### Funding for development of the National Museum of Australia

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
7.0	0.0	0.0	0.0

#### Explanation

Funding is being provided in 1997-98 to continue development work for the construction of the National Museum of Australia at Acton Peninsula, Canberra.

## COMMUNICATIONS AND THE ARTS

### New funding for the Australian Film Finance Corporation

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	48.0	48.0	48.0

#### Explanation

The Australian Film Finance Corporation is the Commonwealth's main agency for assisting the film and television industry. New funding is being provided by the Government for the period beyond 1997-98 when the current arrangements expire. The Government will respond to the Gonski Review of Film Assistance later in 1997.

## COMMUNICATIONS AND THE ARTS

### Continued funding of Film Australia to maintain the National Interest Programme

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	6.6	0.0	0.0

#### Explanation

Film Australia is a Government owned company which operates a film studio complex in Lindfield, Sydney. Film Australia's main function is the production and distribution of documentaries under contract with the Commonwealth to produce the National Interest Programme (NIP). Funding for the NIP was due to expire at the end of 1997-98 and has now been extended for one year to 1998-99.

## COMMUNICATIONS AND THE ARTS

### Reduction in funding of the Australian Film Commission's Television Production Fund

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5.0	0.0	0.0	0.0

#### Explanation

The Television Production Fund was established to assist Australian television production with annual funding of \$20 million in the years 1995-96 to 1997-98.

Funding in 1997-98 will be reduced by \$5 million to fund other new policy measures to be implemented for the portfolio in 1997-98.

## COMMUNICATIONS AND THE ARTS

### Funding provided to Symphony Australia Holdings Pty Ltd for orchestral services previously performed by the ABC

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
32.0	32.5	33.1	33.7

#### Explanation

Under this measure the orchestral services function of the Australian Broadcasting Corporation (ABC) will be structurally and financially separated from the ABC and delivered through a subsidiary company, Symphony Australia.

Symphony Australia will:

- establish each State orchestra as an ABC subsidiary company within three years along the lines of the Sydney Symphony Orchestra;
- provide State orchestras with the potential for greater local autonomy, and operational and administrative flexibility; and,
- assist the orchestras to pursue artistic and operational practices tailored to local circumstances and requirements.

#### Further Information

The new arrangements give effect to an agreement reached last December by all State and Commonwealth Ministers. The Mansfield Review of the ABC has also recommended structural and financial separation of orchestras from the ABC.

## COMMUNICATIONS AND THE ARTS

### Transfer of base funding from the ABC to establish Symphony Australia Holdings Pty Ltd

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-32.0	-32.5	-33.1	-33.7

#### Explanation

Consistent with the recommendations of the Mansfield Review into the role and functions of the Australian Broadcasting Corporation (ABC), \$32 million of the ABC's base funding has been permanently transferred to Symphony Australia. This transfer has been agreed by the ABC Board.

The orchestral services function of the ABC will be structurally and financially separated from the ABC, and delivered through a subsidiary company.

## COMMUNICATIONS AND THE ARTS

### Deferral of ABC debt repayments

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
4.8	-4.8	0.0	0.0

#### Explanation

This measure defers by one year scheduled 1997-98 debt repayments by the Australian Broadcasting Corporation (ABC). Under the indexation arrangements which have applied to the ABC, annual funding approved in the budget context is adjusted to take into account forecast increases in prices over the ensuing year. Adjustments are then made in subsequent budgets for overfunding or underfunding where the actual increase in prices differs from the forecast. The rescheduled debt repayments comprise adjustments of indexation overfunding and repayments of borrowings by the ABC in 1993-94 to meet extra salary costs in that year.

This measure, when combined with other adjustments to the ABC's forward year estimates which allow for rescheduling of borrowing repayments, will provide the ABC with added flexibility to adjust to its new funding levels and assist the ABC to manage its cash flows. These transactions are reflected in the forward estimates for the ABC which are published in Budget Statement 4.

## COMMUNICATIONS AND THE ARTS

### **Additional funding to the Australian Broadcasting Corporation (ABC) for the broadcast of English and Tok Pisin language radio services by Radio Australia**

**Function: Recreation and Culture**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
4.7	4.8	4.9	5.0

#### **Explanation**

Additional funding is being provided to the ABC to maintain Radio Australia services from 1 July 1997. This funding will provide an English language radio service via satellite throughout the Asia Pacific region, English language radio services via shortwave transmission to the South Pacific and Papua New Guinea, and a Tok Pisin language radio service to Papua New Guinea available via shortwave transmission.

This measure will be funded through savings from within the Communications and the Arts (\$3.2 million) and Foreign Affairs and Trade (\$1.5 million) portfolios.

The corresponding savings measure in the Communications and the Arts portfolio is titled 'Savings from broadcasting and television capital works to offset additional funding provided to the ABC for Radio Australia services', and in the Foreign Affairs and Trade portfolio is titled: 'Transfer from the overseas aid programme to fund part of the cost of maintaining Radio Australia Services'.

## COMMUNICATIONS AND THE ARTS

### **Savings from broadcasting and television capital works to offset additional funding provided to the Australian Broadcasting Corporation (ABC) for Radio Australia services**

**Function: Recreation and Culture**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-3.2	-3.3	-3.4	-3.4

#### **Explanation**

These savings represent the Department of Communications and the Arts contribution to the additional funding being provided to the ABC to maintain Radio Australia services. Savings will be achieved by reduced expenditure on discretionary capital works by the National Transmission Agency .

## COMMUNICATIONS AND THE ARTS

### Savings in transmission costs arising from the reduced broadcasting of shortwave radio services by Radio Australia

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.6	-2.0	-3.1	-4.2

#### Explanation

These savings will be generated by the reduced need for transmission facilities to broadcast Radio Australia services. The ABC's Radio Australia services are transmitted primarily via shortwave transmission facilities owned by the Commonwealth and managed by the National Transmission Agency. The costs of operating the transmission facilities are met directly by the Commonwealth and not by the ABC.

## COMMUNICATIONS AND THE ARTS

### Reduction in Government subsidy as a result of the sale or wind-up of Australia Television

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-3.5	-3.5	0.0	0.0

#### Explanation

Australia Television (ATV) was an initiative in 1993 to broadcast English language television to the Asia region. Originally conceived as a self-funding operation financed by advertising and sponsorship revenue, ATV was not able to achieve its commercial targets and currently draws on subsidies from the budget. The government decided in the 1996 Budget that ATV would be contracted out and any net savings would be returned to the Budget.

The subsidy for ATV will now be reduced to reflect expected savings stemming from the sale of ATV, or wind-up of the service in the event that an acceptable sale cannot be arranged.

## COMMUNICATIONS AND THE ARTS

### Application of the efficiency dividend to the Special Broadcasting Service

#### Function: Recreation and Culture

##### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.9	-1.6	-2.5	-3.4

##### Explanation

Savings derive from application of the 1 per cent efficiency dividend to the budget of the Special Broadcasting Service (SBS) from 1997-98.

Application of the efficiency dividend on running costs will bring the SBS into line with other Government agencies.

## COMMUNICATIONS AND THE ARTS

### Funding for setup costs and new functions of the Australian Communications Authority

#### Function: Transport and Communication

##### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
3.6	0.9	0.6	0.6

##### Explanation

Funds will be provided for establishment costs related to the merger of the Spectrum Management Agency and AUSTEL into a single regulatory body, the Australian Communications Authority (ACA), and to fund costs associated with new legislatively-based functions. The formation of the ACA is part of the Government's telecommunications reforms.

Carrier licence fees are adjusted each year to recover the costs incurred by the ACA in performing its regulatory functions for the previous year. The costs of this measure will therefore be fully offset by increases in carrier licence fees but with a one-year lag.

The corresponding revenue measure for this initiative is titled: 'Cost recovery by AUSTEL to implement telecommunications reform initiatives and for set up costs and new functions of the Australian Communications Authority.' (see Part II).

## COMMUNICATIONS AND THE ARTS

### Funding for costs incurred by AUSTEL in 1996-97 to implement telecommunications reform initiatives

**Function: Transport and Communication**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.6	0.0	0.0	0.0

#### Explanation

Funds will be provided to AUSTEL for costs incurred in 1996-97 to implement Government telecommunication initiatives leading up to the formation of the Australian Communications Authority. These initiatives include implementation of the Customer Service Guarantee (CSG), administering the revised Telecommunications National Code (TNC) and conducting an inquiry as part of the establishment of the Telecommunications Code of Practice as well as other reforms of the powers and immunities available to carriers, and the establishment of a revised National Numbering Plan and systems for charging for numbers.

A separate revenue measure offsets the impact of this item and is titled: 'Cost recovery by AUSTEL to implement telecommunications reform initiatives and for set up costs and new functions of the Australian Communications Authority' (see Part II).

## COMMUNICATIONS AND THE ARTS

### Funding for the Australian Communications Authority to enhance administration of cabler licensing

**Function: Transport and Communication**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.2	0.2	0.2	0.2

#### Explanation

The objective of this measure is to improve the administration of telecommunications cabling licensing activities, particularly through enhanced inspection arrangements, as well as enhanced information and education activities, for telecommunications licence holders.

Funding will be provided to the Australian Communications Authority to enable additional tasks to be undertaken in regard to administration of cabler licences, particularly in relation to enhanced inspection and information activities. The costs of this measure will be offset through cabler licence fees which will apply when new licences are granted or existing licences renewed.

The corresponding revenue measure for this initiative is titled: 'Cost recovery for the Australian Communications Authority to enhance administration of cabler licensing' (see Part II).

## **COMMUNICATIONS AND THE ARTS**

### **Increased efficiency dividend on Communications and the Arts portfolio running costs**

**Function: Transport and Communication, Education, General Research, Recreation and Culture**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-3.1	-3.1	-3.1	-3.2

#### **Explanation**

Currently most budget-funded agencies pay an efficiency dividend of 1 per cent a year (ongoing) of their total running costs, unless specifically exempted by Cabinet.

This measure recognises that the Communications and the Arts portfolio is making efficiency gains and that some of the returns from these efficiencies will be made available to the Budget for allocation to higher priority areas.

This measure applies a one-off additional 1 per cent efficiency dividend to the base running costs of the Communications and the Arts portfolio in 1997-98. This reduction rolls through to reduce the base running costs of the forward estimates.

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Phase out specific funding for Language Australia

**Function: Education**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.5	-1.0	-1.5	-1.5

#### Explanation

Direct financial support for Language Australia provided under the Commonwealth Schools Programme will be phased out gradually by reducing funding by one-third in 1997-98 and two-thirds in 1998-99, with funding ceasing in 1999-2000.

Education authorities will have the opportunity to contract Language Australia for research work which makes use of its expertise.

This measure will:

- improve administrative efficiency;
- encourage the organisation to become more attuned to the needs of its clients and adept in identifying other business opportunities for its services; and
- provide support to Language Australia while it secures alternative sources of funds.

#### Further Information

Language Australia (formerly the National Languages and Literacy Institute of Australia) has a brief to contribute to improving the quality and relevance of language and literacy education in keeping with the goals of State and Commonwealth language and literacy policies and Australia's economic, social and cultural needs. Language Australia maintains an information-sharing network through 22 locations throughout Australia.

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Improvement and streamlining of Higher Education Contribution Scheme arrangements

**Function: Education**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.0	1.6	1.9	2.1

#### Explanation

This measure will provide, from 1 January 1998, a 25 per cent discount for partial up-front payments of at least \$500 made by a student before the Higher Education

Contribution Scheme (HECS) census date in any semester. The administrative processes relating to the remission of HECS debt will also be streamlined.

Although this initiative has a small cost, there are gains to the Government in terms of net lending for HECS in the early years. These changes reduce the headline budget balance by \$1.6 million in 1997-98, \$4.5 million in 1998-99, \$5.6 million in 1999-2000 and \$6.2 million in 2000-01.

This measure will:

- enhance the incentive for students to pay HECS contributions up-front;
- assist students who may not be in a position to pay their full contribution up-front, but who might be able to pay \$500 or more to reduce their deferred HECS liability;
- increase the flexibility of the scheme; and
- improve the efficiency of administrative processes for the remission of HECS debt.

#### **Further information**

All Australian citizens, New Zealand citizens and Australian permanent residents enrolled in higher education student places funded by the Commonwealth are required, unless specifically exempt, to make a contribution to the cost of their course through HECS. Each semester, eligible students choose either to pay their HECS up-front or to defer payment. Eligible students who pay up-front pay 75 per cent of their HECS liability for the semester direct to the relevant institution. The Commonwealth pays the remaining 25 per cent on their behalf to the institution. New Zealand citizens must pay the whole of their HECS liability up-front.

### **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

#### **Higher education restructuring and rationalisation package**

##### **Function: Education**

##### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
10.2	7.3	4.3	4.4

##### **Explanation**

This measure will provide financial assistance to universities which need help in restructuring their activities. To be eligible for assistance, proposals from higher education institutions will need to generate long-term benefits and show that the cost is beyond the funding capacities of the institutions involved.

##### **Further Information**

The 1996-97 Budget reduced funding to higher education institutions by 1 per cent in the 1997 calendar year, 3 per cent in 1998 and a further 1 per cent in each of 1999 and 2000. At the same time, the Budget relaxed Government administrative constraints on institutions to provide them with greater flexibility and greater opportunities to diversify their income sources. The smaller and regional institutions might have greater difficulty adapting to the changes because of a higher degree of dependence on government funding and a more limited capacity to attract non-government funds.

The Government made a commitment in the 1996-97 Budget that in exceptional circumstances it would be prepared to consider specific proposals for financial assistance from institutions to restructure their activities.

## **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

### **Phased abolition of the Higher Education Commonwealth Industry Places Scheme**

**Function: Education**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-5.2	-16.5	-22.7	-23.0

#### **Explanation**

This measure involves the phased abolition of the Commonwealth Industry Places Scheme (CIPS) over 1998 and 1999. The Scheme contributes to the cost of providing higher education places in undergraduate courses by sharing the cost between the Commonwealth and industry.

The Scheme is being phased out in recognition of the fact that there are now alternative ways for institutions to meet employer demand for higher education courses. For example, from 1998 the Government will pay institutions the minimum up-front Higher Education Contribution Scheme (HECS) payment for all undergraduate students enrolled above the target student load agreed between institutions and the Government. Industry may also fully fund award courses or buy places in award courses. In addition, private sector employers have access to assistance through the tax system as they are able to claim tax deductions for business-related education and training.

## **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

### **Reduction of National Board of Employment Education and Training administrative budget and removal of Australian Language and Literacy Council funds**

**Function: Labour and Employment Affairs, Education**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-2.9	-2.7	-2.8	-2.8

#### **Explanation**

The proposal involves the abolition of funding for the Australian Language and Literacy Council, and the reduction in funding for the National Board of Employment, Education and Training (NBEET) by 35 per cent.

Funding reductions to NBEET reflect the Government's policy to abolish three of the existing five separate Councils within the Board, and the Board itself in due course (i.e. retaining the Australian Research Council and the Higher Education Council as independent bodies). The Department of Employment, Education, Training and Youth

Affairs has estimated that the administrative support required by these two Councils represents some 65 per cent of all current funding, allowing NBEET's operating expenses to be reduced by 35 per cent in total.

## **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

### **Increased AUSTUDY for families with two or more tertiary students living away from home**

**Function: Education**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.6	1.5	1.6	1.6

#### **Explanation**

This measure increases the AUSTUDY parental income test dependent deduction from \$3,700 to \$7,400 for tertiary students eligible for AUSTUDY, at the away from home rate, in families where there are two or more such students. Although the AUSTUDY income tests recognise the additional costs incurred by families with more than one dependent student, the current test does not recognise the extra costs for families where two or more of their dependent students must live away from home to undertake tertiary study.

AUSTUDY entitlement for each applicant is calculated on the basis of 'adjusted family income', which is parental taxable income less deductions for dependants. This proposal will introduce a higher rate of deduction for each AUSTUDY eligible, tertiary away from home student where there are two or more such students in the family.

Students with one eligible sibling could gain up to \$925 a year extra in AUSTUDY benefits, or up to \$1,850 a year if they have two eligible siblings, and so on. In addition, some students who currently do not receive AUSTUDY because their assessed benefit falls below the \$1,000 minimum payment threshold would pass that threshold and could benefit by up to \$1,925 (with one other eligible sibling) or \$2,850 (with two other eligible siblings).

It is expected that students benefiting from this proposal will receive their additional AUSTUDY from around October 1997, with payments backdated to 1 July for eligible students.

#### **Further information**

AUSTUDY provides income support grants to students 16 years of age and older undertaking approved courses of study in secondary schools, Technical and Further Education (TAFE) colleges, approved TAFE equivalent courses offered by private providers and higher education institutions. The AUSTUDY away from home rate is paid to students who need to live away from home to study due to either the student living too far from the educational institution, difficult home conditions or compulsory residency requirements of the course of study.

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Improved targeting of ABSTUDY

**Function: Education**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5.0	-10.9	-11.2	-11.6

#### Explanation

This measure aims to better target access to some ABSTUDY benefits from 1 January 1998, and address anomalies. Notwithstanding these changes, ABSTUDY will continue to provide indigenous students with access to a broader and more generous set of benefits than is available under AUSTUDY.

The following limits on ABSTUDY benefits are to be introduced from 1 January 1998:

- additional incidentals allowance, a maximum of \$2,000 per year;
- away-from-base assistance, a maximum of four weeks and two return trips a year for each approved award;
- travel for compassionate reasons, two return trips a year;
- graduation travel entitlements to be restricted to students who were approved for fares allowance to undertake their course away from their permanent home;
- student and partner or parental income tests will be applied to Masters and Doctorate Award students and entitlement to supplementary Masters and Doctorate allowances will no longer be available to students who do not meet the relevant income test(s);
- courses comprised wholly or substantially of away-from-base components (i.e. residential schools and field trips) will no longer be approved; and
- an income test on the 'at home' rate of school fees allowance.

Entitlement to the following travel allowances will be removed:

- interstate travel for tertiary students undertaking basic tertiary courses and away-from-base activities which are part of basic tertiary courses; and
- use of travel entitlements for dependants of independent and pensioner students during the academic year.

Assistance for tertiary students will now be limited to one undergraduate and two postgraduate courses (including masters and doctoral students), plus diploma and graduate diploma studies where it is a requirement by a profession prior to employment.

An abatement rate in the calculation of living allowance and dependent spouse allowance, including living allowance under the Masters and Doctorate Award, will be introduced. This will align ABSTUDY with the abatement rate used in the calculation of AUSTUDY living allowances. From 1 January 1998, the ABSTUDY living allowance will be reduced by \$1 for every whole \$2 of personal or partner income over

the threshold, and will be reduced by \$1 for every whole \$4 of parental income over the threshold.

This measure will reduce estimated ABSTUDY outlays by approximately 8 per cent from 1998-99.

### **Further information**

The ABSTUDY programme is designed to help overcome disincentives to participate in secondary and further education by indigenous Australians through the provision of financial assistance to study. ABSTUDY provides assistance on a non-competitive basis to all eligible indigenous students who enrol in an approved course of study. ABSTUDY provides an income tested living allowance to assist students to overcome financial barriers to study. The ABSTUDY income test is based on personal and parental or partner income. Currently, ABSTUDY income test cut-out points are broadly aligned with those for AUSTUDY, but the ABSTUDY test has no abatement so that the maximum rate of ABSTUDY living allowance is payable up to the cut-out point. Some 24,000 students currently receive the ABSTUDY living allowance.

In addition to a living allowance, ABSTUDY also provides a range of supplementary allowances to assist with education costs such as school and course costs, fares, attendance at compulsory course activities and postgraduate study costs. Few of these allowances have limits on use and they also have broad eligibility criteria.

## **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

### **Benchmarking efficiencies in Vocational Education and Training Grants to the States**

#### **Function: Education**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-10.0	-20.3	-20.7	-21.0

#### **Explanation**

The Commonwealth provides grants of around \$900 million a year to the States to put towards the operation of vocational education and training (VET). Primarily, this funding is used for the operations of the Technical and Further Education (TAFE) sector. Funding is allocated by the Australian National Training Authority (ANTA) under the ANTA Agreement between the Commonwealth and the States. Commonwealth funding for VET has increased by 37 per cent in real terms since 1992. This additional funding has been put towards growth in the sector, with a focus on increasing opportunities for young people.

This measure reduces Commonwealth funding from 1 January 1998 by \$20 million a calendar year to provide an incentive to the States to achieve efficiency gains in their VET operations by, for example, benchmarking their activities against the most cost effective States. The \$20 million cut represents around 0.7 per cent of total VET expenditure.

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Changes to entry level training employer incentives

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.9	6.4	16.2	29.5

#### Explanation

Entry Level Training (ELT) incentives provide support to employers of apprentices and trainees under a contract of training. They consist of cash payments generally made when an apprentice or trainee commences training, recommences or progresses to a higher skill level. The regime of incentive payments has been amended through two changes.

The first change involves the abolition from 1 January 1998 of the tax exemption for payments under the Commonwealth Rebate for Apprentice Full-time Training (CRAFT) and conversion into outlays under the incentive payments regime. The corresponding Revenue measure for this initiative is titled: 'Conversion of the CRAFT tax expenditure to outlays' (see Part II).

The second change is a package of measures to enhance and re-focus the incentive payments. The package provides for introduction of a \$1,500 completion payment to 'for profit' employers of apprentices and trainees being trained at the Australian Qualifications Framework (AQF) Level 3. This new payment returns to employers the approximate value of the discontinued tax exemption for CRAFT incentives. The package is subject to passage of the legislation necessary to remove the CRAFT tax exemption.

The package also includes:

- restoring large employer eligibility for ELT incentives from 1 January 1998, following the *Review of the Impact of Restrictions on Entry Level Training Incentives* completed by the Allen Group earlier this year;
- an increase in the recommencement payment to 'for profit' employers from \$500 to \$750;
- introduction of a completion payment of \$1,500 to all employers, including 'not for profit' group training companies, which recommence an out-of-trade apprentice or AQF3 trainee, to encourage their recommencement; and
- abolition of the \$250 additionality payment (which was not taken up by a significant number of employers).

The following table summarises payments under the new incentives regime:

Type of payment	AQF2	AQF3 *	* includes apprentices and trainees
Commencement	\$1,250	\$1,250	
Recommencement	nil	\$750 *	* \$500 for Group Training Companies
Progression	nil	\$1,250	
Completion	nil	\$1,500 *	* 'for profit' employers; all employers in the case of recommenced AQF3 apprentices/trainees
Group training	\$1,000	\$1,000 *	* only payable for trainees
Women in non-traditional positions	\$1,000	\$1,000	
Sporting operations traineeships	\$3,000	n/a	

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Work for the Dole Initiative

#### Function: Labour and Employment Affairs, Social Security and Welfare

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Employment, Education, Training and Youth Affairs	11.0	3.8	0.0	0.0
Health and Family Services	0.5	0.1	0.0	0.0
Social Security	5.3	0.9	0.0	0.0
TOTAL	16.8	4.8	0.0	0.0

#### Explanation

The aim of the Work for the Dole initiative is to give young unemployed people a chance to develop a work ethic through participation in projects which are supported by the community and which will be of lasting value to the community. This initiative is based on the principle of mutual obligation: that it is fair and just that people be asked to work in return for payment of unemployment allowance.

It is proposed to pilot around 70 projects comprising up to 10,000 places. Most will be located in non-metropolitan regions with high levels of youth unemployment. Project proposals will be sought Australia-wide and will be required to benefit the wider community. Subject to the passage of legislation it is anticipated that the first participants will start in late 1997.

Priority will be given to young people aged 18-24 years who have been unemployed for at least six months, but participants will not be restricted to this group. Participants will work for two six-hour days if aged 18 to 20 years, and two and one-half six-hour days if 21 years or over. This is based on averaged National Training Wage Award rates. They will be required to participate for up to six months and will be paid an extra \$20 per fortnight in recognition of the unavoidable costs of working.

### Further Information

The legislation to support the Work for the Dole initiative, the Social Security Legislation (Work for the Dole) Bill 1997, was referred to a Senate Committee on 26 March, to report by 23 June 1997.

### EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

#### Subsume National Skills Shortages Programme into the regional assistance element of Enterprise and Adjustment Programme

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.1	-2.8	-2.9	-3.0

#### Explanation

The functions of the National Skills Shortages Programme are to be subsumed into the regional assistance element of the Enterprise and Adjustment Programme. The Programmes had similar objectives and outcomes in terms of employment and training. The objective of the National Skills Shortages Programme was to minimise the effects of current and emerging skills shortages through the provision of short term skills training to the existing work force and suitably qualified unemployed persons. The Enterprise and Adjustment Programme, however, is broader in its operation in that it develops and implements strategies to improve employment, as well as the skills base, in regions where there are growing employment opportunities.

The reduction is less than 8 per cent of the total funding for the regional assistance element.

### EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

#### Savings in Employment, Education, Training and Youth Affairs portfolio running costs

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	-15.2	-15.5	-15.8

#### Explanation

The reductions in administrative funding result from structural changes associated with the implementation of new employment servicing arrangements.

### **Further Information**

In the 1996-97 Budget, the Government announced that new arrangements for delivering labour market assistance to jobseekers would be introduced during 1997-98. The key components of the new arrangements are:

- establishment of a new Commonwealth Services Delivery Agency, within the Social Security portfolio, integrating key services to jobseekers previously delivered by a number of departments; and
- development of a competitive employment services market where the Public Employment Placement Enterprise will compete alongside private and community sector providers to place clients in jobs.

These arrangements result in significant structural change within the Employment, Education, Training and Youth Affairs portfolio, including the abolition of the Commonwealth Employment Service.

### **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

#### **Labour Market Programme funding adjustment**

**Function: Labour and Employment Affairs**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-30.2	0.0	0.0	0.0

#### **Explanation**

As announced in last year's Budget, during 1997-98 the Government will introduce a new contestable market for employment services involving a government provider as well as private sector providers. This will enhance the cost-effectiveness and delivery of employment assistance. Savings come from the wind down of current arrangements prior to the implementation of the new arrangements and will not impact on the operation of the new market.

## ENVIRONMENT, SPORT AND TERRITORIES

### Environment, Sport and Territories portfolio savings initiatives

**Function: Recreation and Culture, Other Economic Affairs, nec, Housing and Community Amenities, General Services**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5.0	-5.7	-4.5	-5.2

#### Explanation

As part of the Government's fiscal consolidation strategy, the portfolio is reducing outlays by approximately \$20 million over four years.

The portfolio savings initiatives measure will be achieved through reductions in various programmes with the main focus on outlays relating to departmental running costs, the coastal policy package, State of the Environment reporting, park management operations, deferment of park works, forests policy, public relations and increased cost recovery for meteorological services.

## ENVIRONMENT, SPORT AND TERRITORIES

### Natural Heritage Trust of Australia Reserve

**Function: Housing and Community Amenities, Agriculture, Forestry and Fishing, Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
161.9	265.4	272.7	254.9

#### Explanation

The Government has committed to the establishment of the Natural Heritage Trust of Australia Reserve on the passage of the Natural Heritage Trust of Australia Bill 1996. An expenditure package, totalling \$1,249 million from 1996-97 to 2001-02, will be funded through the Natural Heritage Trust and will comprise projects to improve Australia's environmental infrastructure. The \$1,249 million comprises \$1,149 million committed for the Trust contingent on the sale of Telstra, and included in the Contingency Reserve for the 1996-97 Budget, and an additional \$100 million added to the Contingency Reserve as a measure in the *Mid-Year Economic and Fiscal Outlook 1996-97*, at \$25 million per year from 1997-98.

To date, \$41.87 million has been provided to the Department of the Environment, Sport and Territories (DEST) and the Department of Primary Industries and Energy (DPIE) for expenditure on Trust programmes in 1996-97 (\$23.24 million to DEST, \$18.63 million to DPIE).

This measure provides for the balance of the \$1,249 million expenditure in the forward estimates. The measure is fully offset by the moneys provided in the Contingency Reserve.

The objectives of the Natural Heritage Trust are to:

- provide a framework for strategic capital investment to stimulate additional investment in the natural environment;
- achieve complementary environment protection, natural resource management and sustainable agriculture outcomes consistent with national strategies; and
- provide a framework for cooperative partnerships between communities and all levels of government.

At the Commonwealth level, programmes covered by the Trust are to be administered through the Natural Heritage Trust Ministerial Board comprising the Minister for the Environment and the Minister for Primary Industries and Energy, in accordance with the Table below.

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Programme outlays by DEST</b>							
National Vegetation Initiative	4.0	29.1	70.5	78.0	78.0	69.0	328.6
National Land & Water Resources Audit	1.4	0.4					1.8
Coasts and Clean Seas		21.3	26.3	29.8	22.6		100.0
World Heritage Area Management & Upkeep	4.7	11.7	8.3	7.9	7.1		39.7
Air Pollution in Major Cities	1.5	3.5	3.5	4.0	3.5		16.0
Waste Management Awareness	0.5	2.0	2.0	0.5			5.0
National System of Reserves	2.0	11.0	21.0	23.0	20.0	3.0	80.0
Endangered Species Programme	2.0	4.3	4.2	5.5			16.0
National Feral Animal Control	2.9	1.7	1.8	1.8	1.4		9.6
National Weeds Strategy	1.3	1.9	1.9	1.9	1.9		8.9
National Wetlands Programme	1.3	1.8	2.5	2.9	1.5	1.0	11.0
Tasmanian Regional Environment Remediation Programme	1.8	3.5	3.5				8.8
<b>Total outlays by DEST</b>	<b>23.2</b>	<b>92.2</b>	<b>145.5</b>	<b>155.3</b>	<b>136.0</b>	<b>73.0</b>	<b>625.3</b>
<b>Programme outlays by DPIE</b>							
Landcare (incl. Tax Credits)	10.2	35.0	63.0	57.0	54.0	44.8	264.0
Property Management Planning	0.4	3.0	3.0	3.0	3.0	2.6	15.0
National Rivercare Initiative	0.4	12.4	24.4	25.4	25.4	9.0	97.0
Farm Forestry		1.6	4.8	6.4	5.8	3.4	22.0
National Land & Water Resources Audit	0.2	7.0	7.0	7.0	7.0	7.0	35.2
Murray Darling Basin 2001	4.7	29.5	37.5	38.5	43.5	9.3	163.0
National Feral Animal Control	1.5	2.0	0.9	0.9	0.7	0.5	6.5
National Weeds Strategy	1.2	3.1	3.0	3.0	3.0	1.7	15.0
Coasts and Clean Seas (Fishcare)		1.2	1.2	1.2	1.4	1.0	6.0
<b>Total outlays by DPIE</b>	<b>18.6</b>	<b>94.8</b>	<b>144.8</b>	<b>142.4</b>	<b>143.8</b>	<b>79.3</b>	<b>623.7</b>
<b>Total Natural Heritage Trust</b>	<b>41.9</b>	<b>187.0</b>	<b>290.3</b>	<b>297.7</b>	<b>279.8</b>	<b>152.3</b>	<b>1249.0</b>
less 1996-97 outlays and previously announced measure	41.9	25.0	25.0	25.0	25.0		
<b>Total 1997-98 Budget Measure</b>	<b>0.0</b>	<b>162.0</b>	<b>265.3</b>	<b>272.7</b>	<b>254.8</b>	<b>152.3</b>	<b>1107.1</b>

## ENVIRONMENT, SPORT AND TERRITORIES

### Willandra Lakes Structural Adjustment Package

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.0	0.0	0.0	0.0

#### Explanation

This measure will enable the Commonwealth to meet the final year of its funding commitment to the New South Wales Government for the Willandra Lakes Structural Adjustment Package.

The Willandra Lakes Structural Adjustment Package arises from an agreement between the Commonwealth and New South Wales, matched on a dollar for dollar basis, and aims to address the socio-economic impacts on landholders in the Willandra Lakes Region World Heritage Property as a consequence of World Heritage listing.

## ENVIRONMENT, SPORT AND TERRITORIES

### Payment to QLD - Sugar Coast Environment Rescue Package

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.0	2.0	0.0	0.0

#### Explanation

This measure will enable the Commonwealth to meet its funding commitment to the Queensland Government for the Sugar Coast Environment Rescue Package.

The Package was established in 1995 as a joint \$16 million Commonwealth/Queensland programme designed primarily for assistance in the removal of threats to habitat critical for the Mahogany Glider which is listed as an endangered species under the *Commonwealth Endangered Species Act 1992*.

## ENVIRONMENT, SPORT AND TERRITORIES

### Funding for capital works at Orielton Lagoon in Tasmania

**Function: Housing and Community Amenities**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.7	0.0	0.0	0.0

#### Explanation

This measure provides a Commonwealth contribution to enable the completion of the second phase of remediation works at Orielton Lagoon, a small embayment east of Hobart at the northern end of Pitt Water.

The first phase of remediation works to improve flushing has been completed. The second phase involves the diversion of sewerage, which presently discharges into Orielton Lagoon, for use in irrigating orchards and cut-flower farms. The capital works, involving the construction of a holding pond and pipes, is being funded by contributions from the Commonwealth, State and local Governments.

## ENVIRONMENT, SPORT & TERRITORIES

### Sydney 2000 Games - Olympics and Paralympics

**Function: Foreign Economic Aid, Public Order and Safety, Tourism and Area Promotion, Recreation and Culture, Mining and Mineral Resources, other than Fuels; - Manufacturing ; - and Construction**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Attorney General's	1.0	10.4	21.6	16.3
Environment, Sport and Territories	0.0	50.0	50.0	50.0
Foreign Affairs and Trade	0.4	2.6	3.7	2.1
Industry, Science and Tourism	3.0	0.0	0.0	0.0
TOTAL	4.4	63.0	75.3	68.4

#### Explanation

The Commonwealth has agreed to a number of measures that will assist with the staging of the Sydney 2000 Games (in addition to about \$350 million already committed or spent). The measures are in four broad categories.

##### *Security*

The security measures include coordination of dignitary protection, the provision of intelligence, counter-terrorism planning and coordination, as well as law enforcement responsibilities of the Australian Federal Police. They will be implemented by security

and law enforcement agencies, most of which are in the Attorney-General's portfolio. The NSW Government has overall responsibility for the security operation of the Games.

#### *Promoting Australia*

These are initiatives within the Foreign Affairs and Trade, and Industry, Science and Tourism portfolios which will be undertaken to press Australia's political, economic, financial and environmental credentials internationally, between now and 2000 and include:

- international media visitors and information/publicity programme, including services for foreign media;
- identifying potential business people/visitors whose visits to Australia during the pre-Olympic period are intended to stimulate overseas investment in Australia and exports;
- marketing Australian sporting capability overseas and funding specific sport development projects with Asian countries; and
- additional marketing activities overseas by the Australian Tourist Commission to increase inbound tourism.

#### *Other Games-related Activities*

These represent activities which the Commonwealth will undertake, based on either specific requests from the Games organisers or anticipated requirements for staging the Games. The activities cover a number of agencies and portfolios. Consistent with the application of the user pays principle, the cost of activities will be sought from the Games organisers. Accordingly, the budget estimates contain no provision for these activities. Specific activities which have been identified to date include:

- facilitation of the movement of animals (principally horses), equipment and feed to and from Australia at the time of the Games;
- the Australian Sports Drug Testing Laboratory and the Australian Sports Drug Agency have devised research and sampling and analysis programmes respectively to ensure that the potential drug testing requirements of the Sydney Organising Committee for the Olympic Games at the time of the Games are able to be met; and
- provision of Games-related meteorological services by the Bureau of Meteorology.

#### *Assistance to the Sydney Organising Committee for the Olympic Games (SOCOG)*

Through the Environment, Sport and Territories portfolio, the Commonwealth will provide an annual grant to SOCOG to compensate for the impact of sales and income tax payments. The payment of the grants will be subject to adequate levels of cost recovery achieved for Commonwealth services provided to SOCOG, such as meteorological services. The \$50 million from 1998-99 is an estimate based on anticipated taxation payments from SOCOG.

## ENVIRONMENT, SPORT AND TERRITORIES

### Discontinuation of the Save the Bush Programme

**Function: Housing and Community Amenities**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.5	-1.5	0.0	0.0

#### Explanation

This programme has been discontinued to offset other vegetation initiatives within the portfolio. Concurrently, the Government will be introducing a major new vegetation initiative to be funded from the Natural Heritage Trust of Australia Reserve.

## ENVIRONMENT, SPORT AND TERRITORIES

### Grant to AAP Mawson's Huts Foundation for the restoration effort on Mawson's Huts

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.3	0.0	0.0	0.0

#### Explanation

This measure will assist the AAP Mawson's Huts Foundation to undertake conservation work on the huts established at Cape Denison by Sir Douglas Mawson during the 1911-14 Australasian Antarctic Expedition. The huts are a significant part of Australia's Antarctic heritage. The Cape Denison site is entered in the Register of the National Estate and is recognised internationally under the auspices of the Antarctic Treaty as a historic site.

## ENVIRONMENT SPORT AND TERRITORIES

### Maintain Local Government General Purpose Assistance Grants in real terms - Determination of 1997-98 payments

#### Function: General Purpose Inter-government Transactions

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-14.7	-15.2	-15.8	-16.4

#### Explanation

The Commonwealth provides the bulk of its funding to local government in the form of general purpose assistance, comprising financial assistance grants and identified road funding. The *Local Government (Financial Assistance) Act 1995* provides for general purpose assistance for local government to be increased in line with movements in general revenue assistance provided by the Commonwealth to the States.

In 1997-98, the general purpose assistance entitlement for local government will be increased in line with the Consumer Price Index (CPI), and hence maintained in real terms. This means that local government will receive an estimated \$1,205 million in 1997-98, after an adjustment for the estimated overpayment of \$8 million in 1996-97 that reflects lower than expected inflation in that year. In determining the estimated entitlement for 1997-98, the Government has taken into account the fiscal contributions which the States are making to the Commonwealth, and the increase in general purpose assistance to local government will be more commensurate with trends in general revenue assistance provided to the States.

## ENVIRONMENT, SPORT AND TERRITORIES

### Restoration and management of National Assets Programme in the ACT

#### Function: Housing and Community Amenities

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
5.0	5.1	5.2	5.3

#### Explanation

This measure provides for a new four year programme to continue the restoration of Commonwealth assets and to meet public safety requirements in the Parliamentary Zone and on other Commonwealth lands in the National Capital. The programme includes restoration works associated with Commonwealth assets, including national memorials, roads, footpaths, lighting, open space areas and other infrastructure.

## ENVIRONMENT, SPORT AND TERRITORIES

### Indian Ocean Territories - Recurrent funding adjustment

**Function: Fuel and Energy, Transport and Communication, Public Order and Safety, Housing and Community Amenities, General Services, Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
3.0	0.0	0.0	0.0

#### Explanation

The Indian Ocean Territories (IOTs) communities are dependent on the Commonwealth for funding of State and local government type services. This measure provides an additional \$3 million in 1997-98 in order to maintain essential government services such as health, education and public housing and to improve asset management. The level of funding for the IOTs in outyears will be considered following the development of a resource agreement with the Department of Finance.

## FINANCE

### Efficiencies in Whole of Government Information Technology Infrastructure - Additional funding for Office of Government Information Technology

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	8.6	4.7	0.0

#### Explanation

The funding will enable the Office of Government Information Technology (OGIT) to coordinate formal market testing processes across agencies for the outsourcing of the Commonwealth's Information Technology infrastructure, and to ensure that an open competitive process is followed with a standard framework being used for tender specification and evaluation and contracts. The corresponding cross portfolio measure titled 'Efficiencies in Whole of Government Information Technology Infrastructure' provides a description of the process and the savings attributed to each agency.

Given the scale and complexity of potential outsourcing it is essential to ensure that a robust, consistent, well-structured and professional process is adopted. Major outsourcing vendors are expected to have highly skilled technical, financial and negotiating teams with considerable experience in structuring and negotiating complex outsourcing transactions. Commonwealth departments and agencies have limited experience in this sphere and will require assistance in costing, contract specification and evaluation, contract negotiation and service and performance standards specification, both to safeguard the Commonwealth's interests and to ensure maximum savings.

OGIT will:

- provide a pool of experts with extensive outsourcing experience to provide leadership, advice and strategic direction to the outsourcing projects, and to assist in contract negotiations;
- develop and provide a contract, costing and project management policy framework to assist agencies in market testing and due diligence process;
- play a lead role (at least in initial contracts) in contract development, evaluation of vendor proposals, negotiations with vendors and financial modeling to support the interactive negotiations;
- ensure that knowledge and experience from across all competitive tendering processes is passed on to individual clusters;
- provide assistance to smaller agencies which do not have the necessary skills in-house; and
- provide strategic policy advice and reports to Government and steering committees on progress against whole of Government outsourcing objectives.

## FINANCE

### Office of Asset Sales - Additional running costs in relation to sales/reviews in the 1997-98 Budget

**Function:** Asset Sales

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.3	0.0	0.0	0.0

#### Explanation

The Government agreed to provide additional running costs to the Office of Asset Sales to fund additional workload for new sales and reviews announced in the Budget. The additional resources are one-off and commensurate with the increase in the asset sale workload in 1997-98.

## FOREIGN AFFAIRS AND TRADE

### Closure of Australian diplomatic missions in Copenhagen and Nauru

**Function: Foreign Economic Aid**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.5	-1.9	-2.0	-2.0

#### Explanation

Australia operates a network of 101 diplomatic and consular posts in 71 countries. The Government has further reviewed this network and has decided to close Australia's Embassy in Copenhagen and High Commission in Nauru during 1997-98.

As neighbouring posts will undertake the non-discretionary work of these two posts, the overall impact on Australians travelling overseas will be manageable.

## FOREIGN AFFAIRS AND TRADE

### Reduction in Grants and Contributions Programme

**Function: Foreign Economic Aid**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.9	-1.0	-1.0	-1.0

#### Explanation

The Department of Foreign Affairs and Trade's Grants and Contributions Programme has been further reviewed with some grants being discontinued and others having their level of funding reduced.

The reduced programme will continue to contribute towards achieving Australia's foreign and trade policy objectives.

## FOREIGN AFFAIRS AND TRADE

### Reduction in overseas aid

**Function: Foreign Economic Aid**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-7.5	-7.7	-7.9	-8.1

#### Explanation

The Budget makes provision of \$1.4 billion in 1997-98 to essentially maintain the overall level of Australia's overseas aid. These programme savings, coupled with the need to accommodate increased commitments for the multilateral development banks and international environment treaties, have required reductions to be made in some country and global programmes.

The estimated Official Development Assistance to Gross National Product (ODA/GNP) ratio in 1997-98 is expected to decline from 0.29 (in 1996-97) to 0.27, largely as a consequence of an increase in nominal GNP and from savings flowing through from previous years.

The ODA/GNP ratio is expected to remain above the weighted average for OECD countries for 1997-98.

## FOREIGN AFFAIRS AND TRADE

### Transfer from the overseas aid programme to fund part of the cost of maintaining Radio Australia services

**Function: Foreign Economic Aid**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-4.0	-4.1	-4.2	-4.3

#### Explanation

The transfer of these funds from the aid programme will help offset the cost of maintaining a Radio Australia service which includes English language services to the Asia-Pacific region via satellite, short-wave transmission to the South Pacific and Papua New Guinea, and a Tok Pisin language short-wave service to Papua New Guinea.

\$1.5 million per year will be used to provide additional funding for the ABC (see measure titled 'Additional funding for the ABC for the broadcast of English and Tok Pisin language radio services by Radio Australia') and the balance will offset transmission costs.

Reductions have been made in some country and global aid programmes to accommodate this transfer.

As referred to in the measure 'Reduction in Overseas Aid', the estimated ODA/GNP ratio in 1997-98 is expected to remain above the weighted average for OECD countries.

## **FOREIGN AFFAIRS AND TRADE**

### **Increased cost recovery by Austrade**

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-2.0	-3.0	-4.1	-5.3

#### **Explanation**

Austrade provides a range of services to Australian businesses to increase their international success in trade. The measure results in an increase in the level of cost recovery on a range of services provided by Austrade, including seminars, trade displays and telephone assistance, and provides for a greater use of sponsorships. Such fee receipts are shown as offsets to outlays under Assistance to Exporters sub-function.

Given the benefits some exporters may derive from services provided by Austrade, it is appropriate, and consistent with the Government's overall policy of user charging, that they should contribute to the cost of such services.

As a result of this measure, cost sharing and service fee income, which is about 9 per cent of Austrade's gross operating expenses, is expected to rise to 11 per cent in 1997-98 and by one percentage point a year thereafter to 2000-01.

## **FOREIGN AFFAIRS AND TRADE**

### **Accelerated recovery of International Trade Enhancement Scheme loan funds**

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-5.0	-3.0	-1.0	0.0

#### **Explanation**

The International Trade Enhancement Scheme (ITES), which provided loans to exporters, was abolished in the 1996-97 Budget. Austrade's revision of its ITES loan commitments has provided scope to accelerate the recovery of these funds.

## HEALTH AND FAMILY SERVICES

### National Public Health - Continuation of Public Health Programmes

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
11.5	22.3	0.0	0.0

#### Explanation

Funding for some elements of the National Public Health Programme (i.e. Women's Health; National Breast Cancer Centre; Health Australia - Tobacco Harm Minimisation Strategy; and Hepatitis C Surveillance and Education) was due to cease in 1997-98 and 1998-99.

This measure provides additional funding for these elements to continue until the end of 1998-99, with the level of funding beyond that date to be considered in future Budget rounds.

The continuation of funding for these elements would allow the full range of public health programmes to continue under the new broadbanded National Public Health Programme.

In addition, funding for the Health Care Access for Survivors of Torture and Trauma Programme has also been extended to the end of 1998-99. These services have been specifically designed to promote the health and well-being of people who have experienced torture and trauma before coming to Australia by improving their access to health and related services.

## HEALTH AND FAMILY SERVICES

### Restructure arrangements for funding services related to the provision of methadone

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	-1.9	-7.8	-9.6

#### Explanation

Currently, methadone services are provided either by private medical practitioners or through publicly funded methadone programmes. The current Medicare expenditure is considered to reflect a significant degree of inappropriate use of consultations and urinalysis (e.g. use of consultations to cover dispensing costs). Over the past five years there has been a rapid growth in methadone client numbers nationally and an increasing imbalance between numbers of public and private clients. This has led to significantly increased funding demands on Medicare.

This measure will fund methadone services as part of the Public Health Programme, instead of through Medicare. Under the new arrangement, grants in lieu of Medicare payments for private methadone clients will be paid through Specific Purpose Payments to the States, subject to negotiation. Medicare benefits will no longer be available for consultations and urinalysis relating to methadone clients.

The level of funding will be based on an annualised allocation per client, calculated from the average number of private clients treated in each jurisdiction over the previous 12 months (with an allowance for client growth and inflation). Payments will be subject to performance measures and other statistical reporting.

The new funding arrangement will be based on the outcomes of the Commonwealth's 1997 trials of alternative models of methadone service delivery. A November 1998 commencement is envisaged. This timetable will enable trial outcomes to be evaluated and negotiations to be conducted with the States, and also give States time to prepare for the changeover.

Savings are expected from Medicare because the new funding arrangements will remove the scope for over-servicing inherent in the existing fee-for-service Medicare benefit structure.

## **HEALTH AND FAMILY SERVICES**

### **Development of a National Food Hygiene Standard**

**Function: Health**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.9	1.7	1.2	0.0

#### **Explanation**

The need for a new national food hygiene standard has been identified as a priority area by the Australia New Zealand Food Standards Council (ANZFSC) and by the Prime Minister's Supermarket to Asia Council. The Prime Minister recently wrote to all State Premiers and Territory Chief Ministers asking that the Council of Australian Governments (COAG) give impetus to the development of a national safe food system.

Under this measure the Australia New Zealand Food Authority (ANZFA) will develop a nationally consistent regulatory framework for food hygiene, in consultation with the food industry and other levels of government. This is intended to replace the current disparate array of State and local government regulations.

The new system is expected to be developed over a three year period, with time-limited funding provided by the Commonwealth. Staged implementation will commence in 1999, leading to every food business in Australia implementing food safety programmes by 2000. Industry would be expected to contribute to the costs of the system as it is implemented.

Through this measure, a sound regulatory framework will be developed to assist in achieving a reduction in the incidence of food poisoning which will reduce the burden on the health care system. Community and business will also benefit from increased productivity arising from fewer days lost due to food borne illnesses.

Enhanced consumer confidence, both domestically and internationally, will directly benefit industry. The new system is also expected to reduce costs for industry, by replacing the existing expensive requirement to meet different hygiene codes with a more streamlined system.

Information from the Review of Food Regulation in Australia, which is to report to COAG by the end of 1997, will be used in the development of the food hygiene standard at an early stage to ensure that the standard represents minimum but effective regulation.

## **HEALTH AND FAMILY SERVICES**

### **Supplementation of the Australia New Zealand Food Authority funding base**

**Function: Health**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.7	1.8	1.6	1.3

#### **Explanation**

Commonwealth funding for the Australia New Zealand Food Authority (ANZFA) was to reduce to \$5.6 million in 1997-98 and to a base of around \$4m in 1998-99, with funding above this level to be provided from industry through cost-recovery arrangements.

However, the implementation of major cost-recovery activity will be delayed pending the completion of the Review of Food Regulation in Australia (also included in this Budget). It is envisaged that a new cost-recovery arrangement will be developed as part of a national streamlined approach to food regulation, which should reduce the regulatory burden imposed on industry by all levels of government.

In recognition of the delay in implementation of these cost-recovery arrangements, the Commonwealth is providing the ANZFA with additional resources to supplement the expected shortfall in its funding levels prior to the introduction of the new cost-recovery arrangements. The ANZFA is also taking steps to reduce its operating costs by improving efficiency.

This measure should ensure that the ANZFA has sufficient resources to continue to develop and maintain appropriate food standards for Australia and New Zealand. This should lead to a greater range of safe food products being available to consumers. There are also expected to be significant benefits for industry with greater consumer confidence in Australian food products giving improved access to both local and export markets.

Consistent with Recommendation 33 of the Small Business Deregulation Task Force Report the ANZFA will undertake an inter-governmental Review of Food Regulation in Australia, to report to the Council of Australian Governments (COAG) by the end of 1997.

## HEALTH AND FAMILY SERVICES

### Comprehensive National Immunisation Strategy

#### Function: Health, Social Security and Welfare

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	3.3	3.3	3.3	3.4
Social Security	-11.8	-26.6	9.2	4.6
TOTAL	-8.6	-23.3	12.6	8.0

#### Explanation

In the past, Australia's immunisation performance has been poor (currently only 53 per cent of children aged 0-6 years are vaccinated), with immunisation coverage rates too low to interrupt transmission of vaccine preventable disease. Consequently, there have been epidemics of measles, rubella and pertussis (whooping cough).

In February 1997 the Government announced this package of initiatives aimed at lifting Australia's immunisation rate to an acceptable level. The two most significant elements are linking age-appropriate immunisation with entitlement to Maternity Allowance, Childcare Assistance and the Childcare Cash Rebate and the provision of incentives to general practitioners for increasing immunisation coverage. From 1 January 1998:

- the Maternity Allowance will be restructured and paid in two parts so that an initial amount of \$750 is provided at birth (in line with existing arrangements) and a further instalment of \$200 at 18 months of age on evidence of age-appropriate immunisation; and
- all new applicants for Childcare Assistance and the Childcare Cash Rebate will need to provide proof of age-appropriate immunisation to be eligible for these payments. New applicants must meet this requirement from January 1998. Families who are in receipt of these fee subsidies will have to meet these requirements at the end of year review in late 1998.

Exemptions for parents with legitimate conscientious objections and children with medical contra-indications would apply.

Other initiatives that will be undertaken within the existing resources from the National Public Health Programme include education campaigns, the introduction of special immunisation days to increase immunisation coverage, a feasibility study of a measles eradication programme, and the possible introduction of school entry requirements that involve parents submitting details of children's immunisation history upon their child's enrolment.

Increased levels of immunisation are expected to result in higher Medicare costs as more children visit the general practitioner for vaccinations.

It is anticipated that the implementation of this comprehensive and integrated plan will assist States as they work towards the National Health and Medical Research Council immunisation targets by the year 2000.

Achievement of higher immunisation rates in Australia is expected to lead to a significant reduction in mortality and morbidity due to vaccine preventable disease.

## HEALTH AND FAMILY SERVICES

### Funding mechanism for the purchase of essential vaccines including Hepatitis B vaccine

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.6	3.9	3.9	4.0

#### Explanation

Funding for vaccines for childhood immunisation is currently provided through the National Childhood Immunisation Programme (NCIP) under the National Public Health Programme. The Commonwealth makes Specific Purpose Payments to the States to allow them to bulk-buy vaccines for use by all immunisation providers including general practitioners.

This measure puts in place a new funding mechanism which will enable more timely provision of new vaccines recommended by the National Health and Medical Research Council. The new funding arrangement will be similar to the current Pharmaceutical Benefits Scheme (PBS), with new listings and delistings of vaccines, based on technical assessments and cost-effectiveness data, included in the programme through regulation under the *National Health Act*. Funding will be provided to the States through a special appropriation under this Act, and will cover new vaccines as they are listed on the schedule.

The current arrangements for the supply and delivery of vaccines under the proposed Public Health Outcome Funding Agreements will remain in place. The Commonwealth will be responsible for providing funds to the States for the purchase of vaccines directly from pharmaceutical companies. States will be responsible for the distribution of vaccines to providers including general practitioners and local government, and for ensuring that target population groups have access to immunisation services.

As a result, this new streamlined funding arrangement will avoid any delays between the availability and approval of new vaccines and their provision through the States.

A new Hepatitis B vaccine (HBV) for pre-adolescents will be the first vaccine made available through this mechanism and will cost around \$3.8 million in a full year. Future funding approvals are anticipated to result mainly from improvements in vaccine technologies, with the new vaccines substituting for vaccines already in use.

The inclusion of pre-adolescent Hepatitis B vaccination in the NCIP is in keeping with World Health Organisation recommendations that all countries incorporate Hepatitis B vaccination into their Standard Schedules by 1997. Availability of this vaccine should help reduce the incidence of Hepatitis B which is a serious disease that can cause prolonged illness in the acute stages and can result in chronic liver disease, cirrhosis of the liver, liver failure and cancer of the liver.

## HEALTH AND FAMILY SERVICES

### Hepatitis B Pre-Adolescent Immunisation Delivery Programme

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.2	0.4	0.5	0.5

#### Explanation

The National Health and Medical Research Council has recently included Hepatitis B Vaccination (HBV) for pre-adolescents in the Standard Schedule of recommended vaccinations and the Commonwealth has approved funding for the supply of the vaccine in this Budget. The new funding for the purchase of the vaccine itself is provided under the related outlays measure titled: 'Funding mechanism for the purchase of essential vaccines including Hepatitis B vaccine'. This measure provides for a more intensive system of delivery.

Vaccinations are normally delivered to adolescents through GPs and health clinics. The level of coverage of the target group would be expected to be low if these were the only delivery mechanisms used as adolescents do not use these services frequently.

This measure provides specific funding for the delivery of HBV in the school setting, which is expected to result in better rates of immunisation. It will involve the Commonwealth working with the States, with the Commonwealth covering the cost of vaccines and contributing up to half the additional cost of delivering these vaccinations in schools, and the States responsible for the delivery programme as well as provision of the additional funding.

Commencement in February 1998 is envisaged. This lead-time will ensure that States have sufficient time to overcome the logistical difficulties in implementing this programme in the school setting.

The first dose of vaccine will be given at the same time as measles-mumps-rubella vaccine, which is administered in the last year of primary school or the first year of high school. The second dose of HBV is required one month after the first dose, while the third dose to complete the course is required 6 months after the first dose.

Some small savings are expected to be made on Medicare as the new school based delivery of HBV will mean that fewer adolescents will be vaccinated through their GPs.

This measure is expected to result in improved health outcomes with a reduction in the incidence of Hepatitis B, a serious disease which can cause prolonged illness in the acute stages and can result in chronic liver disease, cirrhosis of the liver, liver failure and cancer of the liver.

## HEALTH AND FAMILY SERVICES

### Strengthening Australia's health and medical research workforce

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.8	1.4	2.3	2.6

#### Explanation

The National Health and Medical Research Council (NHMRC) supports health and medical research through the provision of research grants and career and training awards. In 1997 it is providing training awards in health and medical research comprising 285 scholarships for post-graduate study in Australia and 177 post-doctoral training fellowships for study in Australia and overseas.

Australia has a high standard of health and medical research and some of its best young researchers take up positions in overseas research institutions immediately upon completion of their doctorate, rather than seeking a post-doctoral training award from NHMRC. Once they have completed a period of time overseas it is often difficult for these young researchers to secure research support back in Australia.

There are some areas of health and medical research which are relatively under-represented in the Australian research workforce, such as clinical and health services research. These research skills are important for addressing some of Australia's health priorities such as improving Aboriginal and Torres Strait Islander health.

This measure will enable the NHMRC to provide up to twenty new awards in each of the next three years comprising:

- post-doctoral fellowships to encourage young Australians overseas to return to a research career in Australia; and
- scholarships and fellowships in research areas demonstrated to be relatively underskilled, to develop a skill base in these areas.

The recipients of the latter will not necessarily have come from overseas.

A review of the health and medical research workforce will be undertaken to identify areas of research where Australia's research capacity needs to be increased and could be supported by these proposed new research training awards.

The research programme of the National Health and Medical Research Council is the primary source of Commonwealth support for health and medical research. In 1997 it will provide support of \$106 million for over 1,200 research programmes, \$24 million for block funded institutes and special units and \$15 million for training and career development awards.

## HEALTH AND FAMILY SERVICES

### Revised process for Medicare Benefits Schedule listing and review

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.5	0.5	-0.5	-3.1

#### Explanation

The measure introduces a more systematic approach to the assessment of new and emerging medical technologies and procedures prior to those services being listed in the Medicare Benefits Schedule (MBS). Evidence as to a procedure's safety, efficacy and cost-effectiveness will be obtained before consideration for listing.

Advances in medical technology and procedures have been major sources of growth in Medicare outlays (for example, minimal invasive surgery, laser surgery, and nuclear medicine). The *Health Insurance Act 1973* provides that Medicare benefits are payable for 'clinically relevant' services. However, this provides little scope for cost-effectiveness issues to be considered in the decision-making process.

A new Medicare Services Advisory Committee (MSAC) will be established to oversee the assessment of new procedures and the review of existing MBS items. MSAC's main function would be to advise the Minister on the inclusion of new procedures and services in the MBS.

Where the merits of services and procedures have not been established, MSAC will be able to recommend conditional funding within time limits pending further review by MSAC. Benefits would be provided for services in designated locations and/or by providers participating in further studies.

The measure provides a means for ensuring that Medicare benefits are paid only for those services and procedures offering the most cost-effective and medically appropriate outcomes. It should lead to improved health outcomes while providing modest savings in the outyears.

## HEALTH AND FAMILY SERVICES

### Adjust Medicare benefits when more than one person is treated during a home visit

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.0	-3.5	-3.7	-3.8

Medicare benefits for home visits by non-specialists currently include a loading for the inconvenience and extra costs associated with visiting patients away from the surgery. However, the current arrangements make no allowance for the number of patients seen

at each location. For example, if three persons are seen at a single location, this loading is paid three times.

Medicare benefits for non-specialist consultations at all other non-surgery locations (hospitals, nursing homes or institutions) include a loading for visiting the location at which the service is provided, but this is reduced for the second and any subsequent consultations.

This measure will ensure that Medicare benefits for home visits by non-specialists are paid for on the same basis as other non-surgery locations. This change, which is expected to apply from 1 November 1997, also applies to Local Medical Officers registered with the Repatriation Commission.

## **HEALTH AND FAMILY SERVICES**

### **Adjust Medicare benefits for some optometrical consultations**

**Function: Health**

#### **Financial Implications (\$m)**

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	-7.8	-13.9	-14.8	-15.5
Veterans' Affairs	-0.2	-0.3	-0.3	-0.3
<b>TOTAL</b>	<b>-8.0</b>	<b>-14.2</b>	<b>-15.0</b>	<b>-15.8</b>

#### **Explanation**

Medicare benefits are payable for optometrical attendances based on items described in the Schedule of Medicare Benefits for Consultations by Optometrists. Under an agreement with the Government on their participation in Medicare arrangements, optometrists are not permitted to charge more than the schedule fee. In fact, over 96 per cent of optometrical services are bulkbilled at no cost to the patient.

After discussion with the Australian Optometrical Association, the Government has decided to restructure the schedule descriptions and fees for some optometrical items. Details of the changes will be the subject of negotiation between the Government and the profession. Areas likely to be negotiated include Medicare benefit payments for a second comprehensive consultation within 24 months (e.g. if there is no medical change, should benefits be payable for the second consultation on the same basis as for the first consultation) and tightening of the conditions for rebates for contact lens prescriptions.

These changes, which are expected to apply from 1 November 1997, will also apply to optometrists contracted with the Department of Veterans' Affairs.

## HEALTH AND FAMILY SERVICES

### National Rural and Remote Health Support Programme

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.0	3.6	5.5	6.3

#### Explanation

A number of current programmes, that provide rural health services or support for health care professionals, will be aggregated to provide a more flexible approach to meeting the health needs of rural communities.

In addition, further funding will be provided to target national priority areas: innovative delivery of health and related services; a more strategic approach to rural health research; and an extension of the advanced specialist training post initiative.

The benefits of this restructuring and additional funding include:

- improved access by rural and remote communities to appropriate health care and related services;
- improvement in recruitment and retention of rural and remote health care professionals;
- development of a more effective rural and remote health research capacity; and
- provision of training and clinical practice opportunities for health care professionals in rural and remote areas.

## HEALTH AND FAMILY SERVICES

### Pilot study of alternative funding arrangements for rural obstetric services

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	0.0	0.0	0.0

#### Explanation

Rural communities are disadvantaged in their access to obstetric services. The problem derives mainly from difficult practice conditions for practitioners in rural areas, including limited professional indemnity cover and a lack of peer support. The pilot study will demonstrate whether an alternative to the current funding arrangements can address these problems and improve access and quality of obstetric services.

Five million dollars, fully offset by savings from Medicare benefits, will be allocated to a one-year pilot study for one or more State governments to fund all obstetric services, public and private, in identified rural areas. The arrangements will be developed in

consultation with stakeholders, and professional indemnity issues will be addressed. Funding will be provided by savings from Medicare benefits, which will not be available for obstetric services provided in these identified areas for the period of the study. The study will assess the administrative feasibility of the new arrangements, their effect on service provision and the quality of obstetric services and workforce issues.

## **HEALTH AND FAMILY SERVICES**

### **Refocusing the General Practice Strategy on outcomes**

**Function: Health**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-34.4	-28.0	-37.9	-39.9

#### **Explanation**

The measure announces the Government's intention to negotiate with the medical profession a change in the focus of the Better Practice Programme (BPP) which is expected to lead to savings from reduced Medicare benefit payments.

The current eligibility criteria for the BPP are based mainly on operational aspects of medical practices, e.g. provision of after hours services, patient continuity, minimum average consulting time and rural loading. To receive a BPP grant, a practice must satisfy all the eligibility criteria.

As part of the review of the General Practice Strategy and the BPP, the Government will be negotiating with the medical profession to:

- structure the BPP payments in a way which will make the BPP more attractive to the profession and increase its take-up rate;
- change the emphasis of the BPP to focus more on medical outcomes (not solely on operational aspects); and
- encourage adoption of best practice by the profession in the diagnosis and treatment of certain prevalent conditions, such as asthma and diabetes.

The new programme will commence operation on 1 February 1998, with the precise nature of the criteria and structure to be decided as part of the review.

## HEALTH AND FAMILY SERVICES

### Combine General Practice Evaluation Programmes and adjust to reflect current spending levels

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.0	-2.0	-2.1	-2.1

#### Explanation

This measure involves amalgamating the Evaluation of General Practice Reforms and the General Practice Evaluation Programmes, and adjusting funds to reflect current spending levels.

The merged programme will continue the work of the existing programmes which aim to provide a better information base to guide decisions about the funding and delivery of services under Medicare as well as the General Practice Strategy. The programmes also aim to promote appropriate, quality and cost-effective practice and foster the development of evidence-based health care and practice. Programme funds are intended for both training and evaluation. Some of the funds are provided to continue a small grants programme as the types of research that need to be conducted are usually not supported through other sources.

## HEALTH AND FAMILY SERVICES

### H168 Introduction of electronic commerce for Medicare claiming

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.1	0.1	11.7	16.4

#### Explanation

This measure introduces a new option to allow the electronic lodgement of Medicare claims directly from doctors' surgeries. It will substantially improve access to Medicare services, especially for many people in rural and remote areas.

Doctors will be able to lodge claims for all Medicare services electronically, with the first doctors' practices coming on-line late in 1997. Previously, electronic claiming facilities have only been available for bulk-billed claims. Electronically lodged claims will generally be processed more quickly than paper claims, as lodging claims at the point of service will help reduce payment delays caused by late lodgement of claims.

Existing payment arrangements including bulk-billing will still apply. The costs of this measure are costs to Medicare benefits caused by the reduced payment delays from electronic claiming. These are transitional costs over the medium term and will not impact when the new system is fully implemented.

An added benefit of this measure is that it will limit branch office closures to non-rural areas, with around 40 offices to be closed by March 1998. The savings from more efficient payment of benefits will obviate the need to close rural Medicare offices following introduction of the pharmacy claiming process, and will provide funding to offset some of the costs of separation of Medibank Private from the Health Insurance Commission.

## HEALTH AND FAMILY SERVICES

### Therapeutic group premiums

**Function: Health**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	-41.4	-157.5	-173.8	-188.7
Veterans' Affairs	-2.8	-9.4	-10.0	-10.7
TOTAL	-44.2	-166.8	-183.8	-199.4

#### Explanation

From 1 February 1998, the Government will only subsidise a set base price within certain therapeutic groups (drugs which while not identical chemically have very similar clinical effects). The price difference between higher priced drugs within the group and the base price would be paid by the patient as a therapeutic group premium. The drug groups affected include anti-depressants, drugs for treating hypertension, high cholesterol and anti-ulcer drugs.

This policy is an extension of the Minimum Pricing Policy, which applies to products that are chemically identical but sold under different brand names. Savings are generated through not paying the Pharmaceutical Benefit subsidy for drug prices above the set base price in a therapeutic group. This in turn should generate efficiencies through:

- increased price competition in the pharmaceutical industry in order to maintain market share; and
- increased doctor and patient price consciousness, leading to the prescribing of the cheaper drugs within the therapeutic group.

A two year education campaign including a telephone helpline service will be funded under this measure. Funding of \$4 million in 1997-98 will also be provided to assist pharmacists with the costs of properly advising the community about the details of the measure and other aspects of the cost-effective use of medicines, including the availability of alternative brands. A full economic evaluation of the whole measure will be undertaken in the year 2000.

These changes will also apply to eligible veterans and their dependants in respect to the Repatriation Pharmaceutical Benefits Scheme.

## HEALTH AND FAMILY SERVICES

### National Prescriber Service

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.4	-8.1	-8.0	-7.9

#### Explanation

The Government has decided to establish a dedicated prescriber support service that will provide medical practitioners with prescribing information, advice and support to achieve more effective prescribing practices over the next four years with an evaluation to be undertaken by December 2000.

The National Prescriber Service will:

- administer ongoing feedback on individual general practitioner (GP) prescribing behaviour compared to that of their peers and contract with prescribing advisers to liaise with practitioners in relation to effective prescribing;
- collect, analyse and disseminate comprehensive prescribing data. Utilising this data and other sources, develop strategies for effective prescribing; and
- manage a Quality Prescribing Research and Innovations Grants Programme to identify and develop effective approaches and resources.

Savings from the Pharmaceutical Benefits Scheme (PBS) are based on improvement in GP prescribing practice which will lead to reductions in overprescribing and/or inappropriate prescribing in a number of drug groups. The drug groups that will be targeted initially include peptic ulcer treatments, antibacterials, psycholeptics, analgesics and antihypertensives.

It is expected that the Service will be operational from 1 March 1998.

## HEALTH AND FAMILY SERVICES

### Delisting medicine items for less serious medical conditions from the Pharmaceutical Benefits Schedule

**Function: Health**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	-10.9	-29.7	-33.4	-37.6
Veterans' Affairs	-0.6	-1.7	-1.8	-2.0
TOTAL	-11.6	-31.4	-35.2	-39.6

#### Explanation

With this measure, a number of medicines will be delisted from the Pharmaceutical Benefits Scheme (PBS) on the basis that they are:

- for less serious medical conditions, most of which do not require a prescription to access;
- items prepared by pharmacists where the commercial equivalent has been, or will be deleted from the PBS schedule; and
- antifungal products used for nail infections.

The PBS lists pharmaceutical products necessary for significant medical conditions in the community. The medications proposed for delisting are generally used to treat minor ailments and most can be bought over the counter and are relatively inexpensive. The exceptions are one antidiarrhoeal preparation and two drugs for the treatment of nail infections which require doctor's prescriptions.

These changes will also apply to eligible veterans and their dependants in respect to the Repatriation Pharmaceutical Benefits Scheme.

## HEALTH AND FAMILY SERVICES

### Public education campaign for private health insurance and Health Insurance Commission restructuring

**Function: Health**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
	3.5	0.5	0.3	0.0

#### Explanation

Funding will be provided to conduct a public education campaign addressing two issues:

- promotion of the benefits of private health insurance to the general population with the aim of encouraging higher private health insurance participation thereby

supporting the continued viability of the Medicare system. This promotion campaign will be cost shared with the private health insurance and private hospital industries; and

- changes to the Health Insurance Commission (HIC) including the separation of Medibank Private from the HIC and the introduction of a new option to allow electronic lodgement of Medicare claims by patients directly at their doctors' surgeries.

## **HEALTH AND FAMILY SERVICES**

### **Initiatives to stimulate microeconomic reform in management of acute health care and information technology and performance measurement**

**Function: Health**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
6.1	11.7	12.7	9.8

#### **Explanation**

The Commonwealth has initiated a number of programmes in recent years designed to support improved management of the health care sector and lead to improved patient outcomes and reduction of costs of service provision.

Funding will be provided to support the acute health care sector in addressing microeconomic reform through:

- the rationalisation and streamlining of health care service delivery mechanisms. This will involve the identification and promotion of opportunities to improve the organisation, utilisation, cost effectiveness and quality of health care within the acute hospital and affiliated sectors;
- the application of modern information technology which will entail the development of national standards and specifications for electronic formats for a patient medical record, electronic decision support systems and electronic provider links; and
- improved performance measurement in hospitals. The continued development of robust and valid performance indicators will provide health services with mechanisms to measure, analyse and improve the quality of health care and measures to improve accreditation programmes.

This four year programme will be delivered in cooperation with the States.

## HEALTH AND FAMILY SERVICES

### Renewal of the National Mental Health Strategy

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.2	7.5	11.8	9.0

#### Explanation

Under the current National Mental Health Strategy, the Commonwealth has provided assistance to the States to reform their mental health delivery systems, in particular to move from institutional to community based service delivery. The current strategy provides for assistance of around \$47 million in 1997-98 and will expire in June 1998. Future payments to State governments will be considered in the context of the re-negotiated Medicare Agreements due to commence in July 1998.

This measure will provide funding for work to be undertaken at a national level in the key areas of mental health promotion, service monitoring and evaluation, education, training and community awareness. The measure will assist in shifting the focus of mental health reform towards prevention and early intervention, and implementing evidence based approaches to care while consolidating the gains already made in structural reform of mental health service delivery.

The work will include developing outcomes focused performance indicators, epidemiological studies to monitor Australia's mental health, consolidation of community awareness programmes to secure long-term changes in attitudes, improved education and training, supply and distribution of mental health professionals and identification and dissemination of best practice including for services in country Australia.

## HEALTH AND FAMILY SERVICES

### Extension of funding for palliative care

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
14.7	0.0	0.0	0.0

#### Explanation

The Palliative Care Programme (PCP) provides grants to States to help ensure that all Australians suffering terminal illness have access to an appropriate range of palliative care services. Current Commonwealth funding of this programme was to cease on 30 June 1997, with future funding to be considered as part of new Medicare Agreements, due to commence on 1 July 1998. Funding provided under this measure will cover the one year gap between the end of current funding and the commencement of new Medicare Agreements.

The Commonwealth will provide the same level of funding in real terms to the States in 1997-98 as was allocated in 1995-96. This will restore funding to the level prior to reductions for efficiency savings announced in the 1996-97 Budget. These funds will be provided in addition to the funds for palliative care which are provided under the current Medicare Agreements.

## HEALTH AND FAMILY SERVICES

### A Planning System to influence the location and supply of new child care places with annual limit of 7,000 new private places for 1998 and 1999 only

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-9.7	-41.8	-72.3	-83.1

#### Explanation

This measure involves the introduction of a national planning system which will involve the Commonwealth working proactively with State and local governments, banks and investment adviser networks and other relevant groups to encourage potential investors to locate in areas of highest need.

This measure will restrict growth in the number of private sector places eligible for Childcare Assistance to 7,000 a year for the two calendar years 1998 and 1999, which is estimated to be consistent with current growth in labour market participation by parents with young children. The two-year period will ensure a guaranteed slowing in growth, without introducing long-term regulation. There will be no restriction on growth after this period. All approved places will remain eligible for Childcare Assistance.

Childcare Assistance became available to families using private sector service providers in 1991. To date, the Commonwealth has made Childcare Assistance available to families using any approved private provider, with no restriction on the total number of places subsidised. This resulted in a large overall increase in the supply of private sector places, but distribution has been uneven. Some areas are now oversupplied with child care places, while others remain undersupplied.

Ongoing strategies to encourage new services to areas of greatest need include:

- providing information to local governments for use in planning decisions;
- advertising demand/supply information for all areas; and
- vetting applications by new investors seeking access to Childcare Assistance.

This measure also provides funding for new community long day care centres established under the National Child Care Strategy which are located in disadvantaged rural and regional areas where no alternative care is available.

Legislation to restrict growth will be part of the proposed Child Care Payments Bill 1997.

## HEALTH AND FAMILY SERVICES

### Improve targeting of Children's Services Programme to work related care

#### Function: Social Security and Welfare

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	-4.4	-16.0	-25.4	-34.9
Social Security	1.5	0.9	0.5	0.6
TOTAL	-2.9	-15.1	-24.9	-34.3

#### Explanation

This measure puts a limit of 20 hours per week on access to Childcare Assistance for each child in care for non-work related purposes. Families will be able to use care for more than 20 hours per week but Childcare Assistance will only be paid up to the limit.

This initiative provides better targeting of financial assistance to parents who work, study, train or are seeking work, and will slow growth in child care expenditure and child care places over the forward estimates period and beyond. It is also expected to improve access for a greater number of families to receive care for work related and non-work related purposes, as child care places will be freed up by the limit.

The measure includes:

- a limit on non-work related access to Childcare Assistance in community and private long day care centres, family day care, outside school hours care services, and vacation care;
- exemptions for Occasional Care services and Multifunctional Aboriginal Children's Services;
- appropriate exemptions for families in crisis, and children at risk of abuse or neglect;
- exemptions for a limited number of services which are the sole provider of care in the area to ensure that families do not lose access to care; and
- additional funding to playgroups.

Currently there is no limit on access to Childcare Assistance for non-work related care purposes. Non-work related care is used by parents for personal reasons or because parents believe child care is beneficial to their child.

This measure will be effective from 1 January 1998.

Legislation for the measure will be introduced later this year.

## HEALTH AND FAMILY SERVICES

### Increase supply of Family Day Care places

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.7	1.7	3.3	5.1

#### Explanation

This measure will increase current growth in the supply of Family Day Care by a total of 2,500 places over the period 1997-98 to 2000-01. The main focus of this measure is to alleviate pressures in rural and remote areas where the private sector is not establishing child care centres.

This measure acknowledges that families are seeking greater access to Family Day Care because it offers more flexible hours, care for family groupings and quality care in a home setting networked through Family Day Care Coordination Units.

Projections of growth in supply prior to this measure included around 3,700 new places for 1997-98 and 1998-99, with no further projected growth beyond 1998-99. This measure will provide 500 additional places in 1997-98 and 1998-99 and a further 750 places in 1999-2000 and 2000-01.

## HEALTH AND FAMILY SERVICES

### Reform of school age care

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	5.0	5.1	2.5	-1.3
Social Security	1.1	0.6	0.4	0.4
TOTAL	6.1	5.6	2.9	-0.9

#### Explanation

This measure redirects all funding provided for school age care in centres and family day care, outside school hours care funding (including operational subsidies) and existing vacation care block grants to the States, to an enhanced income tested Childcare Assistance for all school age children.

Under the existing arrangements, most funding for outside school hours care services is provided through untargeted operational subsidies. Funding for vacation care is provided through block grants via the States. There is very limited Childcare Assistance available to lower income users of outside school hours care services.

- The changes arising from this reform will improve the affordability for low to middle income families using outside school hours care services.

- The redistribution of funds represents a move towards parity in subsidies for school age children irrespective of the form of care used. Under this measure, the same rate of Childcare Assistance will apply whether long day care services or outside school hours care services are used. This will enable families to choose the type of care based on preferences rather than the amount of subsidies they receive.
- Existing users of long day care centres and family day care schemes will retain current entitlements while their school age child(ren) continue to use the same service.

The measure also provides for transitional restructuring assistance to existing services, funding for disadvantaged rural and remote areas to ensure access to school age care in these areas and establishment funding for new outside school hours care services for the first two years of operation.

The new Childcare Assistance for school age care will apply from 1 January 1998, while the restructuring assistance will be available from 1 July 1997.

This measure will benefit an additional 51,000 families who will become eligible for some Childcare Assistance and 19,000 families currently in outside school hours care services who will receive a higher rate of Childcare Assistance.

Legislation to introduce the measure will be part of the proposed Child Care Payments Bill 1997.

## **HEALTH AND FAMILY SERVICES**

### **Broadbanding other family and children's services**

#### **Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-3.0	-6.4	-6.6	-6.8

#### **Explanation**

This measure streamlines other family and children's services programmes to meet current government priorities. A number of programmes including Programme Support, Special Services, Supplementary Services and the Special Needs Subsidy Scheme will be merged into a single item which will increase flexibility to address new or emerging priorities.

Savings will be achieved by refocussing some projects and programmes from 1 January 1998.

## HEALTH AND FAMILY SERVICES

### Pay Childcare Assistance fortnightly in arrears

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	-32.5	-3.1	-3.2

#### Explanation

Childcare Assistance is currently paid in advance to services and is used to reduce fees in accordance with family entitlements. When the payment arrangements move to the Commonwealth Service Delivery Agency on 1 January 1998 (as announced in the 1996-97 Budget), payments will be made fortnightly in advance to services based on family entitlements.

From 1 January 1999, payments will be made to families fortnightly in arrears and will apply in conjunction with the introduction of the Childcare Smartcard.

This measure will bring the payment of Childcare Assistance into line with other payments by the Commonwealth Service Delivery Agency.

Savings will result from the change in the timing of payment from two weeks in advance to a fortnight in arrears.

## HEALTH AND FAMILY SERVICES

### Revised arrangements for emergency relief funding

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.7	1.9	3.0	9.5

#### Explanation

The Government made a commitment during the 1996 election campaign to review the funding formula for the Emergency Relief Programme in consultation with service providers. The review found that the link to unemployment beneficiary numbers was an inappropriate indicator of need as a large number of emergency relief recipients come from categories other than the unemployed.

The revised funding arrangements for the Emergency Relief Programme will provide for future overall funding to be indexed by the Consumer Price Index (CPI). This will maintain the real level of the Emergency Relief Programme at that provided in 1996-97 which will mean an increase in funding over the current estimates, particularly in 2000-01 when the additional \$5 million per year for four years announced in 1996-97 would have come to an end. Linking funding to CPI will provide service agencies with more predictable funding levels and allow better planning to meet the demand for emergency relief.

## HEALTH AND FAMILY SERVICES

### Targeted support for people with dementia and their carers

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.5	2.5	2.6	2.6

#### Explanation

This measure will help in providing more accurate diagnosis and assessment of people with dementia (particularly those living in country areas), and of their care needs. It will also provide more appropriate and timely treatment, care and support services to these people.

This funding will allow the continuation of many of the support services funded under the five year National Action Plan for Dementia Care. The Action Plan, which concludes on 30 June 1997, provided additional funding for assessment of people with dementia as well as education and support for their carers.

More specifically, funding will be provided to Aged Care Assessment Teams and lead agencies to:

- continue to employ staff with psychogeriatric expertise in some country areas to enable teams to diagnose and assess people with dementia;
- purchase additional resources such as training materials and diagnostic tools to support teams without psychogeriatric expertise to assess people with dementia;
- assist in arranging appropriate care and support services for people with dementia and their carers; and
- enable Aged Care Assessment Teams and lead agencies to provide some education and support to people with dementia and their carers, mainly in country areas.

## HEALTH AND FAMILY SERVICES

### Best practice grants for dementia specific facilities

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.6	0.0	0.0	0.0

#### Explanation

This measure will provide funds to facilities which specialise in dementia care to assist them in the transition to the new unified residential system which will occur in 1997-98. Although dementia specific facilities care for only a minority of all residents with dementia, there is a clear need to facilitate their adjustment to the new

environment. This measure will assist and encourage dementia specific facilities by promoting and disseminating best practices in dementia care.

A feature of the unified residential system will be that people with dementia will have their care needs better reflected in the subsidy structure. The new system will be reviewed periodically to ensure it is performing as planned and any future steps to promote further improvements in dementia care would also be considered at the same time.

## **HEALTH AND FAMILY SERVICES**

### **Residential aged care structural reform - Additional funding for systems development**

**Function: Health**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
4.4	0.9	0.2	0.2

#### **Explanation**

This measure completes the funding requirements to implement the Aged Care Structural Reform package announced in last year's Budget. The reforms will change the existing recurrent and capital funding arrangements for nursing homes and hostels from 1997-98.

The measure provides funds for the development of a new computer payments system for residential aged care facilities. The enhanced payments system is mainly needed to support the application of income testing of the level of government assistance provided for residents in the new integrated system of nursing homes and hostels.

## **HEALTH AND FAMILY SERVICES**

### **Carers' support and information**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.2	2.3	2.3	2.4

#### **Explanation**

This measure will continue funding for the Carer Support Strategy, to provide support programmes and information to carers of the aged and people with disabilities. This will enable the ongoing development and distribution of carer resource materials and the promotion of government programmes in support of carers.

The measure will help place carer support initiatives clearly within the operations of the Carer Resource Centres established by the Government in last year's Budget, and will enable support programmes to be extended to reach broader groups of carers.

This funding will be used to:

- develop and distribute carer resource materials in English and in other languages;
- provide updated information on the availability of government financial assistance for carers and government funded services in support of carers;
- provide practical information on issues such as specific health conditions and safe use of medications, to better equip carers to understand and meet the needs of the person they are caring for; and
- establish carer networks and training initiatives for voluntary support services.

## **HEALTH AND FAMILY SERVICES**

### **Additional accommodation support places for people with disabilities and their families**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
5.9	11.8	18.0	18.3

#### **Explanation**

This measure provides assistance to State governments for additional personal care and accommodation support services for people with disabilities. The funding will be provided to the States as part of a renegotiated Commonwealth State Disability Agreement. The current agreement expires on 30 June 1997.

The measure will provide funding to assist at least 500 additional families to access personal care and accommodation support for a person with severe or profound disabilities in their care. The States currently fund 75 per cent of these services.

## **HEALTH AND FAMILY SERVICES**

### **Replacement of speech processors for children with cochlear implants**

**Function: Health**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.6	0.4	0.4	0.5

#### **Explanation**

This measure will support children who rely on cochlear implants, by helping them to obtain improved and updated speech processors as these become necessary.

Cochlear implants are medical devices which assist some people, who would otherwise be totally deaf, to 'hear'. Currently, as improved technology and software becomes available, the families of children who are fitted with cochlear implants under the

health system face a significant financial burden when they need to update or replace the speech processor part of the implant. This measure enables them to have cochlear speech processors replaced through the Hearing Services programme. The measure will fund about 380 replacement speech processor units for children over the next four years.

## HEALTH AND FAMILY SERVICES

### Funding for National Telephone Typewriter Relay Service

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	-7.9	-7.9	-8.0

#### Explanation

The Commonwealth currently directly funds the National Telephone Typewriter Relay Service to enable people who are deaf or who have a hearing, speech or communication impairment to make telephone calls using a telephone typewriter, modem or regular handset. The programme also provides financial assistance to eligible consumers to purchase equipment such as telephone typewriters or modems to access the service. This arrangement will continue until June 1998 when the Commonwealth's contract with the current service provider expires.

This measure recognises that under arrangements proposed by the Telecommunications Bills, from 1998-99 funding for the programme will move from direct budget appropriation to funding provided by carriers through the proposed Universal Service Levy. The current level of assistance for accessing the telephone system will continue but it is expected that carriers will make better use of new technologies as they become available.

## HEALTH AND FAMILY SERVICES

### Support for social and economic micro-simulation modelling

**Function: Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.1	0.3	0.3	0.3

#### Explanation

This measure provides ongoing funding for the Department of Health and Family Services to obtain micro-simulation modelling services. These services help in assessing the distributional impact of social and economic policies on the Australian community. For an initial three-year period these services will be obtained from the National Centre for Social and Economic Modelling, subject to satisfactory negotiations

on contractual arrangements. The Centre will be jointly funded with the Departments of Social Security and Employment, Education, Training and Youth Affairs.

## IMMIGRATION AND MULTICULTURAL AFFAIRS

### Health assessments, health undertakings and medical reviews

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.3	1.5	1.6	1.6

#### Explanation

This initiative is to meet:

- the increasing costs of assessing the results of medical and radiological examinations required of all people seeking to migrate permanently to Australia or to reside here on a long-term temporary basis;
- the costs of the Health Undertaking Service which provides information to State health services in respect of certain migrants who, as a condition of migration to Australia, undertake to contact such services;
- the costs of review of medical grounds on which an applicant for migration has been rejected where an applicant has appealed that decision; and
- the costs of developing guidelines for the assessment of a number of medical conditions which are taken into account in determining applications for migration to Australia.

See related revenue measure titled: 'Cost recovery for health assessments, health undertakings and medical reviews' (see Part II).

## IMMIGRATION AND MULTICULTURAL AFFAIRS

### Enhanced services for business entrants

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.8	0.8	0.9	1.0

#### Explanation

This initiative will see the enhancement of services provided to business clients for permanent or temporary entry, through the operation of four regional business units, that will improve the standards of service delivery by the provision of services such as:

- an inquiry hotline, as well as a facility that will enable clients to lodge forms electronically;
- establishing dedicated counter facilities to allow clients improved face to face contact with Department of Immigration and Multicultural Affairs (DIMA) staff;

- the provision to clients of a dedicated contact person who will deal with all matters on a one-to-one basis, thus providing consistent and professional advice; and
- regular seminars and site visits by DIMA staff enabling them to gain a sound understanding of the needs of business clients, as well as establishing and maintaining a level of professional rapport between key business clients and the Commonwealth.

Access by the Australian community to overseas business and labour market skills will be assisted by this initiative. It will also strengthen the Commonwealth's capacity to assess the bona fides of prospective business entrants.

## **IMMIGRATION AND MULTICULTURAL AFFAIRS**

### **Merging of the Migration Internal Review Office and the Immigration Review Tribunal**

**Function: Labour and Employment Affairs**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.3	0.7	-0.5	-1.3

#### **Explanation**

A number of steps will be taken to improve the efficiency with which review of immigration decisions is undertaken, thereby offering a better service to clients while reducing the potential abuse of the system. These include:

- removing one tier of review by merging the Migration Internal Review Office (MIRO) with the Immigration Review Tribunal (IRT). MIRO currently provides initial departmental review of appealed migration decisions while the IRT provides independent external review of MIRO decisions and other matters. The resulting body will form the Migration Review Tribunal (MRT);
- providing principal members of the IRT and the Refugee Review Tribunal (RRT) with clear authority to apply efficient processing practices and give directions on the operations of the Tribunals and the conduct of reviews; and
- legislative measures to prevent unnecessary delay in Tribunal hearings and to allow members discretion over whether to provide a personal hearing to appellants.

Costs incurred in 1997-98 and 1998-99 largely reflect expected voluntary redundancies from the merger and the paying out of leases from the centralisation of review to Melbourne, Sydney and Canberra.

See related revenue measure titled: 'Merging of the Migration Internal Review Office and Immigration Review Tribunal' (see Part II).

## IMMIGRATION AND MULTICULTURAL AFFAIRS

### Extension of the Migration Agents Registration Scheme

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.6	0.0	0.0	0.0

#### Explanation

The current scheme was due to terminate in September 1997 but will be extended for 6 months to March 1998 to assist the migration advice industry to move to voluntary self-regulation through a transitional period of statutory self-regulation. From 22 March 1998, the Migration Institute of Australia will take over responsibility for regulating the industry through statutory powers delegated by the Minister for Immigration and Multicultural Affairs. This new scheme will be reviewed within two years of operation. The move to self-regulation follows a review of the Migration Agents Registration Scheme which found that the scheme had met its objectives.

See related revenue measure titled: 'Extension of the Migration Agents Registration Scheme' (see Part II).

## IMMIGRATION AND MULTICULTURAL AFFAIRS

### Increased efficiency dividend on Immigration and Multicultural Affairs portfolio running costs

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-3.4	-3.5	-3.6	-3.6

#### Explanation

Currently most budget-funded agencies pay an efficiency dividend of 1 per cent a year (ongoing) of their total running costs, unless specifically exempted by Cabinet.

This measure recognises that the Immigration and Multicultural Affairs portfolio is making efficiency gains including through improved border management and passenger processing systems.

This measure applies a one-off additional 1 per cent efficiency dividend to the base running costs of the Immigration and Multicultural Affairs portfolio in 1997-98. This reduction rolls through to also reduce the base running costs of the forward estimates.

## INDUSTRIAL RELATIONS

### Referral to the Commonwealth of the Victorian industrial relations system

#### Function: Labour and Employment Affairs

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.2	2.3	2.3	2.4

#### Explanation

The Commonwealth and Victorian State Governments announced an in-principle agreement on the referral of Victoria's industrial relations powers on 11 November 1996. Relevant legislation has been passed by the State and Commonwealth Parliaments. The new arrangements are effective from 1 January 1997.

This measure provides funding for the Department of Industrial Relations and the Australian Industrial Registry to provide the additional operational requirements for the provision of industrial relations compliance, information and advisory services in Victoria. The costs associated with these additional requirements have been offset in part from savings in the Industrial Relations portfolio.

## INDUSTRY, SCIENCE AND TOURISM

### Enhanced assistance to the pharmaceutical industry

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.1	0.2	22.7	49.0

#### Explanation

This measure provides funding for aspects of the Government's final response to the Industry Commission's Inquiry into the Pharmaceutical Industry. It aims to assist the industry through a new scheme of subsidy assistance, to follow on from the existing pharmaceutical industry assistance scheme, known as the Factor f Scheme. The new scheme will run for five years from 1999-2000 at a total cost of \$300 million. This includes running costs commencing in 1997-1998.

The purpose of the follow-on Factor f Scheme is to continue to promote the development of the sector by partially compensating the pharmaceutical industry for the effects on industry growth and development of the price setting arrangements under the Pharmaceutical Benefits Scheme (PBS). In return for assistance under the follow-on Factor f Scheme, participating companies will commit to programmes of industry development and will be required to meet specified targets on their research and development expenditure, and/or production value added.

The *Patents Act 1990* will also be amended to extend the patent term by up to five years for all 20-year standard pharmaceutical patents to provide an effective 15-year patent life. This reform will lead to additional costs to the PBS in the Health and Family Services portfolio (Health function). Costs are difficult to estimate over longer periods, but it is expected that they will commence in 2001-02, rising to around \$160 million in 2005-06. Costs are expected to continue in the range of \$130-150 million thereafter. The extension of the patent term brings Australia in line with major developed countries. It recognises the long lead time required to bring pharmaceutical products to market.

To support the development of the generic pharmaceutical industry, springboarding (that is, the process whereby generic drug companies are permitted to undertake activities to enable them to enter the market as soon as patents expire) will be allowed for those patents granted an extension of term.

## INDUSTRY, SCIENCE AND TOURISM

### Extension of application of the Shipbuilding Bounty

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
8.0	21.3	1.0	0.0

#### Explanation

Financial assistance to the shipbuilding industry is provided via bounty payments under the *Bounty (Ships) Act 1989* at the rate of 5 per cent of the cost of completed eligible vessels sold on the domestic and export markets. The bounty is intended to improve the competitive position of domestic shipbuilders.

The existing Act provides for the termination of the bounty on 30 June 1997 and requires that a vessel must be completed by that date to be eligible for the bounty.

Following consultation with industry the Government announced on 16 December 1996 that the bounty would be extended by six months to 31 December 1997.

The Government has now decided to extend the application of the shipbuilding bounty at the current 5 per cent rate, at an additional cost to outlays of up to a maximum of \$30.3 million. The bounty will apply to commitments entered into by 31 December 1997. Construction of vessels must be at least 50 per cent completed by 30 June 1999 for eligibility purposes. This measure will more closely align assistance to the Australian shipbuilding industry with key overseas competitors.

## INDUSTRY, SCIENCE AND TOURISM

### Monitoring telecommunications industry development

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.6	0.7	0.8	0.9

#### Explanation

This measure provides funding to cover the costs of monitoring the discharge by the telecommunications carriers of their industry development obligations. Under the Government's post-1997 telecommunications regime, set out in the *Telecommunications Act 1997*, all carriers are required to develop and implement an industry development plan and report annually against these plans to the Minister for Industry, Science and Tourism. These plans will detail the carriers' commitment to industries involved in the manufacture, development or supply of telecommunications service facilities, along with research and development activities for these industries.

The Department of Industry, Science and Tourism will monitor the performance of each licensed carrier against their industry plan and report annually to the Minister.

The *Telecommunications (Carrier Licence Charges) Act 1997* will be amended to allow the cost of monitoring industry development plans to be recovered from the telecommunications carriers through an increase to annual licensing charges. The cross-referencing revenue measure for this initiative is titled: 'Licence charges payable by telecommunications carriers to meet costs of monitoring industry development' (see Part II).

**INDUSTRY, SCIENCE AND TOURISM**

**Facilitation of small and medium sized enterprises - Supplier access to major projects**

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.8	0.6	0.4	0.4

**Explanation**

This measure will facilitate access by competitive Australian suppliers at the pre-tender stage to major private and public sector projects, and help to identify supplier prospects in relation to the supply of goods and services currently imported. The cost of this measure to the Commonwealth diminishes in the later years because of increased cost recovery levels.

It recognises that managers of major projects have difficulties in identifying Australian firms, especially small and medium sized enterprises (SMEs), that are capable of fulfilling project requirements. By working with both contract managers and potential suppliers, this programme will act to encourage competition and the formation of business relationships early in the purchasing process.

The programme will be managed by ISONET Limited for the State-based Industrial Supplies Office (ISO) network. The ISO network has an Australia-wide knowledge of industry capacity, which it uses to match the needs of project managers to the expertise of Australian suppliers.

The measure is also consistent with the Government's pre-election commitment to assist SMEs to access government purchasing contracts.

## INDUSTRY, SCIENCE AND TOURISM

**Savings in the Department of Industry, Science and Tourism running costs to fund the 'Facilitation of small and medium sized enterprises - Supplier access to major projects'**

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.8	-0.6	-0.4	-0.4

### Explanation

This measure provides offsetting reductions in outlays from the Department's running costs to fund the measure titled 'Facilitation of small and medium sized enterprises - Supplier access to major projects'.

## INDUSTRY, SCIENCE AND TOURISM

### *More Time for Business - Government's Small Business Statement*

**Function: Health, Financial and Fiscal Affairs, Other Economic Affairs, nec, Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	0.3	0.0	0.0	0.0
Industry, Science and Tourism	4.7	8.2	5.1	4.5
Treasury	1.8	0.6	0.3	0.3
TOTAL	6.8	8.8	5.4	4.8

### Explanation

This measure provides funding for some aspects of the Government's Small Business Statement, *More Time for Business*. The Government responded to the 62 recommendations of the Small Business Deregulation Taskforce designed to streamline government regulations, simplify the taxation system, introduce flexibility into Australia's employment culture, streamline collection of business statistics and change the regulatory culture. See related revenue measures titled: 'Fringe benefits tax - small business', 'CGT rollover relief for small business', 'CGT exemption on the sale of small business for retirement - extension to companies and trusts' and 'Small Business Deregulation Task Force - pay as you go proposal' (see Part II).

The Government provided additional funding for the following initiatives:

- A national business information service that will provide small business with comprehensive coverage of government business information. The service will provide business licensing and regulatory information across all three levels of

government; consolidation of commonly needed licences into one form; government information such as taxation and record keeping requirements and industrial relations and other employer obligations; and a mechanism for dealing with regulatory complaints (\$21.8 million across the four years from 1997-98);

- A single point of entry to all levels of government. This will be a staged approach, and as a first step the Government will introduce a single process for the initial registration requirements of the Australian Taxation Office (ATO), the Australian Securities Commission, the Australian Bureau of Statistics and the Insurance and Superannuation Commission. The Commonwealth project will, as far as practicable, be integrated with State-based single entry point projects (\$1.6 million in 1997-98);
- Development by the ATO of a combined statement for all withholding taxes to replace the three current forms, and reduce paperwork for small business (\$0.1 million in 1997-98);
- A review of tax penalty arrangements to be undertaken by the ATO with a view to rationalising and simplifying them (\$0.2 million in 1997-98); and
- A central clearance process for all statistics collected by government. This will reduce duplication and eliminate poor-quality requests for data, and increase knowledge of surveys that have already been undertaken (approximately \$1.8 million across the four years from 1997-98).

In addition, existing portfolio funds will be redirected in the Industry, Science and Tourism, and Health and Family Services portfolios to provide for the following initiatives:

- The creation of the Small Business Innovation Fund to provide venture capital for small technology based companies involved in the commercialisation of research and development. The Government will provide \$130 million from funds allocated to the R&D *Start* programme. The Government's contribution is expected to be matched by private capital on a 2 for 1 basis to create a pool of available funds of around \$200 million;
- Creation of an electronic claim lodgement and payment system for the Pharmaceuticals Benefits Scheme (\$3.1 million in 1997-98 and 1998-99); and
- A Review of Food Regulations aimed at finding ways to reduce the regulatory burden on the food industry and to streamline the surveillance and enforcement roles of the various levels of government (\$0.7 million in 1997-98, of which \$0.3 million is provided in the Budget and the balance from a redirection of existing resources from a number of departments).

The following table summarises the initiatives by portfolio:

Portfolio	97-98	98-99	99-00	00-01
	\$m	\$m	\$m	\$m
<b>Industry, Science and Tourism</b>				
Business Information Service	4.0	8.2	5.1	4.5
Single Entry Point to Government	0.7	0.0	0.0	0.0
Small Business Innovation Fund*	20.0	60.0	50.0	0.0
<b>Portfolio Total</b>	<b>24.7</b>	<b>68.2</b>	<b>55.1</b>	<b>4.5</b>
<b>Treasury</b>				
Single Entry Point to Government	0.9	0.0	0.0	0.0
Single Compliance Statement for all Withholding Taxes	0.1	0.0	0.0	0.0
Review of Tax Penalty Arrangements	0.2	0.0	0.0	0.0
Statistical Clearing Process	0.6	0.6	0.3	0.3
<b>Portfolio Total</b>	<b>1.8</b>	<b>0.6</b>	<b>0.3</b>	<b>0.3</b>
<b>Health and Family Services</b>				
Electronic claim lodgement and payment system for the Pharmaceutical Benefits Scheme*	2.2	0.9	0.0	0.0
Review of Food Regulations**	0.7	0.0	0.0	0.0
<b>Portfolio Total</b>	<b>2.9</b>	<b>0.9</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL OUTLAYS</b>	<b>29.4</b>	<b>69.7</b>	<b>55.4</b>	<b>4.8</b>

Notes:

\* represents redirection of existing portfolio resources

\*\* \$0.3 million from budget, balance from redirection of existing running cost resources across a number of portfolios

Further information on the Government's small business initiatives can be found in the Prime Minister's Statement, *More Time for Business*, 24 March 1997.

## INDUSTRY, SCIENCE AND TOURISM

### Australian Leather Holdings Ltd Package

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
12.5	12.5	0.0	0.0

#### Explanation

A package of alternative assistance to Australian Leather Holdings Ltd was approved in February 1997 following the agreement reached with the United States to remove automotive leather from eligibility under the Textile, Clothing and Footwear import credit scheme and the Passenger Motor Vehicle export facilitation scheme. The package includes grant assistance up to the value of \$30 million paid in over three years from February 1997 (\$5 million paid in 1996-97), calculated at 5 per cent of estimated sales over the period April 1997 to December 2000, along with the provision of a 15 year loan of \$25 million drawn down during 1996-97, which is to be fully repaid with

interest. The loan is treated as a net advance and hence does not impact on the underlying deficit.

## **INDUSTRY, SCIENCE AND TOURISM**

### **Funding for Gene Technology Regulation**

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.3	1.1	0.0	0.0

#### **Explanation**

These funds provide for the extension of funding for two years of the existing Genetic Manipulation Advisory Committee (GMAC) and additional funding for associated consultation activities. GMAC issues guidelines for contained research, field trials and the general release of genetically modified organisms (GMOs) into the environment. The increasing production and use of GMO-based products and the satisfactory management of the associated risks to health and the environment, require a balanced programme of regulation. Funding for 1999-2000 and subsequent years will be considered in conjunction with a review of the existing voluntary regulatory regime and the GMAC framework over the next 12 months.

## **INDUSTRY, SCIENCE AND TOURISM**

### **Replacement and upgrade of Customs Marine Fleet**

**Function: Financial and Fiscal Affairs**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
5.2	5.0	7.0	8.7

#### **Explanation**

The current Customs Marine Fleet of six sea-going vessels, ranging from 20 to 25 metres, will be replaced with eight new vessels, ranging from around 30 to 35 metres. In this measure, funding of the vessels is based on a 10-year finance lease with purchase of the vessels at the end of the period. The annual lease payments and running costs for additional crew and operational staff are included in the funding for the measure.

The Marine Fleet provides surveillance and response capabilities to protect Australia's borders from the illegal movement of people and goods. The fleet services Commonwealth agencies, including the Australian Customs Service, the Australian Fisheries Management Authority, the Australian Maritime Safety Authority, the Department of Immigration and Multicultural Affairs, and the Australian Quarantine

Inspection Service. In addition, the Marine Fleet undertakes activities for some State government agencies.

Greater demands are being placed on the fleet by client agencies due to:

- increased cross border illegal movement of people and goods at points outside of capital cities and major towns; and
- the extension of client jurisdiction to the Exclusive Economic Zone.

Replacement and upgrade of the Marine Fleet will enhance surveillance and response capabilities, enabling the current tasking levels from client agencies to be met more effectively and efficiently. The addition of two vessels to the fleet will increase sea going days by approximately 300 a year (the fleet currently provides 1,000 sea days a year) and improve operational response times. The larger vessels will have the capacity to operate in conditions outside the capacity of the existing fleet, and improve the occupational health and safety of crew members and client agency personnel.

## INDUSTRY SCIENCE AND TOURISM

### Increased running costs associated with measures to reduce fuel substitution

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.4	1.5	1.6	1.6

#### Explanation

The running costs of the Australian Customs Service will be increased to cover the costs of administering measures to reduce fuel substitution.

A chemical tracer (a marker dye or colourless marker) will be added to concessionally taxed fuel and tax free products just prior to their leaving Customs' control and entering the petroleum distribution system. The chemical tracer will enable Customs to verify that concessionally taxed fuel is being used only for purposes for which the concession is intended. The additional running costs will allow Customs to monitor the concessionally taxed fuel, investigate where fuel substitution is detected, and take necessary action. Industry will bear the costs of the chemicals, of equipment required to inject the chemicals into the concessionally taxed fuel, and of any extra storage capacity.

Legislation will be put in place to give Customs the additional powers required to implement the measure. The following legislation will be amended: the *Customs Act 1901*, the *Customs Tariff Act 1995*, the *Excise Act 1901*, and the *Excise Tariff Act 1921*.

Additional excise revenue from the fuel substitution measure is estimated to be in the order of \$12.5 million in 1997-98 and \$25 million a year in 1998-99, 1999-2000 and 2000-01. See Part II and the measure titled: 'Revenue savings through fuel substitution minimisation' for further details.

## INDUSTRY, SCIENCE AND TOURISM

### Savings in Office of National Tourism running costs

**Function: Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.7	-0.3	-0.1	0.0

#### Explanation

Savings will be achieved by rationalising the administrative functions of the Office of National Tourism in the Department of Industry, Science and Tourism. Savings decline in 1999-2000 and 2000-01 in recognition of the increased activity in the lead up to the Sydney Olympics.

## INDUSTRY, SCIENCE AND TOURISM

### Savings from Cooperative Research Centres Programme

**Function: General Research**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.0	-9.2	0.0	0.0

#### Explanation

Cooperative Research Centres (CRCs) are long-term collaborative ventures between universities, Commonwealth and State Government research agencies, and private firms. The Commonwealth funds around 74 per cent of the CRC Programme, both through direct grants to Centres and indirectly through other Commonwealth agencies. The Government has decided to reduce its direct contribution to the programme in 1997-98 and 1998-99, and to undertake a review on how Centres can increase the commercialisation of research activities and become more self-funding.

## INDUSTRY SCIENCE AND TOURISM

**Increased efficiency dividend on Industry, Science and Tourism portfolio running costs**

**Function: Other Economic Affairs, nec, Tourism and Area Promotion, General Research, Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-2.8	-2.9	-2.9	-2.9

### **Explanation**

Currently most budget-funded agencies pay an efficiency dividend of 1 per cent a year (ongoing) of their total running costs, unless specifically exempted by Cabinet.

This measure recognises that the Industry, Science and Tourism portfolio is making efficiency gains and that some of the returns from these efficiencies will be made available to the Budget for allocation to higher priority areas.

This measure applies a one-off additional 1 per cent efficiency dividend to the base running costs of the Industry, Science and Tourism portfolio in 1997-98. This reduction rolls through to also reduce the base running costs of the forward estimates.

The Australian Customs Service has been exempted from this measure because of specific running cost reductions it incurred in the 1996-97 Budget.

## PRIMARY INDUSTRIES AND ENERGY

### NSW Sugar Export Industry - Infrastructure support

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.0	0.0	0.0	0.0

#### Explanation

Under the joint Commonwealth and Queensland Sugar Industry Review, the industry and government Working Party presented an integrated package of 74 recommendations relating to the Queensland and New South Wales sugar industries, including the removal of the tariff on sugar from 1 July 1997 (the only element of the package under Commonwealth jurisdiction).

Both industry and Government strongly support the full adoption and implementation of the integrated package of reforms, which will provide a framework for increasing efficiency, reducing costs, improving raw sugar marketing services, and increasing the opportunities for innovation.

In response to the recommendations of the Working Party, the Commonwealth has allocated \$1.0 million in 1997-98 to assist the New South Wales sugar industry address transport and handling impediments that currently constrain its ability to export sugar. In addition to this, an additional \$1.0 million will be allocated from the existing Sugar Industry Infrastructure Programme to the New South Wales industry.

A Sugar Task Force of Federal Government backbenchers will also be established to investigate:

- the shares to apply to the allocation of access to the United States quota allocation between New South Wales, Queensland and Western Australia;
- how the Sugar Industry Infrastructure Programme is to be allocated to initiatives for the benefit of the sugar export industry; and
- other matters in relation to the effect of the review on the industry.

The Government believes that this package improves the sustainability of the sugar industry and its international competitiveness. The reforms will also position the industry well to meet future challenges from other producers around the world, from alternative sweeteners, and competition from other crops.

## PRIMARY INDUSTRIES AND ENERGY

### Reallocation of funds from natural resource management programmes

**Function: Housing and Community Amenities, Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5.0	-5.1	-5.2	-5.3

#### Explanation

This saving represents a reallocation of funds from the Landcare Programmes in each of the years 1997-98 to 2000-01 to cater for other priorities within the portfolio, and in recognition of other new major initiatives. The savings represent approximately 5 per cent of total Landcare funding.

## PRIMARY INDUSTRIES AND ENERGY

### Quality Food Australia

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.2	0.0	0.0	0.0

#### Explanation

The Supermarket to Asia Strategy was first announced in 1996-97 with the aim of improving the Australian food industry's competitiveness by developing food markets in Asia.

This measure provides seed funding for industry to develop a Quality Food Australia proposal to assist Australian food companies coordinate their promotion activities in Asia. Specific elements of the proposal include:

- the establishment of Australian Food Industry Centres in selected Asian markets, in conjunction with Austrade;
- cooperative food services and retail promotions between Australian exporters in Asian markets;
- the development of a recognisable umbrella brand identity for Australian food; and
- the development of a quality certification programme and logo.

The benefits of the measure are anticipated to be:

- further development with industry of those aspects of the Quality Food Australia proposal which are viable without any further government funding; and
- a contribution to a greater impact for Australian food in the Asian market.

## PRIMARY INDUSTRIES AND ENERGY

### Supermarket to Asia - The Delicatessen

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.0	0.0	0.0	0.0

#### Explanation

The Supermarket to Asia Strategy was first announced in 1996-97 with the aim of improving the Australian food industry's competitiveness by developing food markets in Asia. It was recognised that there was a need for Australian producers to appreciate the specific requirements of the Asian consumer.

The aim of this measure is to:

- identify the opportunities for increased exports of high-value, specialist products to Asia;
- evaluate the scope for Australia to competitively provide those products, in the form required, identify impediments to the development of these export markets, and develop strategies for overcoming those impediments; and
- provide a strategy to communicate the opportunities to producers, and support and encourage exporting by them to address the market opportunities.

The benefits of the measure are anticipated to be:

- increased volume and variety of exports of high value products from rural and regional areas to Asia; and
- increased Asian customer satisfaction with Australian food products.

## PRIMARY INDUSTRIES AND ENERGY

### Integrated Rural Policy Package

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
44.7	46.3	52.4	55.4

#### Explanation

The Mid-Term Review of the Rural Adjustment Scheme (RAS) has concluded that the Scheme, and in particular interest rate subsidies, have not been effective in promoting rural adjustment or fostering the development of a profitable and competitive farm sector. In this light, the Government has decided to wind up RAS. Commitments already entered into will be honoured. See the related outlays measure titled: 'Rural Adjustment Scheme'.

The Government will redirect RAS funding to the Integrated Rural Policy Package with a funding envelope of \$198.9 million over four years. The objective of this Package is to promote a self-reliant, productive rural sector supported by targeted government measures which focus on building the skills and capacity of rural industries and communities to manage effectively in an uncertain environment.

The Integrated Rural Policy Package will draw upon several reviews of Commonwealth rural policies undertaken recently, including the Mid-Term Review of RAS, the National Rural Finance Summit Activating Committee, the Special Rural Task Force, and the report of the Review of the Rural Communities Access Programme and meetings to date for the Business Plan for Australian Agriculture.

The Government will consult with stakeholders, industry groups and the States before finalising the individual elements of the Integrated Rural Policy Package later in the year.

**PRIMARY INDUSTRIES AND ENERGY**

**Rural Adjustment Scheme**

**Function: Agriculture, Forestry and Fishing**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-46.3	-43.7	-50.3	-55.3

**Explanation**

Existing assistance measures under the Rural Adjustment Scheme (RAS) were designed to foster the development of a more profitable farm sector able to operate competitively in a deregulated financial and market environment and improve the sustainability of the farm sector. Specific assistance measures include interest subsidies for farm build-up and productivity improvements, grants for training and professional advice, and re-establishment grants.

The Mid-Term Review of the Rural Adjustment Scheme (RAS) has concluded that the Scheme, and in particular interest rate subsidies, have not been effective in promoting rural adjustment or fostering the development of a profitable and competitive farm sector. In this light, the Government has decided to wind up the RAS and replace it with a more effective integrated rural package. Commitments already entered into will be honoured, including RAS commitments in relation to drought in exceptional circumstances. These commitments amount to some \$73.5 million over the next four years.

The Government will redirect RAS funding to the Integrated Rural Policy Package to be announced later this year. See the related outlays measure titled: 'Integrated Rural Policy Package'.

## PRIMARY INDUSTRIES AND ENERGY

### Reallocation of funds from the Rural Communities Access Programme

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.4	0.0	0.0	0.0

#### Explanation

The Rural Communities Access Programme (RCAP) provides a variety of information and financial assistance services to rural communities. The programme comprises the following six elements:

- Rural Counselling Programme;
- Business Advice for Rural Areas;
- Countrylink;
- Australian Country Information Service;
- Telecentres; and
- Rural Access Programme.

The recent RCAP Review Report provides the basis for consideration of a range of options for service delivery to rural areas and to ensure rural communities and industries have the necessary strategic capacity to become self-reliant. This will be taken up in the context of the Government's new Integrated Rural Policy Package. See the related outlays measure titled: 'Rural Adjustment Scheme'. Funding of \$2.4 million is being transferred from RCAP in 1997-98 and, together with savings from the Rural Adjustment Scheme, will be redirected to the Integrated Rural Policy Package. See the related outlays measure titled: 'Rural Adjustment Scheme'. An amount of \$4.7 million remains in RCAP to meet existing commitments in 1997-98.

## PRIMARY INDUSTRIES AND ENERGY

### Australian Quarantine and Inspection Service - Implementation of reports into quarantine and imported fish and fish products

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
15.0	20.2	20.3	20.5

#### Explanation

This measure provides funding to respond to Professor Nairn's report, *Australian Quarantine - A shared responsibility* (the Nairn Report), and the report of the National Task Force on Imported Fish and Fish Products.

This includes:

- a public awareness campaign and processes for involving quarantine stakeholders;
- enhancing the Australian Quarantine and Inspection Service's (AQIS) capacity for independent and transparent risk analysis, to support our World Trade Organisation obligations and assist trade maintenance;
- addressing directly operational exposures/weaknesses identified by Nairn through increased surveillance and the use of new technology; and
- establishing infrastructure to deal with the plant and fish health and quarantine issues.

As well, the Government's response includes seed money for the early phases of outbreak management, a process which is being pursued in collaboration with the States.

While the Government will meet a significant proportion of the increased quarantine effort, industry will be required to contribute to the implementation costs of the Nairn and the Fish Task Force reports through increased fees and charges to help reduce the direct call on Australian taxpayers, and reinforce the Nairn report's concept of 'a shared responsibility'.

The corresponding revenue measure for this initiative is titled: 'Australian Quarantine and Inspection Services - implementation of reports into quarantine and imported fish and fish products (industry charges)' (see Part II).

## **PRIMARY INDUSTRIES AND ENERGY**

### **Australian Quarantine and Inspection Service - Implementation of the Review of Export Meat Inspection (redundancies)**

**Function: Agriculture, Forestry and Fishing**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
13.1	11.1	12.9	7.2

#### **Explanation**

This measure provides funding for redundancy payments, to some 700 meat inspection staff, associated with the introduction of a quality assurance system for export meat inspection.

The Government established a joint review with industry, of the Australian Quarantine and Inspection Service's (AQIS) export meat inspection function, which reported in November 1996. The review identified a reform strategy that will result in AQIS's role in export meat inspection contracting to the setting of standards and the administration, supervision and auditing of export meat inspection systems.

The centrepiece of the reform strategy is the implementation of company quality assurance-based inspection, whereby the inspection function will be performed by company employees under the scrutiny of a government veterinary officer. A trial of full quality assurance systems, known as Project 2, has been developed by AQIS in

consultation with Australia's export meat industry, and submitted for consideration by Australia's major trading partners.

Consistent with the Government's policy to separate regulatory and service delivery functions, and to facilitate the reform to export meat inspection, a new and financially separate Division will be set up, which will have responsibility for implementation of the export meat inspection reform agenda.

## **PRIMARY INDUSTRIES AND ENERGY**

### **South East Fisheries Adjustment Package**

**Function: Agriculture, Forestry and Fishing**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.5	0.0	0.0	0.0

#### **Explanation**

The Government set up the South East Fisheries Working Group in October 1996 to consider whether it was appropriate that any fishing permit holders in the South East Fishery receive adjustment assistance because of loss in the value of their fishing entitlements, due to a transition in management arrangements from boat unit limits to catch quota limits in 1992. This transition resulted in a long-standing dispute over the arrangements.

The Working Group recommended targeted financial assistance to selected operators, and structural adjustment assistance designed to move the fishery forward and correct market failure in the quota trading market.

This measure provides a contribution to fund a package of adjustment measures in the South East Fishery. Other funding is sourced from within existing funding under the National Fisheries Adjustment Programme.

The package will provide for: the provision of targeted financial assistance to those operators whose values of fishing entitlements were reduced via the transition from boat units to quota; and the introduction of a buy-out scheme with the objective of reducing the fishing effort by about 30 per cent.

The Government expects that the adjustment measures will:

- reduce the number of boats in the fishery to decrease current and future pressure on vulnerable fishery resources;
- facilitate non-viable operators to adjust out of the fishery;
- stimulate the quota trading market to encourage autonomous adjustment;
- provide greater certainty and stability in the rules under which fishermen operate; and
- provide an equitable means to resolve long-standing disputes which will otherwise continue to impede management of the fishery.

## PRIMARY INDUSTRIES AND ENERGY

### Fisheries Research and Development Corporation

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-3.6	0.0	0.0	0.0

#### Explanation

This measure represents a one-off reduction in the Fisheries Research and Development Corporation's (FRDC) cash reserves to offset increased funding for other portfolio priorities.

Because the FRDC has made provision for cash reserves of \$5.3 million in 1996-97, the one-off reduction of \$3.6 million should be possible without affecting the operations of the Corporation.

## PRIMARY INDUSTRIES AND ENERGY

### Fisheries Resources Research Fund

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.2	-0.2	-0.2	-0.2

#### Explanation

This saving represents a reallocation of funds from the Fisheries Resources Research Fund to offset increased funding for other portfolio priorities.

The small reduction in funding from the Fisheries Resources Research Fund will be achieved through streamlining administrative procedures and better targeting of research, and will not affect the Government's capacity to assess performance in fisheries management.

## PRIMARY INDUSTRIES AND ENERGY

### National Electricity Market reform and corporatisation of the Snowy Mountains Hydro-electric Authority

**Function: Agriculture, Forestry and Fishing**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.5	0.5	0.0	0.0

#### Explanation

The measures facilitate the introduction of the National Electricity Market (NEM) and progress the corporatisation of the Snowy Mountains Hydro-electric Authority (SMHEA).

The Commonwealth will continue to work with States and industry, facilitating the effective transition to a fully competitive NEM in 1999-2000, and reviewing, monitoring and promoting the effectiveness of the arrangements in areas such as market management, code administration and grid interconnections.

The Commonwealth will also promote competitive electricity reform and work with the Australian power sector in the emerging NEM to develop export promotion opportunities for energy products and services, particularly in the APEC region.

In conjunction with the governments of NSW and Victoria, the Commonwealth will complete the reform and corporatisation of the Snowy Mountains Hydro-electric Authority in order to: improve existing governance arrangements; allow for the repayment of advances and borrowings; and improve contestability in the emerging NEM by establishing the SMHEA as an independent generator.

Performance will be indicated by the progressive implementation of energy reform and the corporatisation of the Snowy Mountains Hydro-electric Authority.

## PRIMARY INDUSTRIES AND ENERGY

### Rationalisation of the National Energy Efficiency Programme

**Function: Fuel and Energy**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.8	-2.8	-2.7	-2.7

#### Explanation

This measure represents a rationalisation of Commonwealth energy programmes, through a reduction in the National Energy Efficiency Programme, as a consequence of increased State and local government activities and outcomes achieved through energy market reforms.

This rationalisation is appropriate in light of changes in the energy sector in recent years and the Commonwealth's view of the appropriate role for government which have seen:

- the trend towards increased State and local government and private sector funding in recent years for energy initiatives, including the establishment of specialist State bodies;
- a significantly more robust and competitive energy market in Australia, flowing from Council of Australian Government reforms to gas and electricity production and transmission industries, creating the impetus for innovative products and services thereby reducing the level of market failure; and
- the National Commission of Audit Report's recommendations regarding appropriateness of Commonwealth activities.

This measure focuses the Commonwealth's investment in energy programmes on activities which have national outcomes and a clearly defined Commonwealth role.

## **PRIMARY INDUSTRIES AND ENERGY**

### **The Energy Research and Development Corporation**

#### **Function: Fuel and Energy**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-2.6	-9.0	-11.3	-13.8

#### **Explanation**

This measure represents a rationalisation of Commonwealth energy programmes through the winding up of the Energy Research and Development Corporation (ERDC).

Consistent with the Government's review of the appropriateness of Commonwealth activities, the need for direct Commonwealth investment in energy research and development through the ERDC has been overtaken by changes in the energy sector:

- the trend towards increased State government and private sector funding in recent years for energy initiatives, including the establishment of specialist State bodies;
- a significantly more robust and competitive energy market in Australia, flowing on from the Council of Australian Government reforms to gas and electricity production and transmission industries, creating the impetus for innovative products and services; and
- the Commonwealth's existing contribution to research and development through:
  - generic industry support programmes in the Department of Industry, Science and Tourism;
  - funding to universities and CSIRO for research purposes; and
  - tax concessions, under some circumstances, for research and development.

## PRIMARY INDUSTRIES AND ENERGY

### Savings in Primary Industries and Energy portfolio running costs

#### Function: Agriculture, Forestry and Fishing

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-1.0	0.0	0.0	0.0

#### Explanation

This saving represents a one-off reduction of \$1 million in departmental running costs to offset increased funding for other portfolio priorities.

## PRIME MINISTER AND CABINET

### Establishment of the Federation Fund

**Function: Contingency Reserve, Legislative and Executive Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	100.0	200.0	300.0

#### Explanation

The purpose of the Federation Fund is to finance a number of major projects of national significance. The projects are to be well advanced but not necessarily completed by the Centenary of Federation in 2001 and will be selected on the basis that they will generate jobs in the construction phase and make a significant and ongoing contribution to Australia and the Australian economy. The Federation Fund will be established as a separate Trust Account within the Commonwealth Public Account with total funds of \$1 billion. The balance of the fund will be drawn down after 2000-01, with a large part of that expected to be in 2001-02.

The Federation Fund will as appropriate, fully fund projects, augment existing funding or contribute on a matching basis with other governments and the private sector. There will be a reasonable geographic spread of projects around Australia. Projects will be selected by the Commonwealth Government in consultation with State Governments. The Prime Minister will be writing to Premiers and Chief Ministers indicating the broad criteria that will apply for possible projects and seeking their views on possible projects that might be financed from the Federation Fund.

It has already been decided to draw on the Federation Fund from 1998-99 onwards to finance the cost of constructing the National Museum of Australia and the associated building for the Australian Institute of Aboriginal and Torres Strait Islander Studies. A separate appropriation of \$7 million has been made in the Budget so that construction of the Museum can begin promptly on the Acton Peninsula in the Australian Capital Territory.

## PRIME MINISTER AND CABINET

### Improved integration of young offenders into mainstream community and economic life - Pilot projects

**Function: Public Order and Safety**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.0	0.0	0.0	0.0

#### Explanation

These pilots respond to community concern about the need for young offenders to be reintegrated, as far as possible, into economic and community life. The pilots recognise that young offenders are a disadvantaged group and that their lives are variously

characterised by unemployment, low levels of educational attainment, family breakdown, abuse, poor health and alcohol and substance abuse. While juvenile justice is primarily a State responsibility, the Commonwealth assists young offenders through income support, and employment, education and training assistance.

The pilots will involve a cooperative approach to service delivery by the Commonwealth and States.

The pilots will aim to improve the employment, education and training outcomes for young offenders and thereby reduce reliance on income support in the long-term. They will also identify initiatives which could, over time, reduce the over-representation of young indigenous people in the juvenile justice system. Initiatives to be piloted include:

- enhanced diversionary approaches for young indigenous offenders (including community based residential camps, placing young offenders with Community Development Employment Projects and community initiated night patrols);
- improved coordination of case management for young offenders and ex-offenders through a single case manager and Commonwealth/State protocols covering mutual roles and responsibilities; and
- better integration of various forms of support for young offenders.

The pilots will be established in consultation with the Aboriginal and Torres Strait Islander Commission, the Department of Employment, Education, Training and Youth Affairs and the States and will be operational before the end of 1997.

The Commonwealth has set aside \$1 million in 1997-98 to facilitate and evaluate the pilots.

## **PRIME MINISTER AND CABINET**

### **Operational funding for national women's non-government organisations**

**Function: Legislative and Executive Affairs**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.5	0.5	0.5	0.5

#### **Explanation**

On 6 December 1996, the Minister Assisting the Prime Minister for the Status of Women announced that the National Agenda for Women grants programme will cease, and that from 1997-98 non-government women's organisations will be encouraged to apply for mainstream funding through programmes.

This measure replaces the National Agenda for Women grants programme and provides for a new grants programme limited to a number of key national women's organisations that are unlikely to be accommodated within mainstream portfolio programmes. The programme is part of a wider strategy which will reduce fragmentation of assistance and government administration costs while increasing accountability.

Organisations receiving these grants will have a demonstrated capacity to represent issues of concern to membership at the Federal and State Government and community levels.

## **PRIME MINISTER AND CABINET**

### **Organisation and conduct of the Constitutional Convention**

**Function: Legislative and Executive Affairs**

#### **Financial Implications (\$m)**

	1997-98	1998-99	1999-00	2000-01
Administrative Services	0.1	0.0	0.0	0.0
Parliament	0.0	0.0	0.0	0.0
Prime Minister and Cabinet	3.8	0.0	0.0	0.0
<b>TOTAL</b>	<b>3.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

#### **Explanation**

The Constitutional Convention will meet in December 1997 in Canberra. It will be attended by 152 delegates, half of whom will be appointed by the Government and half of whom will be directly elected through a non-compulsory postal ballot to be conducted by the Australian Electoral Commission. The Convention will consider:

- whether or not Australia should become a republic;
- which republic model might be put to the electorate to consider against the status quo; and
- the timetable or circumstances in which any change might be considered.

The Convention will be preceded by a public information programme, involving the wide distribution of balanced and easily understood information on the key issues to be considered.

## **PRIME MINISTER AND CABINET**

### **Aboriginal and Torres Strait Islander Affairs Agencies funding arrangements - Guaranteed funding with an increased base**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
15.0	15.2	15.5	15.8

#### **Explanation**

The Government has agreed to guarantee funding for Aboriginal and Torres Strait Islander Affairs over the four years 1997-98 to 2000-01. Existing estimates are to be increased on the basis that new policy proposals over the period will be accommodated

within the agreed global allocations, except for any adjustments necessary as a result of transfers of functions or major new policy not anticipated at this time.

The provision of a four-year funding guarantee, together with the increase in the portfolio's allocations, will:

- provide the Aboriginal and Torres Strait Islander Commission Board with greater certainty about future funding levels;
- facilitate better planning and targeting of needs;
- provide greater flexibility in programme management; and
- enhance the Board's capacity to respond effectively to emerging needs and priorities.

Annual appropriations will continue to be subject to minor adjustment for indexation, across-the-board efficiency measures, and formula-based variations to Community Development Employment Projects (CDEPs) due to fluctuations in participant numbers.

#### **Further Information**

In 1996-97, the Government quarantined ATSIIC's housing and infrastructure programme, native title claims assistance and the number of CDEP participants from the portfolio's contribution to Budget savings. Given the continuing priority attached to these areas by the Government, ATSIIC's global funding arrangements will remain subject to the quarantining provisions implemented last year.

## SOCIAL SECURITY

**Maintain the single rate of pension at 25 per cent of male total average weekly earnings**

**Function: Social Security and Welfare**

**Financial Implications (\$m)**

	1997-98	1998-99	1999-00	2000-01
Social Security	57.3	409.2	639.6	942.3
Veterans' Affairs	6.5	41.0	59.9	87.3
TOTAL	63.8	450.2	699.5	1,029.6

Note: In the 1996-97 Budget provision was made in the Forward Estimates for this measure by inclusion of the estimated effects in the Contingency Reserve.

### Explanation

Currently the *Social Security Act 1991* and the *Veterans' Entitlement Act 1986* include provision for the indexation, on the basis of increases in the Consumer Price Index (CPI), of pensions and allowances each March and September and for Family Payments each January. While not currently provided for in legislation, the Government also uses a wages benchmark to maintain the adequacy of pensions, relative to wage rates in the community.

The benchmark for the single rate of pension is 25 per cent of Male Total Average Weekly Earnings. Any benchmark increases to the single rate of pension will flow on to all married pensioners and above minimum rate Family Payment recipients, through links that these payments have to the single rate of pension.

This measure, which was announced prior to the Budget, provides for legislation to maintain the single rate of pension at 25 per cent of Male Total Average Weekly Earnings, with associated flow-ons to the married rate of pension and above minimum rate Family Payment. It will result in there being legislative backing to ensure that pensions and above minimum rate Family Payment increase proportionally with increases in wages. The requisite legislation has been introduced into the Parliament.

At the time of each CPI adjustment there will be an additional increase, if required, to maintain the benchmark. The requirement for, and the size of, increases to meet the benchmark is dependent on future movements in Male Total Average Weekly Earnings relative to the CPI.

The current estimates for CPI and Male Total Average Weekly Earnings form the basis of the budgetary costs shown above. The actual costs may vary from these, as any increase in pensions will be based on the actual (published) movements in the CPI and Male Total Average Weekly Earnings series.

## SOCIAL SECURITY

### Pay all Department of Social Security payments fortnightly in arrears

#### Function: Social Security and Welfare

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.2	19.7	-100.8	-18.9

#### Explanation

Currently there are three different payment cycles under which social security payments are made. These are :

- the two different payday-based cycles (relating to the pension and the families paydays which occur on alternate Thursdays), which are based on a person's eligibility for the payment on the actual payday. If the person is entitled to payment on the actual payday, they are paid a full fortnight's payment; and
- the period-based payments (allowances), which are paid two weeks after the day on which the person becomes entitled to payment (that is two weeks in arrears). The period-based payments paydays are spread throughout the fortnight.

From 1 July 1999, all social security pensioners and families customers will be moved to a period-based payment cycle, under which they will be paid two weeks in arrears. This will establish a clear and logical relationship between the number of days a person is qualified for payment and the amount of money he or she receives.

The measure will simplify the payments cycle. The current interaction between the three different payment cycles is complex and leads to anomalies. For example, problems arise where a person's eligibility changes and he or she moves from a period-based to a payday-based payments cycle.

In addition, the measure will spread the processing workload more evenly across the fortnight. The Department of Social Security and financial institutions will no longer have to deal with extreme processing 'peaks' in the lead up to each respective pension and family Thursday payday. People will experience shorter queues in banks and other financial institutions. Small businesses will also benefit from the evening out of Social Security payments.

There are around four million existing pension and family payment customers who all get paid on a Thursday. A large proportion will be asked to accept a change of payday. The payday adjustment will be made so that no loss of payment occurs at the point of changeover to the new payment cycle for this group.

Under the new arrangements no existing social security recipient will be subject to a reduction in entitlements which they have already begun to receive.

The large saving in 1999-2000 of around \$101 million mainly reflects the removal of a 27th payday for family payments in that year under the new arrangements. This will not result in any reduction in fortnightly entitlements for family payment recipients in that year.

## SOCIAL SECURITY

### Introduce a Bonus Plan for persons deferring retirement

**Function: Health, Social Security and Welfare**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	0.0	-0.6	-1.7	-2.5
Social Security	2.4	-16.9	-36.8	-36.0
Veterans' Affairs	1.4	-3.9	-3.9	-3.5
TOTAL	3.8	-21.4	-42.4	-42.0

#### Explanation

The concept of a Bonus Plan for those deferring retirement was set out in the election document, *Meeting our Commitments*.

Currently over 80 per cent of the population of Age Pension age is in receipt of the pension. This measure encourages greater self-provision by older persons, promotes continued participation in the workforce, and achieves budgetary savings.

Under the measure a bonus will be provided to all those who continue to work while they defer take-up of the Age or Service Pension. Accrual of entitlement to the bonus can only begin after the date of commencement of the scheme, 1 July 1998, and after the date on which a person qualifies for the pension on age and residency grounds. The earliest date for bonus payment will be 1 July 1999.

The bonus is a lump sum paid at the time of receipt of the pension. It increases for each full year of deferral for work, up to a maximum of five years. Work is defined as paid employment for at least 25 hours per week.

The amount of the bonus will be equivalent to 9.4 per cent of Age or Service Pension entitlement (excluding add-ons such as Rent Assistance) at the time of take-up, for each year of deferral, multiplied by the number of years deferred. The actual amount paid will hence vary according to the amount of pension to which the person is entitled, and the number of years for which the pension is deferred.

For those deferring for five years, the lump sum bonus will, for example, be equivalent to 47 per cent of annual pension entitlement at the time of take-up multiplied by 5. A person eligible to receive \$300 per fortnight after five years deferral would, for instance, receive a bonus of around \$18,300.

It is estimated that around 22,000 people who are eligible for the bonus will defer their receipt of Age or Service Pension in 1998-99, and that the average length of deferral will be three years.

## SOCIAL SECURITY

### Simplify and amend date of effect rules for income support payments

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Social Security	0.2	5.5	-23.9	-26.8
Veterans' Affairs	3.2	5.7	-1.3	-1.6
TOTAL	3.4	11.2	-25.2	-28.4

#### Explanation

Standardised 'date of effect' rules will be introduced for Department of Social Security (DSS) and Department of Veterans' Affairs (DVA) payments from 1 July 1999.

'Date of effect' rules determine when a customer's payment commences, ceases or varies following a change in their circumstances. Currently, date of effect rules vary across payments.

Under the measure:

- if a DSS customer's entitlements decline because of a change in their circumstances (such as a rise in his/her other income), the change in rate will apply from the date of the event. If the customer notifies the Department within 7 days of the event however, no reimbursement will be required of any monies received in that period; and
- if a DSS customer is entitled to an increase in payment, this will be from the date of the event where the person notifies the Department within 7 days of the event, and from the date of notification in other cases.

For DVA customers, in situations where entitlements either decline or increase, the change in payment will apply from the payday following the date of the event.

The new arrangements will reduce the number of days for which a DSS or DVA customer can receive a payment which does not reflect their changed circumstances.

They simplify the date of effect provisions by making them consistent across different payments for each Department. The current provisions are complex and can lead to inequities in the application of the rules and confusion for customers.

## SOCIAL SECURITY

### Revised arrangements for Financial Information Service and Migrant Liaison Officers

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-4.2	-4.3	-4.3	-4.4

#### Explanation

As a consequence of changed requirements, this proposal reduces the number of Department of Social Security (DSS) Financial Information Service (FIS) officers and Migrant Liaison Officers (MLOs) by 25 per cent from July 1997.

FIS officers provide free advice to DSS customers and others approaching retirement on matters such as the operation of the pensions and allowances income and assets test and the advantages and disadvantages of different types of investments. Customers with complex financial affairs are also referred to FIS officers by other DSS staff for assistance with pension eligibility assessment.

This proposal recognises that fewer FIS officers are needed to service customers because of such factors as the introduction of extended deeming in July 1996 which has simplified the income testing arrangements for financial products. Under extended deeming all financial investments are assessed for income testing purposes at specified rates of return (currently 4 per cent or 6 per cent, depending on the size of the investment), rather than the actual rate of return received by individuals.

Migrant Liaison Officers in DSS and the Department of Employment, Education, Training and Youth Affairs (DEETYA) promote the availability of services to ethnic communities and provide feedback on service delivery issues affecting migrants and refugees from a non-English speaking background. MLOs from the two Departments are being transferred to the new Commonwealth Services Delivery Agency, which is to begin operations from 1 July 1997. The Agency will provide a single point for the delivery of a number of Commonwealth payments and services, including DSS income support payments, DEETYA student assistance payments and certain employment functions. As DSS and DEETYA MLOs perform similar roles, a smaller number will be required in the new Agency to achieve the same outcomes.

## SOCIAL SECURITY

### Reform of the income and assets test treatment of income streams by the Department of Social Security and the Department of Veterans' Affairs

Function: Social Security and Welfare

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Social Security	6.7	-0.9	-6.4	-9.9
Veterans' Affairs	0.9	0.2	0.1	0.1
TOTAL	7.6	-0.7	-6.3	-9.8

#### Explanation

Income streams are income producing investment products such as superannuation pensions, allocated pensions (superannuation pensions purchased with an eligible termination payment) and annuities (generally, pensions purchased with ordinary, after-tax money). Currently the means test treatment of income streams by the Departments of Social Security (DSS) and Veterans' Affairs (DVA) is highly complex, with there being at least six different income test and five different assets test treatments of these products. The present arrangements also contain loopholes which can be exploited for avoidance purposes.

This measure, which is to apply from 1 July 1998, will simplify the means test treatment of income stream products, close off loopholes in the current legislation, and will provide DSS and DVA with flexibility to accommodate new products, unlike current arrangements where new products can be developed to exploit weaknesses in the system.

The measure divides income streams into broad categories. The first category is lifetime income products, and products with a term of life expectancy (or at least 15 years where life expectancy exceeds this) which are purchased at Age Pension or Service Pension age or over. These products will be subject to an income test but will be assets test exempt (provided they have certain characteristics such as being non-commutable, no residual capital value, size of payment in a year is fixed and limited reversionary benefits). The income test treatment for these income streams will be based on the gross annual payment to the individual less a deduction based on purchase price.

Defined benefit superannuation pensions (that is, superannuation pensions whose size is dependent on the person's salary at retirement) will also be exempt from the assets test and the income test will be based on the gross annual payment received by the individual less a deduction based on the person's own contributions.

All other income streams will be included in both the assets test and the income test. The income test treatment for investments with a term greater than five years will be based on the gross annual payment to individuals less a deduction based on purchase price. Investments with a term of five years or less will be subject to the deeming provisions generally applying for income test purposes to other financial investments held by individuals. Under the deeming provisions these income stream products will be assessed for income testing purposes at specified rates of return (currently 4 per cent and 6 per cent, depending on the size of the investment), regardless of the actual payments received by individuals.

The measure will implement a graduated system of income and assets test treatment which will provide an incentive for people to invest in longer-term income stream products. Lifetime (and life expectancy) income stream products will be subject to the most favourable treatment, while other products with a term in excess of five years will be treated more favourably than products with a term less than five years.

The Ministers for Social Security and Veterans' Affairs will have a discretionary power to exempt some existing holders of income stream products from the new income and assets testing arrangements. The Ministers will be able to apply this discretionary power in situations in which individuals have purchased products under contracts which genuinely cannot be broken or where individuals would face a significant penalty by changing their current arrangements. This will assist in ensuring that no existing holders of income stream products are unfairly penalised through the introduction of the new system.

## **SOCIAL SECURITY**

### **Revised arrangements for carers of adults and children with disabilities**

**Function: Health, Social Security and Welfare**

#### **Financial Implications (\$m)**

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	-0.3	20.4	22.8	25.7
Social Security	-2.8	-23.2	-28.5	-33.5
<b>TOTAL</b>	<b>-3.1</b>	<b>-2.8</b>	<b>-5.7</b>	<b>-7.8</b>

#### **Explanation**

This measure puts in place improved arrangements for carers. Currently there are three main forms of financial assistance for carers:

- Domiciliary Nursing Care Benefit is a supplementary payment available to people who care for older people and people with a disability who remain in the community rather than enter institutional care. It is a non-income and assets tested amount of \$58.30 a fortnight;
- Child Disability Allowance is a supplementary payment available to people who care for a child with a disability who requires substantially more than the care and attention needed by a child of the same age who does not have a disability. It is a non-income and assets tested amount of \$74.90 a fortnight; and
- Carer Payment is an income and assets tested payment providing a basic level of income support for a person providing full-time personal care or supervision to a severely disabled or frail aged person. The maximum single rate of payment is \$347.80 a fortnight.

These payments recognise the important role played by carers and complement other forms of Commonwealth support such as respite services, community care services and the Carer Resource Centres announced in the 1996-97 Budget. These programmes together form the basis of a broad approach to supporting carers in the community.

The measure outlined here has three main elements - a considerable increase in the rate of Domiciliary Nursing Care Benefit; improved access to Carer Payment for high needs groups; and better targeting of Child Disability Allowance.

### **Domiciliary Nursing Care Benefit**

This initiative will improve the consistency of support provided to carers, especially between carers of adults and of children. From July 1998 the rate of the Domiciliary Nursing Care Benefit (DNCRB) will increase by about \$16.60 a fortnight so that it aligns with the rate of Child Disability Allowance (CDA). This represents an increase of 28 per cent and provides additional recognition for the valuable role played by carers of adults with high care needs. Over 45,000 eligible carers of older people and adults with a disability will benefit from this increase.

### **Carer Payment**

Carer Payment will be extended from July 1998 to carers of children under the age of 16 with profound disabilities. From March 1999 Carer Payment will also be available to carers who are required to care for an adult as well as care for, or supervise the care of, a child.

From July 1998, people in receipt of DNCRB, CDA and/or Carer Payment will be able to temporarily cease providing care for periods of respite or hospitalisation for up to 63 days a year without losing their entitlement. Currently, those receiving DNCRB and CDA are entitled to cease caring for 42 days a year, while for those on Carer Payment the entitlement is 52 days (from July 1997).

### **Child Disability Allowance**

Child Disability Allowance is also being reformed to ensure better targeting of this payment. In recent years, growth in CDA customer numbers and expenditure has been high. For example, in the five years to January 1997 customer numbers doubled, reaching 102,000. Australian Bureau of Statistics research showed that, of the children who qualified for CDA in 1993, close to 21 per cent had no handicap, did not require personal help or supervision and had no difficulty in performing self-care, mobility or verbal communication tasks.

Better targeting will be achieved through the introduction of Child Disability Tables which measure the impact of a child's disability on his or her functional ability in communication, mobility, self care and community living skills and social behavioural skills.

New claimants will be assessed for eligibility under the Tables from July 1998. Those who do not qualify for CDA but who have a chronic illness will have access to a Health Care Card, which provides low-cost pharmaceuticals under the Pharmaceutical Benefits Scheme.

Prior to 1 July 1998, all currently qualified CDA children will be reviewed against the present criterion of 'requiring substantially more care and attention than other children of the same age' to ensure that they have an ongoing entitlement. All qualified CDA children as at 1 July 1998 will then be able to continue receiving CDA until 30 June 2003 without any further medical reviews. Non-medical reviews (for example, care and custody, child turning 16) will still be required. Thereafter the entitlement of this group will be reassessed on the basis of the Child Disability Tables.

A single rate of CDA will also be payable from July 1998 to the carers of children who individually do not qualify under the Child Disability Tables but whose combined score exceeds the threshold for payment. This will help families with mildly disabled children whose combined score represents a significant carer burden.

Currently, customers qualifying for CDA may apply for up to 12 months arrears of the payment. This compares with three months maximum arrears for other social security payments. Under the revised arrangements, from January 1998 the maximum arrears payable for CDA will be reduced to six months. This will still enable carers to delay making a claim for CDA while they obtain a diagnosis of their child's disability and adjust to the resultant impact on the family.

## **SOCIAL SECURITY**

### **Amendments to migrant two-year waiting period for social security payments**

**Function: Health, Social Security and Welfare**

#### **Financial Implications (\$m)**

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	8.1	0.9	2.8	2.8
Social Security	106.0	59.5	40.3	40.0
<b>TOTAL</b>	<b>114.1</b>	<b>60.4</b>	<b>43.0</b>	<b>42.8</b>

#### **Explanation**

This measure sets out the amendments made by the Government to the proposal, which it announced in 1996, to require newly arrived migrants, other than refugees and humanitarian migrants, to wait for two years before they could become eligible for social security payments. The proposal aimed to provide an incentive for migrants to Australia to ensure they could provide for their own income support.

The proposal would have applied a two-year waiting period to Newstart Allowance, Mature Age Allowance (granted after 1 July 1996), Sickness Allowance, above minimum rate Family Payment, Maternity Allowance, Parenting Allowance, Partner Allowance, Child Disability Allowance, Carer Pension, Disability Wage Supplement, Widow Allowance (excluding cases where both the claimant and her former partner were Australian residents when they separated), Double Orphan Pension, Mobility Allowance, Youth Training Allowance and Special Benefit (except for those whose circumstances change significantly for reasons beyond their control following arrival). A two-year waiting period was also applied for access to Health Care Cards and the Commonwealth Seniors Health Card.

In addition, the proposal removed the existing exemption from a waiting period for spouses whose partner had been an Australian resident for at least 26 weeks before their arrival.

Legislation to effect the proposal was included in the Social Security Legislation (Newly Arrived Residents Waiting Periods and Other Measures) Bill 1996 introduced into Parliament in March 1996. The Senate requested a number of amendments to this Bill, some of which were accepted by the Government and subsequently passed into legislation. The changes accepted by the Government were to exempt above minimum

rate Family Payment, Maternity Allowance, Child Disability Allowance and Double Orphan Pension from the two-year waiting period.

The costs set out in the above table reflect the loss of savings against the original measure announced by the Government, including from delaying its date of implementation. However, overall the measure, as modified, is estimated to achieve savings of \$35.3 million in 1997-98, \$143.2 million in 1998-99 and around \$167 million from 1999-00.

## **SOCIAL SECURITY**

### **Amendments to activity test penalty periods for Newstart Allowance**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
31.9	30.3	31.8	29.0

#### **Explanation**

This measure sets out the amendments which have been put forward by the Government to its 1996-97 Budget proposal to tighten the Newstart Allowance activity test. The proposal aimed to ensure that only those people who are entitled to social security assistance receive it, thereby improving the targeting and overall integrity of the social security system.

The proposal comprised a mixture of administrative and legislative elements:

- the main administrative elements are closer monitoring and verification of claims about job search efforts through the use of Job Search diaries, increased issuing of Employer Contact Certificates and the establishment of a telephone contact service for employers; and
- the main legislative elements are strengthened penalties for failure to satisfy the activity test with non-payment periods increased to six weeks for the first offence, and 13 weeks for second and subsequent offences.

The administrative elements of the package commenced progressively from 29 July 1996. The legislative elements were due to commence 1 January 1997.

Legislation to effect the original measure was included in the Social Security Legislation Amendment (Budget and Other Measures) Bill 1996. The Senate subsequently requested amendments to the provisions of the Bill relating to the increase in non-payment penalty periods for failure to satisfy the activity test. The Government introduced an amended Bill into the Parliament in March 1997, which takes into account these requests.

Under the amended proposals the new penalty periods will be based on a combination of rate reduction and non-payment:

- the first activity test breach within a two-year period will result in an 18 per cent rate reduction for 26 weeks;

- the second activity test breach within a two-year period will result in a 36 per cent rate reduction for 26 weeks; and
- third and subsequent activity test breaches within a two-year period will result in a non-payment period of 13 weeks.

The costs set out in the above table reflect the loss of savings against the original measure announced in the 1996-97 Budget as a result of the amended proposals which the Government has now introduced. However, overall the measure, as modified, is estimated to achieve savings of \$102.5 million in 1997-98 rising to \$117.4 million by 2000-01.

## **SOCIAL SECURITY**

### **Apply consistent hardship rules to waiting periods for Newstart Allowance and related payments**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.5	0.1	9.9	9.6

#### **Explanation**

This measure will rationalise the rules for the waiver, on hardship grounds, of the waiting periods applying prior to the receipt of Newstart Allowance and related payments such as Sickness Allowance. The waiting periods affected are:

- the ordinary one-week waiting period, which can apply to all claimants;
- the liquid assets waiting period, which applies to those with significant cash or bank deposits or readily realisable assets; and
- the income maintenance period, which will apply to those receiving lump sum payments (generally on termination of employment), such as accrued annual and long service leave. The income maintenance period, which replaces the annual leave waiting period in September 1997, was announced in the 1996-97 Budget.

Current legislation allows for any of these waiting periods to be waived when they cause severe financial hardship, but the waiver rules are different for each of the three, resulting in inconsistencies and unnecessary complexity.

This measure will establish the short term available funds test (namely whether a person has less than the equivalent of two weeks' allowance payment) as the common criterion for determining whether the person is in severe financial hardship and therefore eligible for waiver of waiting periods.

It will also introduce a further requirement for waiver of the liquid assets waiting period and the income maintenance period that expenditure, which results in hardship, has been for purposes that were unavoidable and essential.

This measure will also make possible the partial waiver of the liquid assets waiting period, a change from the current legislation under which it must be waived in full, regardless of when hardship is established during the waiting period.

The new arrangements will apply in full from 1 July 1999.

Approximately 51,000 new grant customers (about 35,000 of whom are Newstart Allowees) will benefit, with most gaining \$145 (i.e. one week's allowance). The remaining Newstart customers will benefit by \$290 (i.e. two weeks' payment).

## **SOCIAL SECURITY**

### **Consistently treat lump sums for Social Security recipients as either income over 12 months or as a deemed asset**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.5	-3.7	-6.2	-6.3

#### **Explanation**

The objectives of this measure, which will take effect from 20 March 1998, are to provide equitable and consistent treatment of lump sum amounts between pensioners and allowees (such as Newstart Allowance recipients), reduce complexity and simplify administration. The measure applies to lump sums received by people after they have qualified for a social security payment.

Currently, most lump sum amounts received by pensioners and allowees are apportioned as income over a 52-week period starting from the date on which the person is entitled to receive that amount. However, for allowees, remuneration related lump sums (for example commissions and royalties) are treated as income in the fortnight received.

Under this measure, lump sum amounts across all payment types will be treated as income over a 52-week period with the exception of one-off lump sums such as windfall gains, legacies and lump sum superannuation payments (including arrears or commutations of superannuation), which will continue to be exempt from the income test when received and be assets tested. Any such lump sum which is invested would have the normal deeming rules applied whereby they would currently be assessed under the income test at a rate of return of either 4 per cent or 6 per cent. Customers in receipt of pensions will not be affected by the measure.

## SOCIAL SECURITY

### Expansion of temporary activity test exemptions in special circumstances

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.9	-1.3	-1.4	-1.4

#### Explanation

This measure, which takes effect from 20 October 1997, enables an additional period of exemption from the Newstart Allowance activity test in a limited number of circumstances. Under the activity test, individuals are required to be actively seeking work or undertaking another activity designed to improve their chances of finding work, in order to continue to receive payment.

Currently, an unemployed person may be exempt from the activity test for a maximum of 13 weeks where the circumstances arising are unforeseen and cause major disruption. Examples of circumstances where an exemption would be granted include jury duty and customers with temporary caring responsibilities. The measure will now allow the exemption to extend beyond 13 weeks in situations such as these.

The measure also provides an activity test exemption for expectant mothers from six weeks prior to the expected date of confinement to six weeks after the birth of the child.

The additional exemptions will remove the requirement for the customers concerned to move onto the hardship payment, Special Benefit, which has a less favourable income test than Newstart Allowance.

It is expected that around 2,400 people will benefit from these changes at any point in time. However, overall the measure results in outlays savings because fewer people will transfer to Special Benefit which is a more costly payment to administer than Newstart Allowance.

## SOCIAL SECURITY

### Increase Australian Taxation Office Employment Declaration Form matching with Department of Social Security data

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-27.9	-27.4	-28.2	-28.9

#### Explanation

This measure builds on initiatives in the 1996-97 Budget in response to *Meeting Our Commitments* which identified the scope for savings from administrative efforts to ensure the integrity of the social security system.

Employment Declaration Form (EDF) matching identifies Department of Social Security customers who have undisclosed income from employment. EDF data is matched fortnightly against Department of Social Security records and matched cases are sent to regional offices for review of entitlement.

The measure provides on-going funding for the processing of an additional 70,000 EDF reviews a year from 1997-98, following on from an additional 75,000 reviews in 1996-97.

The measure will help to ensure that incorrect payments in the social security system are minimised. No customer with a legitimate entitlement will be worse off under the proposal. As a result of the additional reviews, it is expected that over the two years 1996-97 and 1997-98 a total of around 5,500 customers will have their payments either cancelled or reduced.

## **SOCIAL SECURITY**

### **Apply preclusion periods to high income seasonal or intermittent workers**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.8	-5.0	-5.7	-6.0

#### **Explanation**

The application of preclusion periods will ensure that Newstart Allowance payments for the unemployed are focused on those in real financial need by preventing higher income seasonal, intermittent or contract workers from immediately accessing Newstart Allowance during the 'off season' or between contracts. It will also exclude higher paid workers, who have their leave entitlements cashed out in their salary payments, from receiving Newstart Allowance over Christmas shutdowns.

In both cases, a formula will be provided in the legislation to allow for a preclusion period based on the income received from employment. The formula will only apply to single people on incomes above average weekly earnings and couples with income twice average weekly earnings.

Other seasonal workers, who receive a small retainer during the season and a large lump sum distribution from the season's profit, will be separately addressed under the measure 'Consistently treat lump sums for Social Security recipients as either income over 12 months or as a deemed asset'.

Under the new arrangements, which will take effect from 1 July 1998, all seasonal or contract workers will be required to complete a form detailing their assets and cash flows when they claim Newstart Allowance.

## SOCIAL SECURITY

### Continue funding for the Family Service Centre and Retirement Service Centre pilots

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.9	0.0	0.0	0.0

#### Explanation

This measure maintains funding for the existing pilots of Family Service Centres and Retirement Service Centres for a further 12-month period to assess the merit of these arrangements in the new Commonwealth Services Delivery Agency. The Agency, which is to begin operations within the Social Security portfolio from 1 July of this year, will provide a common interface for Social Security income support, child care assistance, student assistance and certain employment services and its establishment will enable a greater customer focus to be given to the delivery of these services.

#### Further Information

In 1995-96 the Department of Social Security began trialling new concepts of service delivery. Fourteen pilot Family Service Centres and six pilot Retirement Service Centres have been established in locations around Australia.

Family Service Centres aim to make it easier and simpler for families to access payments and services provided by the Commonwealth, State and local governments and community agencies. The Child Support Agency, Department of Employment, Education, Training and Youth Affairs and Department of Immigration and Multicultural Affairs are among the range of Government agencies which have provided services to families through the Family Service Centres.

Retirement Service Centres aim to provide a 'single office' concept of service delivery to retirees and pre-retirees in relation to Social Security, Veterans' Affairs, taxation and superannuation matters. The Centres provide information and services to enable informed decisions by retirees and pre-retirees about retirement planning.

While most of the Family Service Centres and Retirement Service Centres are located in existing Department of Social Security regional offices, some are located in other venues such as shopping centres.

## SOCIAL SECURITY

### Pay Family Payment above the minimum rate when a child and/or parent/s go overseas for up to eight weeks

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
4.2	6.8	7.0	7.1

#### Explanation

Above minimum rate Family Payment is provided to assist low income families with the costs of raising their children. It is paid at \$96 per fortnight for each child under 13, \$124.90 per fortnight for each child aged 13 to 15, and \$60 per fortnight for secondary students aged 16 to 18.

Under current arrangements, payment of above minimum rate Family Payment is permitted for up to 13 weeks when one or both parents travel overseas and the child remains in Australia. However, if the child travels overseas with or without his or her parent(s), above minimum rate Family Payment is not paid while the child is overseas.

The measure, which takes effect from 1 January 1998, will remove this anomaly and result in a more consistent approach by making above minimum rate Family Payment available for up to eight weeks when parents and/or their children travel overseas. As a result of the measure assistance will, for example, continue to be available where children travel overseas for medical treatment, undertake educational visits, or visit relatives overseas.

It is estimated that around 25,000 children travelling overseas each year, whose families currently do not receive above minimum rate Family Payment during that period, would be eligible for up to eight weeks payment. For a child travelling overseas for the full eight weeks, the average financial gain for a family would be around \$660.

## SOCIAL SECURITY

### Improvements to the Data-matching Programme and increased review activity

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-16.1	-31.6	-39.4	-40.4

#### Explanation

This measure builds on initiatives in the 1996-97 Budget in response to *Meeting Our Commitments* which identified the scope for savings from administrative efforts to ensure the integrity of the social security system.

The Data-matching Programme detects incorrect payments of income support through checking the identity and income information provided by people receiving government financial assistance. The Programme uses tax file numbers to verify the information clients give the Department of Social Security.

The measure consists of two elements:

- the *Data-matching Program (Assistance and Tax) Act 1990* will be amended to remove references to specific payment and programme types dealt with by the Department of Social Security, thus removing the need to make legislative amendments each time a new payment is created or an old payment is renamed. Other amendments will also be made to this Act to streamline the administration of the Program by allowing for the transfer of data between agencies via secure on-line computer connections; and
- the measure will also provide on-going funding for the processing of an additional 50,000 Data-matching Program reviews annually.

The measure helps to ensure that incorrect payments in the social security system are minimised. No customer with a legitimate entitlement will be worse off under the measure. It is expected that around 11,000 of the additional customers being reviewed annually will have their payments either cancelled or reduced.

## **SOCIAL SECURITY**

### **Parenting Payment simplification and rationalisation package**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
4.0	-1.0	-1.8	-2.1

#### **Explanation**

Currently there are two payments for parents who remain at home to care for their children. Sole Parent Pension is available to single parents in this situation while Parenting Allowance is available to partnered parents. Recipients of either payment have similar requirements for government assistance, with some recipients moving between the two payments as their situations change.

This measure, which takes effect from March 1998, moves towards a common income support payment for those with child rearing responsibilities by replacing Sole Parent Pension and Parenting Allowance with a single Parenting Payment. In doing so it will align a number of conditions that currently vary between the two payments:

- residency requirements - the length of time people are required to live in Australia before qualifying for payment, will be aligned at two years (a reduction from five years in the case of Sole Parent Pension);
- portability provisions - the length of time the payment can be received while the recipient is overseas, will be aligned at 26 weeks (an increase from 13 weeks in the case of Parenting Allowance and a reduction from 12 months in the case of Sole Parent Pension);

- an income maintenance period (under which lump sum payments such as accrued annual leave and long service leave are treated as income for a period equal to the number of weeks of unused leave received from their employer), will now be applied to Sole Parents Pensions, in line with the current practice for Parenting Allowance recipients; and
- the assets test applied to Sole Parents Pensions will be aligned with the current test for Parenting Allowance recipients (assets over \$124,000 for homeowners or \$212,500 for non-homeowners will result in a sudden-death cut-off of payment, rather than the tapered cut-off beginning at the same limits that currently applies to Sole Parent Pensioners).

Other differences between Sole Parent Pension and Parenting Allowance, including rates of payment, income testing arrangements, and access to concession cards, are being retained under the new Parenting Payment.

The creation of a single Parenting Payment will simplify and make more consistent income support arrangements for those with child rearing responsibilities, and ease transitions as separation and repartnering occurs.

The measure also involves changes to the Jobs, Employment and Training (JET) programme. JET Advisers currently assist Sole Parent Pensioners and some other income support recipients in finding employment or gaining skills to find employment. The measure will fund additional JET assistance for Parenting Payment recipients. Assistance will be focussed on those who have a youngest child aged either 6 or 12 and are earning less than \$150 per week. Funding will also be provided for JET Advisers to purchase pre-vocational training assistance (such as computer familiarisation training to update office skills) to assist JET participants to develop skills to obtain employment and minimise their dependence on income support.

## **SOCIAL SECURITY**

### **Tightening of the hardship provisions for minimum Family Payment and Maternity Allowance**

**Function: Social Security and Welfare**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.1	-3.5	-3.6	-3.7

#### **Explanation**

Family Payments provide financial assistance towards the costs of raising children. Minimum Family Payment is paid at \$23.40 per child per fortnight. Above minimum Family Payment, which is restricted to low income earners, is \$96 per fortnight for each child under 13, \$124.90 per fortnight for each child aged 13 to 15, and \$60 per fortnight for secondary students aged 16 to 18.

Maternity Allowance is a lump sum payment of \$870.30 available on the birth of a child, eligibility for which is linked to that for minimum Family Payment. From January 1998 Maternity Allowance will be paid in two instalments, one of \$750 upon

the birth of a child, and a further instalment of \$200 at 18 months, receipt of which will be linked to immunisation of the child.

This measure, which takes effect from January 1998, improves the targeting of minimum Family Payment by tightening the hardship provisions for this payment under its assets test.

Currently a family with assets of \$406,000 or more (excluding the family home) is generally not entitled to minimum Family Payment unless one of two hardship provisions apply.

The first hardship provision applies if:

- the value of the family's assets is more than \$602,500; and
- the family's liquid assets (i.e. cash and assets easily disposed of such as motor vehicles) are less than \$6,000 for a single person or \$10,000 for a couple; and
- the amount of estimated income for the current financial year is less than \$15,647 (for a family with one child).

The second hardship provision applies if:

- the value of the family's assets is more than \$406,000 but less than \$602,500; and
- the liquid assets criteria and/or the current income levels specified above are not met but estimated income for the current financial year is less than an income ceiling of \$65,743 (for a family with one child).

The measure modifies the second hardship provision by reducing the income ceiling from \$65,743 (for a family with one child) to \$27,125 a year (for a family with one child) plus \$4,399 a year for each additional child.

The new assets test hardship provisions will continue to allow entitlement to minimum Family Payment for those families with substantial assets but modest incomes, but exclude those with both substantial assets and higher income levels.

The current income test limits for receipt of minimum Family Payment (\$65,743 plus \$3,288 for each child after the first) will remain unchanged.

## SOCIAL SECURITY

### Rental assistance to people living in public housing - Remove double subsidy

**Function: Education, Social Security and Welfare**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Employment, Education, Training and Youth Affairs	-0.1	-0.2	-0.2	-0.2
Social Security	-21.1	-58.0	-59.7	-61.2
Veterans' Affairs	-0.0	-0.1	-0.1	-0.1
<b>TOTAL</b>	<b>-21.2</b>	<b>-58.3</b>	<b>-60.0</b>	<b>-61.5</b>

#### Explanation

Currently, housing assistance in Australia is provided primarily through two major channels. First, the States provide public housing for low income tenants at subsidised rentals through their housing authorities with support from the Commonwealth through grants under the Commonwealth State Housing Agreement (CSHA). Second, the Commonwealth provides rent assistance to those who rent their accommodation in the private rental market, and receive income support payments through the Departments of Social Security, Veterans' Affairs and Employment, Education, Training and Youth Affairs.

Rent Assistance is specifically denied to public housing tenants on the basis that this group is already subsidised by the housing authorities. In general, sub-letting is only allowed when the respective housing authority has authorised it. In these circumstances, the housing authority assesses additional rent at around 10 to 25 per cent of the income of the sub-tenant. Existing legislation allows income support recipients to receive Rent Assistance if living with and paying rent to the primary tenant of the public rental dwelling. There is no good reason to pay Rent Assistance to people living in public rental housing when the accommodation has already been substantially subsidised by the State housing authority.

The measure will stop the situation where the Commonwealth is effectively paying two subsidies in respect of some public housing. As from 1 January 1998, Rent Assistance will not be paid to sub-tenants living in public rental dwellings where the primary tenant pays subsidised rent to a State housing authority. However, if the primary tenant pays market or unsubsidised rent the sub-tenant will not be affected by this measure. This measure will require the cooperation of State and Territory housing authorities.

## SOCIAL SECURITY

### Funding arrangements under the Commonwealth State Housing Agreement

#### Function: Housing and Community Amenities

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-50.0	-50.0	-50.0	-50.0

#### Explanation

The Commonwealth and States agree on the need for reform to improve the management and equity of public housing. As the Commonwealth and the States have been in the process of discussing public housing reform, funding had only been agreed until the end of 1997. The interim Commonwealth State Housing Agreement (CSHA) runs until the end of the 1998-99 financial year.

The Commonwealth is proposing that a package of measures involving a staged restructure of arrangements under the CSHA be developed. This package would involve a range of microeconomic reforms which will be developed with the Commonwealth working directly with the States.

On the basis of State commitment to negotiations on the development of reforms, the Commonwealth is offering to provide funding of \$975.0 million in 1997-98 and \$964.4 million in 1998-99 under the interim CSHA. This includes funding for the Aboriginal Rental Housing Programme and the Crisis Accommodation Programme at the current levels. Funding for 1999-00 and 2000-01 is provisional and subject to negotiation with the States at a later date.

The overall funding levels for the CSHA have been reduced by \$50 million a year, recognising that there is scope for greater efficiencies through the reforms of public housing that are expected to be implemented in the next few years. There is scope to improve the cost-effectiveness of public housing management and the targeting to those with greatest need. The development of concrete options in this area is a key task facing Housing Ministers.

## SOCIAL SECURITY

### Extend the period of the income test for the 'low income' Health Care Card from four to eight weeks

**Function: Health, Social Security and Welfare**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	0.0	-1.7	-1.8	-1.8
Social Security	0.2	0.1	0.0	0.0
TOTAL	0.2	-1.5	-1.8	-1.8

#### Explanation

The Health Care Card provides recipients with access to pharmaceutical prescriptions at concessional rates funded by the Commonwealth, as well as access to some State-based transport and other concessions. Health Care Cards are automatically issued to people who receive Social Security allowances such as Newstart Allowance and those who receive above minimum rate Family Payment.

The Health Care Card may also be claimed, for six months at a time, by low income earners not in receipt of the above Social Security payments but with average income over the four weeks prior to claim of no more than \$285 per week for singles and \$475 per week for couples (plus \$34 per week for each child). The card is intended to assist longer term recipients of low incomes.

Under this measure, which applies from 1 July 1998, the period over which average weekly income is measured to qualify for a low income Health Care Card will be extended from the current four weeks to eight weeks. By calculating the average income over a longer period, the measure will assist in preventing the manipulation of income by some claimants, especially casual workers, in order to obtain eligibility for the card. As a result, there will be improved targeting of Health Care Cards to those in real financial need.

## SOCIAL SECURITY

### Increased efficiency dividend on Department of Social Security running costs

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.8	-0.8	-0.9	-0.9

#### Explanation

Currently most budget-funded agencies pay an efficiency dividend of 1 per cent a year (ongoing) of their total running costs, unless specifically exempted by Cabinet.

This measure recognises that the Department of Social Security is making efficiency gains and that some of the returns from these efficiencies will be made available to the Budget for allocation to higher priority areas.

This measure applies a one-off additional 1 per cent efficiency dividend to the base running costs of the Department of Social Security, separate from and exempting the Commonwealth Services Delivery Agency, in 1997-98. This reduction rolls through to also reduce the base running costs of the forward estimates.

## TRANSPORT AND REGIONAL DEVELOPMENT

### Funding of Airport Environment Officers and Airport Building Controllers at federal airports subject to sale

**Function: Transport and Communication**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.4	1.4	1.4	1.4

#### Explanation

The *Airports Act 1996* establishes a regulatory framework for airports that are subject to long-term lease as part of Phase 1 of the sale of Federal airports (i.e. the sale of Brisbane, Melbourne and Perth airports). Among other things the Act regulates environmental management, land use planning and building control on these airports.

The positions of Airport Environment Officer and Airport Building Controller are established under the Act to oversee the Commonwealth's public interests in vetting building proposals and activity and ensuring proper environmental management, clean-up and pollution prosecution on airports.

The Department of Transport and Regional Development is selecting contractors to perform these functions at the various airports. Payments by the department to these contractors will be fully recovered through charges. Details are provided in the revenue measure titled 'Cost recovery of funding for Airport Environment Officers and Airport Building Controllers at federal airports subject to sale' (see Part II).

Airport Building Controllers and Airport Environment Officers will be appointed to Melbourne, Brisbane and Perth airports and will provide a full time presence at those airports.

#### Further Information

These arrangements will be subject to review in the initial years to assess their efficiency and effectiveness.

## TRANSPORT AND REGIONAL DEVELOPMENT

### Federal Airports Corporation - Conversion of grant to equity injection for the extension of the runway at Adelaide Airport

**Function: Transport and Communication**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-25.0	-3.0	0.0	0.0

#### Explanation

The Government announced in the context of the 1996-97 Budget that it would contribute to the costs of extending the main runway at Adelaide Airport in line with its

election commitment, and also to associated works. The funding arrangements comprised: \$28 million to be provided to the Federal Airports Corporation (FAC) in 1996-97 for the runway extension; and up to \$20 million from the leasehold sale proceeds from the airport to be reimbursed to the South Australian Government to cover its development costs for works associated with the runway extension.

The Government has decided to fund the runway extension through providing its \$28 million contribution as an equity injection to the FAC.

The FAC has undertaken detailed planning in relation to the project and is expected to commence construction of the runway extension in early 1997-98. The majority of the work is expected to be undertaken in the 1997-98 financial year.

The runway extension is still expected to be completed in 1998.

While the impact of this measure on the deficit is neutral on a headline basis, the equity injection will be classified as an advance and therefore not contribute to the underlying deficit (the underlying deficit is therefore lower as a result of the equity injection).

## **TRANSPORT AND REGIONAL DEVELOPMENT**

### **Funds for Roads of National Importance in WA**

#### **Function: Transport and Communication**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
10.0	10.0	10.0	10.0

#### **Explanation**

In November 1996 the Government announced its intention to provide funding for certain roads in Western Australia as Roads of National Importance. An additional \$40 million of federal road funding will be provided to Western Australia over the four years from 1997-98 to 2000-01. The funding will assist with the extension of the Mitchell Freeway between Ocean Beach Road, Craigie and Hodges Drive, Joondalup, and the sealing of the Mt Keith to Wiluna section of the Kalgoorlie-Meekatharra Road.

## **TRANSPORT AND REGIONAL DEVELOPMENT**

### **Rephasing of funding for the National Rail Infrastructure Authority**

#### **Function: Transport and Communication**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-15.3	-27.0	-19.0	-18.2

#### **Explanation**

This measure is deferring for one year and rephasing capital expenditure related to track improvements associated with the proposal to create a National Rail Infrastructure Authority (NRIA). The Commonwealth is negotiating with the States the establishment

of a NRIA to facilitate development of a simplified access regime for the interstate mainline rail track. A Commonwealth contribution to capital expenditure on the mainline track is proposed as part of the establishment of the NRIA.

This measure anticipates a need for an additional period for negotiations relating to the track access regime and establishment of the NRIA.

This additional time period will be used to:

- complete negotiations with the States;
- determine appropriate capital projects and funding arrangements; and
- decide upon suitable functions and organisational structure for the new entity.

#### **Further Information**

\$175 million has been provided for the programme over four years until the year 2000-01, with financing commencing in 1998-99.

### **TRANSPORT AND REGIONAL DEVELOPMENT**

#### **Continuation of funding for the National Road Transport Commission**

**Function: Transport and Communication**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.6	1.2	1.2	1.2

#### **Explanation**

The National Road Transport Commission (NRTC) is an independent body established under a 1991 Intergovernmental Agreement on Road Transport, and reports to the Ministerial Council for Road Transport (MCRT). The Commonwealth has funded 35 per cent of the NRTC budget, with the remaining 65 per cent contributed by the State Governments. The measure provides new Commonwealth funding beyond the NRTC's current sunset date of 15 January 1998.

A review recommended the continuation of the NRTC beyond this date. Heads of Government are considering this recommendation which has been strongly endorsed by the MCRT.

The continuation of the NRTC will allow the ongoing implementation of a road transport microeconomic reform agenda, aimed at establishing a national uniform or consistent road regulatory environment. These reforms offer the potential for a more efficient road transport sector, with flow-on effects to the general economy. Effective observance of road transport reforms is a criterion for Competition Payments to the States under the agreement to implement the National Competition Policy and related reforms.

## TRANSPORT AND REGIONAL DEVELOPMENT

### Realignment of Tasmanian Freight Equalisation Scheme assistance rates

**Function: Transport and Communication**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-3.0	-3.0	-3.0	-3.0

#### Explanation

The Tasmanian Freight Equalisation Scheme (TFES) assists in alleviating the comparative interstate freight cost disadvantage incurred by shippers of eligible non-bulk goods in transporting such goods to and from Tasmania by sea.

The scheme applies to non-bulk goods produced in Tasmania for use on the mainland and raw material and equipment inputs (of Australian origin) into Tasmania's manufacturing, mining, agricultural, forestry and fishing industries.

The Scheme commenced in 1976, while the present arrangements have applied since September 1985. Assistance is provided to over 1,000 shippers a year ranging from small sole proprietor businesses to large companies, with annual assistance payments ranging from less than \$100 a year to over \$5 million a year.

To reflect the comparative decline in some freight rates over the past 10 years, the Government will be undertaking a review to realign assistance rates while still ensuring that Tasmania does not suffer disadvantage, relative to other States, from transport costs.

Savings under this measure are in addition to those announced in the 1996-97 Budget. The Commonwealth will still spend \$35.2 million on the Tasmanian Freight Equalisation Scheme in 1997-98.

## TREASURY

### Savings in Treasury portfolio running costs

**Function: Other Economic Affairs, nec, Financial and Fiscal Affairs, Legislative and Executive Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.7	-2.7	-2.7	-2.8

#### Explanation

Savings in running costs will be achieved in the Treasury portfolio by requiring agencies, other than the Australian Taxation Office, the Australian Bureau of Statistics (which are covered under other specific measures) and the Australian Securities Commission, to achieve running cost savings equivalent to an additional 2 per cent efficiency dividend. The agencies in which the savings will be achieved are:

- Treasury;
- Australian Competition and Consumer Commission;
- Insurance and Superannuation Commission;
- National Competition Council;
- Companies and Securities Advisory Committee; and
- Industry Commission/Economic Planning Advisory Commission.

## TREASURY

### Additional special revenue assistance to the ACT in the form of transitional allowances for education and health

**Function: General Purpose Inter-government Transactions**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
10.0	5.0	0.0	0.0

#### Explanation

At the 1997 Premiers' Conference it was agreed that the Commonwealth would provide the ACT with additional special revenue assistance. The additional funding relates to education and health and will be the final transitional assistance payment to place the ACT on an equal footing with the other States in all areas other than policing.

## TREASURY

### Partial deferral of State fiscal contributions from the ACT and Tasmania

#### Function: General Purpose Inter-government Transactions

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
13.5	-13.5	0.0	0.0

#### Explanation

At the 1996 Premiers' Conference, the States agreed to make fiscal contribution payments to the Commonwealth in the three years 1996-97 to 1998-99 for the Government's deficit reduction programme. At the 1997 Premiers' Conference it was agreed that, in recognition of the difficult economic circumstances facing Tasmania and the ACT, the payment of half of their scheduled fiscal contributions would be deferred until 1998-99.

## TREASURY

### Extension of real per capita guarantee on Financial Assistance Grants to the States and Territories

#### Function: General Purpose Inter-government Transactions

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	0.0	202.1	207.2

#### Explanation

It was agreed at the 1997 Premiers' Conference that Financial Assistance Grants (FAGs) to the States will be maintained in real per capita terms in 1997-98 and the real per capita guarantee for FAGs will be extended to 1999-2000. The per capita component of the guarantee is conditional on States complying with their obligations under the Agreement to Implement the National Competition Policy and Related Reforms.

## TREASURY

### Australian Bureau of Statistics - Savings in statistical collections

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5.1	-5.2	-5.3	-5.4

#### Explanation

Savings in running costs will be achieved by rationalising statistical activities in line with Australian Bureau of Statistics statistical priorities and from a reduction in administration costs.

## TREASURY

### Australian Bureau of Statistics - Increased cost recovery on the sale of products and services

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-2.0	-2.0	-2.1	-2.1

#### Explanation

The Australian Bureau of Statistics will raise extra revenue by improving the cost recovery of its sales of products and services. The money will be returned to the Budget by a reduction in running cost outlays.

## TREASURY

### Tax Law Improvement Project - Extension of administrative funding

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.1	1.9	0.0	0.0

#### Explanation

Additional funding has been allocated to the Australian Taxation Office (ATO) to enable the rewriting of the income tax law to be completed. The Tax Law Improvement Project commenced in 1994-95 with the aim of improving the structure and expression of the existing income tax law.

The anticipated long-term benefits of the Project include:

- simplified income tax legislation which is more easily understood and complied with by both the community and those professionally concerned with its administration; and
- reduced costs of complying with income tax laws for taxpayers, tax advisers and the ATO.

## **TREASURY**

### **Australian Taxation Office - Savings through efficiencies in corporate support**

**Function: Financial and Fiscal Affairs**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-10.0	-10.2	-10.3	-10.5

#### **Explanation**

The Australian Taxation Office will reduce expenditure on corporate support (including human resources, personnel and facilities management) through the implementation of best practice benchmarking and improvements in personnel systems support.

## **TREASURY**

### **Australian Taxation Office - Savings through rationalisation of income tax withholding arrangements**

**Function: Financial and Fiscal Affairs**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.0	-9.1	-11.4	-11.6

#### **Explanation**

The Australian Taxation Office (ATO) currently administers a number of tax withholding and reporting systems which impose obligations on business, including the Pay-As-You-Earn (PAYE), Prescribed Payments (PPS) and Reportable Payments (RPS) systems. Three of these systems are to be rationalised through the alignment of payment dates, earlier remittance of payment obligations by large business and a relaxation of timing for other business.

The anticipated long-term benefits of the proposal include:

- simplified withholding obligations and more transparent rules, which are more easily understood and complied with by business, and particularly small business;
- reduced cost of compliance for business due to reduced paperwork burden and fewer payment transactions; and

- improved administration of the withholding system by the ATO through the implementation of commercial business rules for liability accounting of taxation withholding arrangements and commercial best practice.

#### **Further information**

Further information has been included in the corresponding revenue measure titled: 'Withholding tax arrangements' in Part II of this Budget Paper.

#### **TREASURY**

#### **Australian Taxation Office - Savings through phasing out the Superannuation Holding Accounts Reserve**

**Function: Financial and Fiscal Affairs**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-10.0	-4.1	-5.2	-5.3

#### **Explanation**

In the 1996-97 Budget, the Government announced its commitment to allow banks, building societies, credit unions and life insurance companies to offer Retirement Savings Accounts (RSAs). These will be especially suited to those with only small amounts of superannuation as they are intended to be a simple, low cost and low risk product.

The introduction of RSAs from 1 July 1997 will obviate the ongoing need for the Government administered Superannuation Holding Accounts Reserve (SHAR), which was established on 1 July 1995 to alleviate problems associated with small superannuation accounts. The Reserve has not been able to pay out any monies in excess of contributions due to high administrative costs.

It is anticipated that the Australian Taxation Office will continue to administer the SHAR in the short-term to facilitate the transfer of funds from the Reserve to RSAs or directly to contributors where appropriate.

## TREASURY

### Australian Taxation Office - Savings through phasing out the community education campaign on superannuation

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-3.4	0.0	0.0	0.0

#### Explanation

In 1995-96 the previous Government commenced a broad based community education campaign on superannuation, to inform the public about initiatives such as the Superannuation Holding Accounts Reserve (SHAR). Changes in superannuation arrangements and, in particular, the phasing out of SHAR, remove the need for education on this initiative and funding allocated for this campaign is no longer required.

## TREASURY

### Australian Taxation Office - Savings through alternative methods of data capture and other processing efficiencies

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5.0	-5.1	-5.2	-5.3

#### Explanation

From the 1997-98 financial year, data from taxpayers' annual income tax returns will be captured through the use of temporary staff working on a contract basis, by outsourcing this function or through a combination of other more efficient methods. These options are expected to improve efficiency and allow the Australian Taxation Office greater flexibility in dealing with the seasonality associated with processing income tax returns.

## TREASURY

### Australian Taxation Office - Savings through administrative efficiencies and further rationalisation of activities

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.0	0.0	-9.3	-9.5

#### Explanation

The Australian Taxation Office will achieve further efficiencies in administrative practices from 1999-2000 which will result in savings in administration costs. Efficiencies are potentially available from initiatives such as adopting the principle of contestability in service provision and the extension of electronic service delivery.

## TREASURY

### Australian Taxation Office - Opting out of the Superannuation Guarantee system

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.4	2.1	1.3	1.3

#### Explanation

From 1 July 1998, employees receiving monthly salaries of \$450 to \$900 will, with the agreement of their employers, be able to 'opt out' of the Superannuation Guarantee system and receive wages and salary in lieu of employer contributions to the extent that Superannuation Guarantee contributions exceed relevant award obligations.

To assist employees to understand their options and to decide whether to opt out or not, the Australian Taxation Office (ATO) has been provided with additional funding to prepare and deliver an appropriate education package. The ATO will also be responsible for the ongoing administration of the opting out mechanism and monitoring employer compliance.

The commencement date of 1 July 1998 allows time for the ATO, superannuation funds and employers to prepare the necessary documentation and alter systems to allow the measure to be implemented effectively.

#### Further Information

Further information has been included in the corresponding revenue measure titled: 'Opting out of the Superannuation Guarantee System' in Part II and also in the Ministerial Statement, 'Savings: Choice and Incentive'.

## TREASURY

### Australian Taxation Office - Choice of Superannuation Fund

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.0	4.4	3.5	2.4

#### Explanation

From 1 July 1998, employees and employers will be able to negotiate the superannuation fund or Retirement Savings Account (RSA) to which compulsory employer superannuation contributions are made.

Additional funding has been allocated to the Australian Taxation Office (ATO) to administer the choice of fund arrangements. The ATO will conduct a public education campaign and provide enquiry services to assist employees and employers.

Benefits of the proposal include:

- providing employees with greater choice and control over their superannuation savings; and
- increasing competition between superannuation product providers.

#### Further Information

Further information has been included in the corresponding revenue measure titled: 'Choice of superannuation fund' in Part II and also in the Ministerial Statement, 'Savings: Choice and Incentive'.

## TREASURY

### Taxation rebate for savings

**Function: Financial and Fiscal Affairs**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.0	-1079.0	-2414.0	-3980.0

#### Explanation

In the 1996-97 Budget, the Government made provision in the outlays forward estimates for the delivery of the 'LAW' tax cuts in the form of government means tested superannuation contributions, matched to 3 per cent contributions from employees. Government contributions were to have commenced from 1998-99, in respect of contributions made by employees in 1997-98.

The Government has decided not to pursue the co-contribution proposal, on the grounds of its unworkability and lack of equity, in that benefits were not provided to those who had retired, or were ineligible to contribute to superannuation, or who saved in other

forms. Instead, it will use part of the funds set aside in the forward estimates to introduce a broadly based savings rebate through the tax system.

The Australian Taxation Office (ATO) has been allocated \$1 million in each of 1997-98, 1998-99 and 1999-2000 to administer the rebate.

#### **Further Information**

Further information has been included in the corresponding revenue measure titled: 'Taxation rebate for savings' in Part II and also in the Ministerial Statement, 'Savings: Choice and Incentive'.

#### **TREASURY**

#### **Australian Competition and Consumer Commission - New regulatory arrangements for telecommunications**

**Function: Other Economic Affairs, nec**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
3.4	2.1	1.9	1.9

#### **Explanation**

The Australian Competition and Consumer Commission (ACCC) will be funded to implement and administer new arrangements and structures to facilitate open competition in the telecommunications market from 1 July 1997 pursuant to the Government's regulatory approach embodied in the *Trade Practices Amendment (Telecommunications) Act 1997*. The costs incurred by the ACCC each financial year will be recovered from the telecommunications industry in the following financial year. This is reflected in a revenue measure titled: 'Australian Competition and Consumer Commission - new regulatory arrangements for telecommunications' (see Part II).

The *Telecommunications (Carrier Licence Charges) Act 1997* will impose charges in relation to carrier licences under the *Telecommunications Act 1996*. Annual carrier licence fees will be levied by the ACA and will comprise the costs of resourcing the telecommunications functions and powers of the ACCC and the ACA for the immediately preceding financial year.

The anticipated long-term benefits include:

- open competition in the telecommunications market; and
- more efficient and better quality services in telecommunications.

## TREASURY

### Australian Competition and Consumer Commission - Gas regulation role

**Function:** Other Economic Affairs, nec

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.8	1.5	1.5	1.5

#### Explanation

The Australian Competition and Consumer Commission (ACCC) will perform the function of gas regulator for transmission pipelines under the gas access code that is being developed as part of the Council of Australian Governments' agreed reforms to facilitate free and fair interstate trade in gas. It is proposed that the regulatory costs incurred by the ACCC each financial year will be recovered from the gas industry in the following financial year. See the corresponding revenue measure titled: 'Australian Competition and Consumer Commission - gas regulation role' (in Part II). The precise mechanism for cost recovery has yet to be finalised.

The ACCC will establish a new branch to perform this function, the costs of which will be identifiable for the purpose of cost recovery from the industry.

The anticipated long-term benefits of the new regulatory framework include:

- a national regulatory framework underpinning competition for gas transmission; and
- more efficient and better quality services to gas users.

## TREASURY

### Enhancement of National Competition Council responsibilities

**Function:** Other Economic Affairs, nec

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.8	0.8	0.8	0.8

#### Explanation

The additional funding for the National Competition Council (NCC) is designed to ensure that it can meet the requirements of current and anticipated workloads, particularly in relation to its formal work program and legislative roles under the national access regime in Part IIIA of the *Trade Practices Act 1974*. It will mean that the NCC will be able to:

- continue to provide high quality, cost effective advice and drive the implementation of National Competition Policy Reform (NCPR);

- continue to provide high quality and timely advice for a rapidly growing number of access applications, and enhance certainty and confidence in access arrangements;
- conduct NCPR reviews as requested by governments; and
- meet Commonwealth commitments in the NCPR agreements.

### **Further Information**

The NCC was established on 6 November 1995 as a national advisory and research body on competition policy matters; in particular, the reforms recommended by the Independent Committee of Inquiry on National Competition Policy (Hilmer review).

The NCC's current activities are focused on:

- its first assessment by July 1997 on the States' progress with the agreed reforms;
- two applications for the certification of State access regimes and four applications for declarations; and
- providing comments on prospective access applications.

Over the next two years, the emphasis ofn the NCC's work is likely to shift from its assessment role to addressing issues placed on its formal work program and assessing access applications. This shift will be more a consequence of growth in the emerging areas than a decline in the assessment role.

## VETERANS' AFFAIRS

### Allow maximum lump sum advances to all Department of Veterans' Affairs pensioners

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.2	0.0	0.0	0.0

#### Explanation

This measure will provide access for all Veterans Affairs' pensioners (including disability pensioners) in receipt of more than \$40 per fortnight, to a maximum lump sum advance of \$500, and will streamline procedures for determining the amount of advance payable.

For those pensioners receiving less than \$40 per fortnight, the maximum amount of advance that can be accessed will be determined by a simple formula, i.e. pension paid multiplied by 13, provided that this formula does not exceed the maximum lump sum amount accessible of \$500. This formula will ensure easy recovery of the advance over the mandatory 13 fortnight recovery period.

This measure is intended to provide pensioners with more flexibility and choice in how they meet their consumption needs. This proposal also simplifies the administrative procedures for calculation of the advance payable.

Expected implementation date is January 1998.

It is estimated that each year approximately 760 veterans receiving disability pension only will benefit by having access to the advance, while 960 service pensioners would benefit from the increased lump sum amount available.

## VETERANS' AFFAIRS

### Indexation of the lump sum equivalent for the Disability Pension

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.1	-0.3	-0.4	-0.6

#### Explanation

This measure corrects an administrative anomaly. Some veterans and war widows eligible to receive compensation under the *Veterans' Entitlements Act 1986* in the form of Disability Pension and War Widows Pension are also eligible to receive a lump sum of compensation for the same injury, disease or death from another source. At present, in order to avoid double compensation, a fortnightly equivalent of the compensation lump sum is calculated and deducted from the Disability Pension or War Widows Pension payable. This deduction is known as a limitation amount.

Because limitation amounts are not indexed and Disability and War Widows pensions are, there has been an increasing 'reality gap' between the limitation amount and the pension received. In effect, the real value put on the amount of the lump sum received has been undervalued due to the lack of indexation arrangements. As a consequence, the pensions paid have been higher than they should have been.

This proposal will remedy the situation by introducing the same adjustment factor to limitation amounts as currently applies to pension increases.

This measure will provide more equity in pension payments between the two groups of pensioners involved, namely, those subject to and those not subject to limitation amounts.

Expected implementation date is September 1997.

## VETERANS' AFFAIRS

### Addressing anomalies in entitlements for veterans deployed overseas

**Function: Health, Social Security and Welfare, Housing and Community Amenities, Recreation and Culture**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	-0.1	-0.2	-0.3	-0.4
Social Security	-0.3	-0.7	-1.1	-1.6
Veterans' Affairs	2.5	5.2	7.4	8.9
<b>TOTAL</b>	<b>2.2</b>	<b>4.3</b>	<b>6.0</b>	<b>6.9</b>

#### Explanation

In its election platform, *Veterans - for those who served*, the Government made a commitment to review significant anomalies in veterans' entitlements and particularly those which have been of longstanding concern to the veteran community. A joint review was undertaken by the Departments of Defence and Veterans' Affairs.

All recommendations extend eligibility for treatment and disability pension under the more generous 'reasonable hypothesis' standard of proof.

The following areas of overseas service will be accorded the status of operational service for the inclusive periods shown, but without attracting qualifying service eligibility for the service pension:

- service by members of the Permanent Forces with the British Commonwealth Occupation Force (BCOF) - Japan - 3 January 1949 to 30 June 1951;
- service in North East Thailand, including Ubon - 31 May 1962 to 31 August 1968;
- service in the demilitarised zone between North and South Korea - 19 April 1956 (ongoing);
- naval service in Vietnam on HMA ships *Vampire* and *Quickmatch* from 25 January 1962 to 29 January 1962;
- service in Singapore - 29 June 1950 to 31 August 1957; and

- seagoing Naval service with the Far East Strategic Reserve (FESR) - 2 July 1955 to 27 May 1963.

In addition, service in Vietnam from 12 January 1973 to 29 April 1975 inclusive will be declared warlike service, including qualifying service eligibility for the service pension.

United Nations (UN) activities will be declared as peacekeeping activities for military observers with the UN Commission on Korea from 1949 to 1950, the India-Pakistan Observation Mission from 1965 to 1966, the Interim Force in Lebanon from 1978, and UN border relief operations in Cambodia in 1989.

These changes will take effect from the date when amendments to the *Veterans' Entitlement Act* are announced. Eligible veterans can apply for entitlements as of 13 May 1997.

Veterans will also be eligible for benefits provided under Defence Service Homes legislation.

## VETERANS' AFFAIRS

### Extend the five year Refurbishment Programme for the Australian War Graves

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.4	0.5	0.2	0.0

#### Explanation

This measure will enable the refurbishment, reconstruction and relocation of Office of Australian War Graves (OAWG) assets.

The OAWG maintains over 74 war cemeteries and war grave plots in Australia, Papua New Guinea and the Solomon Islands on behalf of the Commonwealth War Graves Commission. In addition, over 200,000 official memorials are maintained in general cemeteries and Gardens of Remembrance across Australia.

The OAWG's five year Refurbishment, Reconstruction and Relocation Programme has successfully arrested much of the deterioration in assets originally identified as requiring substantial repair or replacement. The programme needs to be extended as many more assets and individual memorials require significant restorative action, or replacement, to maintain the standard of official commemoration expected by the Australian public and the Commonwealth War Graves Commission.

Improvements are required at most OAWG depots and war cemeteries in order to comply with recently introduced Occupational Health and Safety regulations.

These activities will ensure the integrity and durability of assets maintained on behalf of the Commonwealth War Graves Commission and will better enable the Government to fulfil its obligation to commemorate Australia's veterans.

The proposed works will also limit the increasing costs of ongoing maintenance into the future.

## VETERANS' AFFAIRS

### Security and structural works and management at Papua New Guinea War Cemeteries

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.4	0.7	0.6	0.2

#### Explanation

This measure will improve the safety, structural integrity and management of the three war cemeteries in Papua New Guinea.

Restorative work will be undertaken at the three war cemeteries in Papua New Guinea to ensure the durability and presentation of the memorials and structures. A drainage system will be installed at Bomana War Cemetery to protect the headstone beams from the extremes of soil movements caused by the seasonal waterlogging and drying out of the cemetery.

More positive and comprehensive security measures will be provided to better safeguard visitors from assault at the three cemeteries.

Visitors to the three war cemeteries will enjoy safer conditions, structural assets will be repaired to prevent further serious damage and staff and resources will be better managed.

## VETERANS' AFFAIRS

### Link treatment benefit eligibility to pension rate

**Function: Health**

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Health and Family Services	0.0	-0.1	-0.1	-0.1
Veterans' Affairs	0.0	0.2	0.2	0.2
TOTAL	0.0	0.1	0.1	0.1

#### Explanation

This measure will link the eligibility for treatment benefits under the income and assets tests to the same rate of pension, aligning the assets test treatment limit to the higher income test limit.

The eligibility process for treatment benefits will be standardised, by using the same rate of pension to determine eligibility for treatment benefits regardless of whether a service pensioner has qualified under the income or assets test.

The proposal simplifies eligibility criteria and provides equity in the application of the income and assets test by:

- providing the same pension rate for the income and assets test treatment benefits cut-out point; and
- removing the anomaly where a person can receive a pension increase but at the same time lose entitlement to treatment benefits.

The implementation date has been scheduled for 20 September 1998.

It is estimated that approximately 100 assets tested veterans will become eligible for treatment with the introduction of this proposal.

## **VETERANS' AFFAIRS**

### **Medication management and treatment awareness**

**Function: Health**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-0.8	-6.5	-6.5	-6.5

#### **Explanation**

This measure involves:

- identifying veterans who would benefit from improved treatment and management of their conditions;
- making available to the medical profession information about best practice management of the conditions most prevalent in veterans;
- identifying and providing interventions which can influence the course of these diseases;
- introducing easy to use, easily checked compliance packaging for veterans who are identified by their doctors as having problems with the regular medication pack, e.g. vision problems, confusion and memory problems; and
- making available information for veterans (in printed form and by telephone) to improve medication use.

Programmes, including personalised information, letters, reminders, education programmes and brochures, which improve treatment of veteran conditions will be offered to veterans and their doctors. These programmes of best practice guidelines will provide resources which build on the structure provided by the Repatriation Comprehensive Care Scheme and will be developed with the assistance of the professions.

Arrangements will be made with pharmacists for them to provide medication in compliance packs, for identified veterans, at an agreed small charge and at an agreed frequency. Veterans and their families will have increased confidence in the safe administration of medicines because they will be able to check if medications have been taken.

Savings will be generated by a reduction in the overall cost to the Department of Veterans' Affairs of wastage and stockpiling of medications, and from reduced hospital costs and doctor visits.

The expected implementation date is 1 July 1997.

## VETERANS' AFFAIRS

### Improvement in services in rural and remote areas

**Function: Social Security and Welfare, Health**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.1	-0.0	-0.1	-0.1

#### Explanation

This measure will provide the veteran community in rural and remote areas with access to services that are equivalent to those available in metropolitan areas and that promote self-help and independence. Savings in the outyears are expected to flow from a reduced requirement to use mainstream hospital and medical services.

This measure has five elements:

*Extend the Rural and Remote Pilot on Home Safety and Security Assessment to Other Regions* - This will involve projects on home safety and security, with risk factors in the home being identified in order to reduce the incidence of falls by veterans in their own homes.

*Improved Information to Veterans in Rural and Remote Areas by Linking with Other Agencies* - Links will be established with the Australian Country Information Service, other government agencies and community organisations to provide and deliver Department of Veterans' Affairs information and services.

*Regular Telephone Contact Pilots* - This proposal will provide regular telephone contact to veterans and war widow(er)s who are alone and are at risk of accident or sudden health deterioration.

*Veterans' Local Support Group Scheme* - Establishment of up to fifteen Veterans' Local Support Groups, mainly in rural and remote areas, will promote self-help and independence amongst veterans through social and recreational activities, pre-vocational skills training, educational and therapeutic programmes and referral.

*Remote Area Allowance for Occupational Therapists* - Improvements in the health and well-being of the veteran community in rural and remote areas will be achieved by paying occupational therapists a Remote Area Allowance to undertake home assessments.

The five elements will be progressively implemented from July 1997 to January 1998.

## VETERANS' AFFAIRS

### Introduce panel diagnosis for certain conditions

**Function: Social Security and Welfare**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-0.5	-2.9	-5.0	-7.1

#### Explanation

This proposal will allow:

- the Repatriation Medical Authority to approve diagnostic criteria, to be followed by all decision makers, that will require diagnoses to be made consistently; and
- for the establishment of panels of medical practitioners that will provide a system of peer review of diagnoses to enable the Repatriation Commission to be properly satisfied as to the cause of death, or the diagnosis or existence of a disease or injury in veterans.

Diagnoses of certain conditions will now be subject to adjudication by eminent specialists in independent panels.

In most cases the accuracy of a diagnosis is not in contention as there are objective radiological, pathological or other tests to demonstrate the existence of a disease. However, the use of panels will address the longstanding difficulty in establishing diagnoses where objective tests do not exist. Psychiatric conditions and back pain are two areas where diagnosis is difficult, and the more sophisticated approach proposed will minimise the risk of incorrect diagnosis, which in turn will avoid inappropriate treatment and compensation.

The expected implementation date is November 1997.

## VETERANS' AFFAIRS

### Supplementation in lieu of an entrance fee for the Australian War Memorial

**Function: Recreation and Culture**

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.7	0.7	0.7	0.7

#### Explanation

This measure will provide funding to the Australian War Memorial in lieu of the previously proposed entrance fee.

A 1994 KPMG Review of the Australian War Memorial budgetary arrangements identified an inadequate funding base to continue with its role and functions. The intention of the Memorial's budgetary strategy was to supplement its administrative base funding to an appropriate level by increasing revenue through, for example, a

proposed entrance fee, and decreasing administrative expenses. The Review argued that the projected revenue from fees would be critical in helping address perceived funding shortfalls at the Memorial.

Public concern about the proposed fee led to an election commitment by the Coalition that an entrance fee would not be introduced. This commitment received considerable support from the public and ex-service organisations.

This measure provides supplementation to the Memorial's base funding to make up for the revenue forgone by not introducing the entrance fee.

## CROSS PORTFOLIO

### Efficiencies in Whole of Government Information Technology Infrastructure

**Function: Agriculture, Forestry and Fishing, Education, Financial and Fiscal Affairs, Foreign Economic Aid, General Research, General Services, Government Superannuation Benefits, Health, Labour and Employment Affairs, Legislative and Executive Affairs, Other Economic Affairs, nec, Public Order and Safety, Recreation and Culture, Social Security and Welfare, Tourism and Area Promotion, Transport and Communication, Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction**

### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Administrative Services	0.0	-25.0	-1.8	-2.0
Attorney-General's	0.0	0.0	-1.4	-3.1
Communications and the Arts	0.0	0.0	-1.0	-2.2
Employment, Education, Training and Youth Affairs	0.0	-0.7	-11.6	-11.4
Environment Sport and Territories	0.0	0.0	-0.2	-1.9
Finance	0.0	-2.0	-2.3	-2.5
Foreign Affairs and Trade	0.0	-0.1	-1.4	-2.1
Health and Family Services	0.0	-1.9	-11.0	-10.5
Immigration and Multicultural Affairs	0.0	-0.3	-3.6	-3.6
Industrial Relations	0.0	0.0	-0.4	-0.8
Industry, Science and Tourism	0.0	0.0	-4.7	-11.0
Parliament	0.0	0.0	-0.6	-1.4
Primary Industries and Energy	0.0	0.0	-0.9	-1.2
Prime Minister and Cabinet	0.0	0.0	-1.3	-1.7
Social Security	0.0	-5.9	-25.4	-24.8
Transport and Regional Development	0.0	0.0	-0.4	-1.0
Treasury	0.0	-2.2	-21.5	-22.2
Veterans' Affairs	0.0	0.0	-0.0	-0.0
TOTAL	0.0	-38.1	-89.5	-103.5

### Explanation

An evaluation of possible consolidation and outsourcing of IT infrastructure undertaken by the Office of Government Information Technology (OGIT) and the Department of Finance found strong evidence of significant potential benefits from such consolidation and outsourcing within a whole of Government competitive tendering and outsourcing framework.

The Government is seeking long-term improvements in the structuring and sourcing of IT services across agencies aimed at facilitating greater integration in the delivery of programs and realising significant cost savings. Efficiencies will be obtained by consolidating the Commonwealth's IBM and compatible data centres and outsourcing IT infrastructure services across all Budget-funded agencies subject to the outcome of competitive tendering (CT) processes. Agencies with Running Costs below \$10 million in 1998-99, and agencies operating IT systems or services concerning national security, have been excluded from the scope of this measure. CT processes will be undertaken in accordance with whole of Government principles and arrangements on consolidation and competitive tendering. The corresponding measure for funding for the coordination process is titled 'Efficiencies in Whole of Government Information Technology Infrastructure - Additional Funding for Office of Government Information Technology' (see Finance Portfolio).

Whilst agencies are not required to consolidate or outsource IT infrastructure in the absence of a sound business case they are expected to:

- apply a CT process to these services and achieve levels of efficiency and performance equivalent to those indicated in the evaluation; and
- achieve savings.

Savings are based on estimates of the minimum savings agencies could be expected to achieve through consolidation and outsourcing their IT infrastructure and are net of employment transition costs. Savings are effective from the end of 1998 for mainframe agencies and the end of 1998-99 for other agencies.

A successful process of consolidation and outsourcing will lead to:

- improved service delivery by integrating services to common client groups through consolidation of IT infrastructure;
- rationalisation and standardisation across agencies;
- economies of scale from integration of data centre processing requirements;
- cost-effective technical and user support across mainframe, mid-range and desktop/network platforms;
- improved management of IT services; and
- market leverage from larger volumes.

## PART II: REVENUE MEASURES

**Table: Summary of Revenue Measures**

Page		Estimated Change in Revenue(a)			
		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
<b>Measures introduced in the 1997-98 Budget</b>					
<i>Income Tax</i>					
165	Withholding tax arrangements	-	330	-	-
166	Medicare levy low income thresholds — 1997-98	-3	-35	-18	-18
167	Provisional tax exemption for pensioners	-5	-	-	-
167	Tax deductibility for Constitutional Convention election expenses	-	..	-	-
168	Deductibility of donations to the National Nurses Memorial Trust	*	*	*	*
168	Small Business Deregulation Task Force — Pay as you go proposal	-	-	-	-
169	Conversion of the CRAFT tax expenditure to outlays	-	35	45	55
170	Trust losses	5	15	20	20
172	Taxation of trusts	-	-	-	-
172	Limited partnerships	-	-	-	-
173	Taxation of distributions disguised as loans from private companies	2	50	30	30
175	Measures to prevent dividend streaming	-	††	††	††
176	Measures to prevent trading in franking credits	-	††	††	††
178	National Crime Authority investigations(b)	-	40	40	-
179	Introduction of the Infrastructure Borrowings tax rebate(c)	-38	-75	-75	-75
181	Tax exempt entities which become taxable — Notional depreciation	-	-	-	-
182	Hire purchase arrangements — Balancing adjustment on disposal	5	30	20	25
183	Sydney Olympic Games — Taxation issues	..	..	..	..
183	Demutualisations of non-insurance organisations — Development of a generic tax framework	*	*	*	*
184	Taxation of foreign source income	-	150	150	150
185	Passive income of life and general insurance companies	-	10	10	10
<i>Superannuation and Savings</i>					
186	Taxation rebate for savings(d)	-	-350	-1370	-2040
187	Freezing the trustee tax rate for friendly societies	-6	-29	-4	2
188	Broadening the definition of 'complying' pensions and annuities in the Superannuation Industry (Supervision) Regulations	-	*	*	*
189	Choice of superannuation fund	-	-	-	-
191	Opting out of the Superannuation Guarantee system	-8	-10	-11	-12
192	Improvements to superannuation preservation arrangements	-	-	-35	-105
193	Increasing superannuation preservation age	-	-	-	-
193	Reforms to early release of superannuation benefits	-10	-10	-11	-11
<i>Capital Gains Tax</i>					
194	Capital gains tax cost base provisions	5	80	120	125
195	Interaction of controlled foreign company measures and capital gains tax provisions	†	†	†	†
<i>Wholesale Sales Tax</i>					
197	Wholesale sales tax — Change in temporary importation provisions	2	2	2	2
<i>Customs and Excise Duty</i>					
197	Revenue savings through fuel substitution minimisation	13	25	25	25

**Table: Summary of Revenue Measures continued**

Page		Estimated Change in Revenue(a)			
		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
	<i>Other Measures</i>				
198	Increase in High Court fees	2	2	2	2
199	Australian Competition and Consumer Commission — New regulatory arrangements for telecommunications	1	2	2	2
199	Cost recovery by AUSTEL to implement telecommunications reform initiatives and for set up costs and new functions of the Australian Communications Authority	-	4	1	1
200	Cost recovery for the Australian Communications Authority to enhance administration of cabler licensing	..	..	..	..
200	Licence charges payable by telecommunications carriers to meet costs of monitoring industry development	1	1	1	1
201	Special dividend from Australia Post	80	80	-	-
201	Australian Competition and Consumer Commission — Gas regulation role	-	2	2	2
202	Cost recovery of funding for Airport Environment Officers and Airport Building Controllers at Federal airports subject to sale	1	1	1	1
203	Reform of the provision of legal services provided by the Attorney-General's Legal Practice to enhance contestability and competitiveness	-	6	9	9
203	Phased increase in industry contribution for the regulation of therapeutic goods	3	10	10	10
204	Increase in passport fees	5	6	9	13
204	Extension of the Migration Agents Registration Scheme	1	-	-	-
204	Increased cost recovery for citizenship processing	1	3	3	3
205	Rationalisation of temporary business entry visa sub-classes	3	4	4	5
205	Cost recovery for health assessments, health undertakings and medical reviews	3	3	3	3
206	Increased cost recovery for business skills migration	1	1	1	1
206	Merging of the Migration Internal Review Office and the Immigration Review Tribunal	2	2	2	2
207	Australian Quarantine and Inspection Services — Implementation of reports into quarantine and imported fish and fish products (industry charges)	5	7	7	7
		71	391	-1006	-1758
	<b>Measures introduced up to the 1997-98 Budget(e)</b>				
	<i>Income Tax</i>				
207	Medicare levy surcharge — Increase in family income threshold for each additional child by \$1500	-3	-3	-3	-3
208	Medical Expenses Rebate — Reduction in threshold for eligible net medical expenses to \$1250	-1	2	4	6
	Low income aged persons(f)	-1	15	-	-
208	Provisional tax uplift factor	-	-	-	-
209	Deductibility of gifts	*	*	*	*
	Deductions allowable to a co-operative company for the repayment of Government loans(f)	-1	-4	-7	-10
	Research and Development tax concession — Syndication arrangements(f)	-15	-5	-5	-5
	— Registration procedures(f)	-5	-	-	-
	Exemption of income derived by bona fide prospectors(f)	-33	-20	-5	-
209	Preventing future access to the Infrastructure Borrowings tax concession	-	†	†	†
	Thin capitalisation — Change in commencement date(f)	-	..	..	..

**Table: Summary of Revenue Measures continued**

Page		Estimated Change in Revenue(a)			
		1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
210	Taxation of foreign dividends paid on finance shares <i>Superannuation</i>	†	†	†	†
211	Calculating life insurance companies' exempt and taxable income <i>Capital Gains Tax</i> CGT rollover relief for small business	†	†	†	†
	— Removal of like kind test and extension of time to 24 months(f)	-	-50	-55	-55
212	— Extension of rollover relief through shares	-	-90	-90	-90
212	CGT exemption on the sale of a small business for retirement — Extension to companies and trusts	-	-35	-35	-35
213	Capital losses — Denial of artificially created losses <i>Fringe Benefits Tax</i>	-	†	†	†
214	Fringe benefits tax — Small business				
	— Record keeping	-5	-25	-20	-20
	— Car parking	-25	-50	-35	-35
	— Taxi travel	*	*	*	*
	<i>Wholesale Sales Tax</i>				
	Telecommunications equipment(f)	-	-	-	-
	<i>Other Measures</i>				
	Changes to the Migration Programme(f)	-25	-25	-25	-25
	Increased cost recovery in the Adult Migrant English Programme(f)	-6	-7	-7	-7
	Fees in Commonwealth Courts and Tribunals(f)	-5	-8	-8	-8
	Revised licence fee arrangements for commercial broadcasters(f)	-	..	..	..
	Funding for radiofrequency electromagnetic energy public health issues(f)	1	1	1	1
215	Retain the current maximum charge for English language tuition under the Adult Migrant English Programme	-2	-2	-2	-2
		-125	-306	-292	-288
	<b>TOTAL IMPACT OF ALL REVENUE MEASURES(g)</b>	-54	85	-1298	-2046

.. Not zero, but rounded to zero.

\* The nature of the measure is such that a reliable estimate cannot be provided.

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

‡ The measure will result in unquantifiable revenue gains to the extent of existing tax minimisation.

(a) A minus sign before an estimate indicates a reduction in revenue; no sign before an estimate indicates a gain to revenue.

(b) This measure is listed under income tax as most of the additional revenue raised (\$30m in both 1998-99 and 1999-2000) is in the form of additional income tax collections; the remainder of the additional revenue raised (\$10m in both 1998-99 and 1999-2000) is in the form of increased recoveries of the proceeds of crime.

(c) Includes running costs for the programme.

(d) The measure will reduce outlays compared with forward estimates for matching Government superannuation contributions as described in the 1995-96 Budget. The net fiscal impact of implementing the savings rebate but not going ahead with matching Government superannuation contributions will be positive.

(e) Includes measures amended or rejected by the Senate up to the 1997-98 Budget.

(f) A description of the measure is provided in the *Mid-Year Economic and Fiscal Outlook 1996-97* and is not repeated in this document.

(g) Measures may not sum to totals due to rounding.

## MEASURES INTRODUCED IN THE 1997-98 BUDGET

### INCOME TAX

#### Withholding tax arrangements

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-	330	-	-

#### Explanation

This measure involves changes to the Pay-As-You-Earn (PAYE), Prescribed Payments System (PPS) and the Reportable Payments System (RPS) withholding arrangements that will improve the overall integrity of the tax system and provide compliance cost reductions for many small businesses. These modifications represent a significant first step towards simplifying the range of withholding tax systems imposed on business, with a view to ultimately establishing an efficient, modern interface between the Australian Taxation Office (ATO) and the business taxpaying community. The changes, which relate to the timing and means of payment of income tax amounts withheld by business from payments of salaries, wages and other prescribed income, will result in a net revenue bring forward of \$330 million in 1998-99.

For a large number of small businesses with an income tax withholding obligation, the timing of payment of withheld amounts will be relaxed. Arrangements whereby some employers are entitled to remit tax instalment deductions from employees once each quarter will be extended to a further 133,000 employers under the PAYE system and 178,000 businesses with obligations to deduct tax instalments under the PPS and the RPS. The option to remit quarterly, rather than monthly, will result in a reduction of paperwork and compliance costs for these small businesses. This will also result in a revenue deferral of \$500 million in 1998-99.

Payments by large withholders are to be made earlier than is currently the case and by electronic means. This will result in a bring forward of remittances such that payments are made within an average time of 7 days from the date deductions are made from salaries, wages and other prescribed income. The revenue bring forward in 1998-99 will be \$830 million. Under existing arrangements, most large businesses remit tax instalment deductions to the Commissioner of Taxation twice monthly, either electronically or through paper based systems.

Payment arrangements for other participants in the PAYE, PPS and RPS withholding arrangements will also be aligned. Those businesses which withhold income tax deductions under the PPS and RPS arrangements and which are required to remit deductions made during a month to the ATO by the 14th day of the following month will be required to remit those deductions instead by the 7th day of the following month. This is the same date that an employer who deducts tax instalments under the PAYE system is

required to remit to the Commissioner of Taxation. This measure will reduce compliance costs by aligning the payment obligations under the PAYE, PPS and RPS systems.

To effect these changes, the *Income Tax Assessment Act 1936* will be amended to:

- require large withholders to remit, by electronic means, tax deductions made under the PAYE, PPS and RPS arrangements from payments made on a Saturday, Sunday, Monday or Tuesday by the following Monday and to remit tax deductions made on a Wednesday, Thursday or Friday by the following Thursday;
- define a large withholder as an entity whose combined annual tax deductions under the PAYE, PPS and RPS arrangements exceed \$1 million in 1996-97 or any following year. These withholders will remit under the new arrangements for any tax deductions made after 30 June 1998; and
- allow small withholders, whose annual tax deductions under the PAYE, PPS and RPS arrangements do not exceed \$25,000 the option to remit tax deductions made after 30 June 1998 on a quarterly basis.

The company grouping provisions that exist under the law for PAYE remitters, and which serve to ensure that larger employers do not artificially rearrange their structures to fall below the thresholds, will be extended to cover the new arrangements.

The changes will not alter the scope of the payments covered by existing withholding tax arrangements or change the rates at which tax must be deducted from those payments.

### **Medicare levy low income thresholds — 1997-98**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-3	-35	-18	-18

#### **Explanation**

When the Medicare levy was introduced in 1984, an exemption was provided for low income individuals and families who were eligible for free medical treatment prior to Medicare. The exemption for a single person has a lower income threshold than the exemption for a couple or a single parent. For couples and single parents, the thresholds increase by a set amount per child.

Consistent with the original objective, the Medicare levy low income thresholds for 1997-98 will be increased to \$13,389 for individuals and \$22,594 for couples and sole parents. The additional threshold for each dependent child is \$2,100.

The increases in the individual, couple, and sole parent thresholds are in line with movements in the consumer price index.

## Provisional tax exemption for pensioners

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-5	-	-	-

### Explanation

The Government is announcing the provisional tax exemption thresholds to apply for pensioners in respect of the 1997-98 income year.

Each year new levels of provisional tax exemption thresholds are set for single-rate, partnered-rate and partnered-illness-separated-rate pensioners. Generally, the thresholds for a year of income are the cut-out thresholds for the pensioner rebate (ie the level of taxable income at which the rebate reduces to nil) for the previous year.

Pensioners will not be liable for 1997-98 provisional tax where:

- the 1996-97 taxable income of a single pensioner is less than \$21,377;
- the combined taxable income for 1996-97 is less than \$33,368 for a pensioner couple receiving the partnered-rate pension; and
- the combined taxable income for 1996-97 is less than \$41,116 for a pensioner couple receiving the separated-rate pension (where the pensioners live apart as a result of illness or infirmity).

Pensioners who qualify for a full or partial pensioner rebate in 1996-97 will therefore be exempt from 1997-98 provisional tax.

For the purpose of determining whether a pensioner is eligible for a provisional tax exemption, bonuses received from friendly societies or insurance companies are excluded from taxable income.

## Tax deductibility for Constitutional Convention election expenses

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-	0.4	-	-

### Explanation

The Government has decided to allow a limited tax deduction of up to \$1,000 for expenses incurred in 1997-98 as a result of contesting election for delegates to the Constitutional Convention. Introducing tax deductibility for Constitutional Convention election expenses will allow candidates to offset some of the costs incurred while campaigning.

The Government estimates that there will be approximately 800 candidates seeking election to the Convention. On the basis of this estimate, the taxation revenue forgone will be up to \$400,000 in 1998-99.

**Deductibility of donations to the National Nurses Memorial Trust**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
*	*	*	*

\* The nature of the measure is such that a reliable estimate cannot be provided.

**Explanation**

The Government has given in principle approval for donations of \$2 or more to the National Nurses Memorial Trust to be tax deductible for a period of two years. After the Trust has satisfied the usual public fund requirements, the Government will announce the starting date for the two year period of deductibility.

**Small Business Deregulation Task Force — Pay as you go proposal**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	-	-	-

**Explanation**

The Report of the Small Business Deregulation Task Force (SBDTF) recommended the introduction of an optional Pay As You Go (PAYG) system to allow small businesses and other provisional taxpayers the option of paying their tax in instalments from current business receipts from their 1998-99 income year. The SBDTF recommended that the instalments be calculated by applying a taxpayer’s average tax rate from a previous year to the taxpayer’s receipts for each quarter (ie a formula based approach).

The Government undertook to examine the SBDTF’s recommendation as part of the 1997-98 Budget deliberations, but noted that an additional payment system would add complexity to the tax system and that the timing of the revenue collections had to be considered. The Australian Taxation Office’s subsequent review of the proposal has confirmed that the SBDTF’s formula is quite complex when applied to partnership or trust income, dividends or foreign source income, and to situations in which a taxpayer receives income from salary and wages or other sources in addition to business income. The formula could significantly increase taxpayer compliance costs.

The Government will continue to examine options for further improving tax payment arrangements beyond the withholding tax arrangements announced in the Budget.

## Conversion of the Commonwealth Rebate for Apprentice Full-Time Training (CRAFT) tax expenditure to outlays

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
–	35	45	55

Note: These numbers represent notional gains to revenue arising directly from conversion of this tax expenditure to outlays. They include the gain to revenue from removing the tax exemption of payments and from the additional nominal amount of payments (designed to make recipients no worse off).

### Explanation

Commonwealth financial assistance to employers of apprentices was enhanced in 1977 via taxation exemption under section 23(jc) of the *Income Tax Assessment Act 1936* for payments under the Commonwealth Rebate for Apprentice Full-Time Training (CRAFT) scheme. Through CRAFT the Commonwealth contributes to meeting the cost of apprentices. Current payments made under CRAFT which attract the taxation exemption include, for the incentive regime introduced in December 1996, commencement, recommencement, progression and additionality payments and, for previous incentive regimes, commencement, recommencement and completion payments.

The Government has decided to remove the tax exemption of the existing CRAFT Apprentice Training Incentive. To support the Government initiative to increase higher level structured training, the approximate value of the tax expenditure will be returned as a completion payment to 'for profit' employers of Australian Qualifications Framework Level 3 (AQF3) new apprentices. The conversion of the CRAFT tax expenditure to outlays in the 1997-98 Budget and forward estimates removes an anomaly between the taxation treatment of apprenticeship and traineeship incentives and forms part of a refined incentives package which reinstates incentives for large employers. This measure is shown correspondingly as an increase in outlays.

After account is taken of the other elements of the entry level training (ELT) package, and abstracting from timing effects (which reflect the one year lag in tax receipts), the conversion is broadly budget neutral over the medium term.

Conversion to a purely outlays programme will simplify the current ELT arrangements and improve the overall transparency of benefits to the public while clarifying the costs to Government.

The changes will take effect from 1 January 1998, subject to the passage of the necessary tax legislation. While the conversion of the CRAFT tax expenditure to outlays will mean that incentive payments for all apprentices who commence or recommence after 1 January 1998 will be taxable, incentive payments for those apprentices who commenced prior to 1 January 1998 will retain their tax exempt status.

The proposed changes are in line with other reforms to the ELT system and form part of the total cost to the budget of the wider reforms. The changes also address a number of issues raised in the Government's *Review of the Impact of Restrictions on Entry Level Training Incentives* undertaken by the Allen Group and are consistent with the principles

relating to the conversion of tax expenditures outlined in the 1996 *National Commission of Audit Report*. Details on the outlays aspects of this conversion are presented in the measure titled 'Changes to entry level training employer incentives' described in Part I of this Budget Paper under the Employment, Education, Training and Youth Affairs portfolio.

## Trust losses

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
5	15	20	20

Note: The estimates represent the impact on revenue against the forward estimates which are based on the original estimates of the trust loss measures provided in the 1995-96 Budget.

### Explanation

On 10 February 1997, the Government released exposure draft legislation on trust loss measures. After receiving comments and submissions, the Government has decided to modify the draft legislation to restrict its application. The income injection test will not apply where entities and individuals within a family group inject income into a family trust with losses. This modification will have effect from 7.30 pm AEST, 9 May 1995 (the time of the 1995-96 Budget when the trust loss measures were first announced). For a family trust to access this concession, a family trust election must be made under the proposed legislation. The existing transitional rules in the exposure draft, which will allow family trust and interposed entity elections to be effective from times before they are actually made, will continue to have effect.

A modification will also be made to the definition of the 'family of an individual', with effect from 7.30 pm AEST, 13 May 1997, to ensure that the definition is appropriate in the light of the modifications made to the income injection test. The details of this modification are set out below.

The application of the definition of 'benefit' for the purposes of the test will be clarified, as set out below. This change will have effect from 7.30 pm AEST, 9 May 1995.

The income injection test will continue to apply, as set out in the exposure draft legislation, from 7.30 pm AEST, 9 May 1995, to a trust that is not a family trust, and also to a family trust where the relevant outsider, or associate of the outsider, is not a member of the family group. The trust loss measures that address the transfer of ownership or control of loss trusts will continue to apply to all trusts from 7.30 pm AEST, 9 May 1995.

The Government is currently examining other matters raised in representations on the exposure draft legislation and will announce its decisions on those later.

More detail on the modifications to be made to the exposure draft legislation released on 10 February 1997 is set out below.

### *Modified Definition of Outsider*

The definition of ‘outsider to the trust’ in subsection 270-10(4) of the draft legislation will be replaced by a definition along the following lines:

An outsider to the trust will be a person who is not:

- (a) if the trust is a family trust:
  - the individual specified in the trust’s family trust election and a member of his or her family; or
  - a company, partnership or trust (entity) that is a member of the family group of the individual specified in the trust’s family trust election, provided the entity is such a member before the scheme referred to in paragraph 270-10(1)(b) of the draft legislation commenced.
- (b) in the case of any trust: the trustee of the trust or a person with a fixed entitlement to a share of the income or capital of the trust.

However, if any person becomes a person covered by paragraph (b) as a result of the carrying out of the scheme referred to in paragraph 270-10(1)(b) of the draft legislation, that person will be an outsider to the trust.

### *Modified Definition of Family Member*

The people who are the family of an individual (the test individual) (currently in section 272-95 of the draft legislation) will be replaced by the following:

- (a) the test individual’s spouse;
- (b) a child, grandchild, parent, grandparent, brother, sister, nephew or niece of:
  - (i) the test individual; or
  - (ii) the test individual’s spouse;
- (c) the spouse of any individual covered by paragraph (b).

### *Modified Application of the Definition of Benefit*

Paragraph 270-10(1)(c) of the draft legislation will be modified to make it clear that the connection between the derivation of scheme assessable income, or the provision of any of the benefits, and the availability of the deduction must be more than merely incidental.

## Taxation of trusts

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-	-	-	-

### Explanation

Information gathered by the Australian Taxation Office (ATO) High Wealth Individuals Taskforce has identified the use of complex trust structures for tax avoidance or undue tax minimisation. The Government is concerned to ensure that the taxation provisions relating to trusts deal appropriately with the modern day usage of trusts and do not permit tax avoidance or undue tax minimisation. It will be necessary to review the taxation of trusts accordingly.

Before the review, the Treasury and the ATO will release a discussion paper, outlining relevant tax issues and broad policy options. Public submissions will be invited following the paper's release. The timing of the paper will enable the Government to consider this matter, in the light of submissions received, in the context of the 1998-99 Budget. The Government reserves the right to take earlier legislative action to prevent tax minimisation or avoidance by the use of trusts.

## Limited partnerships

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-	-	-	-

### Explanation

The Government has decided to review the current taxation treatment of limited partnerships to ensure that it remains appropriate and to address any unintended consequences arising from the 1992 decision to treat limited partnerships as public companies for tax purposes. An information paper on these issues will be released by the Australian Taxation Office and the Treasury later this year. The Government reserves the right to take earlier legislative action to prevent tax minimisation or avoidance through the use of limited partnerships.

## Taxation of distributions disguised as loans from private companies

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2	50	30	30

### Explanation

Currently, private companies are, in certain circumstances, able to make distributions of realised or unrealised profits that are effectively tax free by structuring them as loans to shareholders rather than as taxable distributions.

The Government has therefore decided to amend the *Income Tax Assessment Act 1936* (ITAA) to ensure that tax is payable on distributions from private companies which take the form of loans to shareholders which are not on commercial terms (as described below as 'excluded loans'). Commercial loans with appropriate interest payments and repayments will not be affected by the provisions. In addition, the changes will not affect loans that are fully repaid within the same income year in which the loan was first paid or credited (subject to certain anti-avoidance provisions).

This measure is likely to impact on tax minimisation practices used by some high wealth individuals.

Section 108 of the ITAA will be strengthened so that advances, loans, or the crediting of amounts by private companies to shareholders (and their associates) will be deemed to be an assessable dividend (to the extent that there are realised or unrealised profits in the company) unless they come within a defined class of excluded loans.

Loans deemed to be assessable dividends will be unfrankable but will result in a debit to the company's franking account as if they had been franked, in order to prevent dividend streaming opportunities.

The amended law will also apply to advances, loans, or credits made to unrelated third parties where there is an agreement that the third party will advance, loan, or credit a similar amount to a shareholder, or an associate of a shareholder, of the original lender.

The legislation will specifically cover the forgiveness, by private companies, of debts owed to them by shareholders and their associates. The forgiveness of a debt owed by a shareholder or an associate will be deemed to be a dividend paid to the debtor within the terms of section 108, provided the loan was not itself previously taxed under that section. The forgiveness provisions will apply to both legally enforceable debt forgiveness and any activity which in economic terms amounts to a forgiveness of debt. The amount forgiven will be assessable to the debtor in the year in which the debt is forgiven regardless of the year in which the loan was initially provided. The dividend arising on the forgiveness of a debt by a private company will not be a frankable dividend but will result in a debit to the company's franking account as if it had been franked.

In order to qualify as an *excluded loan* the loan must satisfy certain conditions, including:

- a requirement that the effective rate of interest per annum payable under the loan is equal to or greater than a benchmark interest rate (this will be the same benchmark rate as applies for fringe benefits tax purposes); and
- the actual term of the loan is not greater than a specified maximum term for the loan; and
- the amount actually repaid in respect of the loan in a year of income is equal to or greater than either the specified minimum yearly repayment, or (in the year of income in which the loan is discharged) the amount of the loan plus any outstanding interest payable in respect of the loan.

The legislative rules defining an excluded loan will be supported by detailed regulations.

An excluded loan will also include any loan which is fully repaid in the same income year in which the loan amount was first paid or credited. Anti-avoidance provisions will be included to ensure this operates appropriately.

A repayment will not be treated as a repayment for the purposes of these provisions if the repayment has been funded by a loan from an associate of the taxpayer making the repayment. The definition of 'associate' will have broadly the same meaning as in subsection 26AAB of the ITAA.

A failure by any party to the loan to comply with any of these terms will result in the full amount of the loan being deemed to be a dividend in the year in which the term or terms are not complied with.

With the exception of the debt forgiveness measure, the measures will apply to loans entered into after the date of introduction of the legislation. A loan is entered into when an amount is actually paid or credited to the shareholder. A new loan will be deemed to have been entered into if the terms of an existing loan are altered (other than through an adjustment to the interest rate that is allowed for by the loan agreement), the period of the loan is extended or the loan is rolled over into another loan. The debt forgiveness measure will apply to any debt forgiven on or after the date of introduction of the legislation.

## Measures to prevent dividend streaming

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
—	†‡	†‡	†‡

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

‡ The measure will result in unquantifiable revenue gains to the extent of existing tax minimisation.

### Explanation

The Government has decided to introduce measures to address the unintended usage of franking credits through dividend streaming arrangements. Dividend streaming arrangements involve a company disproportionately directing franked dividends to shareholders who can benefit most from imputation credits.

The underlying principles of the imputation system as introduced in 1987, and as reflected in its affordability, include: first, that tax paid at the company level is in broad terms imputed to shareholders proportionately to their shareholdings; and second, that the benefits of imputation would be available only to the true economic owners of shares, and only to the extent that those taxpayers were able to use the franking credits themselves.

Dividend streaming undermines the first principle by attributing tax paid on behalf of all shareholders to only some of them by allowing the streaming of franking credits to maximise their value to certain shareholders over others. To allow such practices to continue would bring into question the affordability of the imputation system as originally designed.

Amendments to address schemes which undermine the second underlying principle are outlined in 'Measures to prevent trading in franking credits'.

The *Income Tax Assessment Act 1936* (ITAA) already contains specific provisions designed to maintain the original objective of the imputation system by preventing dividend streaming. It is clear, however, that these provisions are not wholly effective. The Government intends to introduce amendments to the ITAA to strengthen the existing streaming provisions by:

- **providing an anti-avoidance rule targeting dividend streaming**, which would apply to arrangements whereby a company streams dividends so as to provide franking credits to shareholders who benefit most in preference to others;
  - this rule will apply to dividends and distributions paid on or after 7.30 pm AEST, 13 May 1997, including those relating to arrangements entered into before that time;
- ensuring that **section 45Z** operates to treat dividends distributed to beneficial owners of shares which are equivalent to interest on a loan in the same way that dividends to

direct owners are treated with respect to the operation of the debt dividend provisions (section 46D of the ITAA);

- this amendment will apply to capital subscribed to trusts and finance raised on or after 7.30 pm AEST, 13 May 1997, and to the renewal, extension or rollover after that time of existing interests in trusts after the expiry of their present term;
- **amending the definition of ‘class of share’** in the ITAA by providing that a class of shares includes all shares having substantially the same rights;
  - a similar amendment would also apply in relation to interests held in a corporate limited partnership so that they are deemed to be one share class;
  - these amendments will apply to all shares and partnership interests, whether issued before or after 7.30 pm AEST, 13 May 1997, and will apply in relation to franking years commencing after that time.

The general anti-avoidance rule referred to under ‘Measures to prevent trading in franking credits’ (and detailed in the separate Press Release) will also have application to dividend streaming arrangements.

- As for the anti-avoidance rule targeting dividend streaming, this general anti-avoidance rule will apply to dividends and distributions paid on or after 7.30 pm AEST, 13 May 1997, including those relating to arrangements entered into before that time.

In the case of dividend streaming arrangements attracting the operation of either of the anti-avoidance provisions, the Commissioner will have the discretion either to deny franking credits on the streamed dividends or distributions paid under such an arrangement, or post a franking debit to the company streaming the dividends.

Details of the amendments are set out in a separate Treasurer’s Press Release.

## Measures to prevent trading in franking credits

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
–	†‡	†‡	†‡

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

‡ The measure will result in unquantifiable revenue gains to the extent of existing tax minimisation.

### Explanation

The Government has decided to introduce measures to address trading in franking credits and misuse of the intercorporate dividend rebate provided under section 46 of the *Income Tax Assessment Act 1936* (ITAA).

The underlying principles of the imputation system as introduced in 1987, and as reflected in its affordability, include: first, that tax paid at the company level is in broad terms imputed to shareholders proportionately to their shareholdings; and second, that the benefits of imputation would be available only to the true economic owners of shares, and only to the extent that those taxpayers were able to use the franking credits themselves.

The amendments to address trading in franking credits and misuse of the intercorporate dividend rebate are designed to restore the second underlying principle of the imputation system and address schemes in which shareholders are able to fully access franking credits without bearing the economic risk of share ownership. In such arrangements, the taxpayer to whom the benefits are transferred generally claims a tax deduction for amounts paid to other taxpayers in relation to the transfer of benefits. This is in addition to the franking rebate received by the shareholder under the existing dividend imputation arrangements. Similar arrangements can be entered into to gain advantages from the intercorporate dividend rebate.

Arrangements that allow franking credits to be transferred, by separating legal ownership from the economic risks of share ownership, undermine this principle by allowing the full value of franking credits to be accessed without bearing the economic risk. To allow such arrangements to continue would bring into question the affordability of the imputation system as originally designed.

Amendments to address schemes which undermine the first underlying principle are outlined in 'Measures to prevent dividend streaming'.

The Government intends to introduce amendments to the ITAA to:

- **limit the source of franking credits available for trading** by denying franking credits to, and cancelling the existing franking surpluses of, companies that effectively are wholly owned by non-resident shareholders or tax exempt shareholders (including the Commonwealth and State and Territory governments);
  - arrangements will be put in place to ensure that non-resident shareholders in such companies receiving franked dividends will continue to be exempt from dividend withholding tax;
- **prevent short-term franking credit trading** by denying franking credits and the intercorporate dividend rebate on dividends paid to holders of shares where the taxpayer acquires shares or interests in shares and then disposes of them (or equivalent shares or interests) within 45 days (or 90 days in the case of preference shares) and during this period dividends are payable or the taxpayer enters into a risk-reduction arrangement within 45 (or 90) days of the time of acquisition of the shares or interests;
- **prevent longer-term transfer arrangements** where franking credits and the intercorporate dividend rebate are received by taxpayers who are not carrying the economic risks and benefits of share ownership by denying franking credits and the intercorporate dividend rebate on dividends where the taxpayer (or an associate) is

under an obligation to make related payments with respect to positions in substantially similar or related property; and

- **provide for a general anti-avoidance rule** against franking credit trading and streaming, to apply to arrangements where one of the purposes (other than an incidental purpose) is to obtain a tax advantage in relation to franking credits.

The intent of these measures is broadly consistent with elements of measures that operate in a number of other countries (eg New Zealand and the United States) relating to the tax treatment of dividend payments.

The general anti-avoidance rule will apply to deny franking credits on dividends and other distributions paid on or after 7.30 pm AEST, 13 May 1997, including those relating to arrangements entered into before the date of announcement.

The measure to prevent companies effectively wholly owned by tax exempt and non-resident shareholders from holding and accruing franking credits will apply from 7.30 pm AEST, 13 May 1997, subject to transitional provisions. Those provisions include transitional arrangements which may apply to Commonwealth-owned companies at the time of sale. The remaining rules will apply to dividends and other distributions paid on shares and interests acquired, and arrangements entered into, on or after that time.

Details of the measure are set out in a separate Treasurer's Press Release.

### **National Crime Authority investigations**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	40	40	-

#### **Explanation**

The National Crime Authority (NCA) has received funding to extend its investigations of complex money laundering and tax evasion schemes. (A description of the outlays funding for the NCA is outlined in the measure titled 'Additional funding to target serious and large scale fraud and related crime against the Commonwealth' in Part I of this Budget Paper.) This is expected to lead to increased income tax revenue of \$30 million in both 1998-99 and 1999-2000 from successfully combating serious cases of tax evasion. It is also anticipated that these investigations will result in increases in recoveries of the proceeds of crime estimated at \$10 million in both 1998-99 and 1999-2000.

## Introduction of the Infrastructure Borrowings tax rebate

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-37.5	-75	-75	-75

### Explanation

The Government has decided to introduce a tax rebate to continue Commonwealth support of private sector provision of public infrastructure. This rebate replaces the Infrastructure Borrowings (IBs) tax concession for which, as announced on 14 February 1997, certificates cannot be issued from that time (see the measure described under 'Preventing future access to the Infrastructure Borrowings tax concession').

The programme will be open for applications for assistance in respect of: private land transport infrastructure projects; project proponents which had applied for an IBs certificate by 12.00 pm (by legal time in the ACT), 14 February 1997; and extensions of projects that had been certified to use IBs.

This measure will permit resident infrastructure financiers to apply for a tax rebate on interest received from infrastructure providers in return for the infrastructure providers forgoing the tax deductibility on that interest. This will benefit infrastructure providers because financiers will be able to offer lower rates of interest or other benefits.

The rate of the rebate will be set at the lower of the financier's current year marginal tax rate or 36 per cent, the current company tax rate, and will be available in respect of the (grossed up) amount of interest on borrowings that is returned as income by the financier. The rebate will be available for up to five years from the time of first borrowing for a qualifying project. The rebate will not be tradeable and will be applied only against tax payable in respect of the income year in which the financier treats the interest as assessable income. Where a loan is fully refinanced or fully transferred, the rebate amount will be available to the new financier for the unused period of the rebate if the conditions of approval continue to be satisfied. However, if the loan interest is assigned to another entity, neither the assignee nor the assignor will be eligible for the rebate from the time of the assignment.

The cost to the budget of the rebate will be capped at \$75 million per annum (including running costs). Once this cap has been reached, further rebates will not be approved. There will be no avenue of appeal against Government decisions on a project's eligibility.

The Commissioner of Taxation will call for applications for the rebate on a twice-yearly basis. Applications will be assessed against the following criteria in two stages.

In stage 1, projects will be examined to determine whether they: fall into an eligible category for assistance; involve genuine private provision of new public infrastructure; and have been subject to benefit-cost analysis. The benefit-cost analysis (together with documentation establishing the commercial feasibility of the project) should accompany the application for assistance.

- The eligible categories of new public infrastructure are road and rail projects and their related facilities and, as a transitional measure, projects that had applications for IBs pending at the time of the 14 February 1997 announcement and extensions of projects that had previously been certified to use IBs.
- Only genuine private sector proponents which provide new public infrastructure will be able to access the tax rebate. Private sector proponents will only be able to access the rebate while they pass the tests contained in section 51AD and Division 16D of the *Income Tax Assessment Act 1936*.

In stage 2, only projects which have fully satisfied the requirements of stage 1 will be assessed. The basis for assessment will be:

- The viability of the project from a commercial feasibility viewpoint. Projects must be commercially viable. A lack of material to support claims of commercial feasibility will be interpreted as indicating no commercial feasibility.
- The extent to which the project would not proceed without the rebate. Commercially feasible projects which are unlikely to proceed without the rebate will be preferred to projects which are likely to proceed regardless of whether they are granted the rebate. A lack of material to support claims that the project would not proceed without the rebate will be interpreted as indicating that the project would proceed regardless.
- The extent to which the tax benefits arising from the tax rebate flow to the infrastructure project proponent. Higher levels of tax benefits flowing to the infrastructure project proponent will be preferred to projects where lower levels of tax benefits flow to the project proponent. A lack of material to support claims of tax benefits flowing to the project proponent will be interpreted as indicating low levels of flow to the project proponent.
- The estimated present value of the cost to the revenue of the tax rebate being granted to the project relative to the present value of total project expenditure. Projects with lower ratios of present value cost to the revenue to present value of the total expenditure will be preferred to projects with higher ratios. A lack of material to support claimed cost to the revenue ratios will be interpreted as supporting the highest cost to revenue ratio consistent with known features of the project.
- The nature and extent of:
  - any national economic and social benefits from the project that are unlikely to be captured by the project proponent; and
  - any wider economic and social costs that are unlikely to be borne by the project proponent

because of market failures, externalities or spillover effects. Projects with higher balances of such benefits over such costs relative to total project expenditure will be preferred to projects with lower balances relative to total project expenditure.

- The consistency of the proposed investment with any relevant Commonwealth or State policy or planning objectives. Projects meeting relevant Commonwealth or State policy or planning objectives will be preferred.
- The degree of open and public consultation with those affected by the project. Greater levels of consultation will be preferred.

Projects will be assessed against all criteria, and so a project need not be preferred on every criterion to be assessed favourably.

The programme will have effect from 1997-98, with approval for rebates first being granted in respect of applications received by 31 December 1997. The Commissioner of Taxation will shortly be calling for applications.

**Tax exempt entities which become taxable — Notional depreciation**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	-	-	-

**Explanation**

The Government has decided to amend the taxation law to ensure that tax exempt entities which became subject to taxation before 3 July 1995 obtain tax deductions for depreciation based on the notional written down values of their depreciable assets.

The Australian Taxation Office has consistently administered the law on the basis that exempt entities which become subject to taxation must claim deductions for depreciation as if the depreciable item were used to produce assessable income from the time of its acquisition.

The *Income Tax Assessment Act 1936* was amended in December 1996 to provide for a number of transitional issues of exempt entities which became taxable from 3 July 1995. One of those amendments clarified the long-held interpretation of the depreciation provisions.

The law will be amended to provide certainty with respect to those entities which became subject to taxation before 3 July 1995.

## Hire purchase arrangements — Balancing adjustment on disposal

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
5	30	20	25

### Explanation

The Government has decided to amend the taxation law to rectify an anomaly in the capital allowance provisions of the income tax law in relation to property acquired under hire purchase or limited-recourse finance.

Under the existing provisions, it is possible for a taxpayer to obtain deductions greater than total amounts expended in relation to the cost of the property that is financed under hire purchase or through limited-recourse borrowing. This can occur when outstanding debts on the property are not paid, and the creditor may only recover the specific asset.

To remove this anomaly, the income tax law will be amended to treat unpaid amounts of the cost of property under hire purchase or limited-recourse finance arrangements as part of the consideration on disposal of the property. This change in the law will apply to disposals of property after 7.30 pm AEST, 13 May 1997, except for disposals that were made under a contract entered into before that time.

### *Example*

#### *Existing Law*

Plant purchased for \$10,000 under a hire purchase agreement may be repossessed for non-payment after two years. If at that time the plant has been depreciated for tax purposes by \$7,000 but the taxpayer has paid only \$4,000 of the hire purchase cost, the taxpayer would have obtained a tax gain which exceeds costs by \$3,000. A further deduction would be available to the taxpayer equal to the difference between the depreciated value of \$3,000 and the taxpayer's disposal price — in this case nil because the plant was repossessed. For a total outlay of \$4,000, the taxpayer's deductions would be \$10,000.

#### *Amended Law*

The \$6,000 of the unpaid cost under the hire purchase arrangement — adjusted if necessary for any further amount the taxpayer was required to pay — would be treated as consideration on disposal, thereby creating a balancing charge of \$3,000 (\$6,000 less the depreciated value) to offset the \$7,000 depreciation already deducted. The taxpayer's net tax deductions then would be \$4,000 — equal to net outlays.

## Sydney Olympic Games — Taxation issues

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
..	..	..	..

.. Not zero, but rounded to zero.

### Explanation

The Government has decided to exempt the International Olympic Committee from tax on its Australian sourced income.

### Demutualisations of non-insurance organisations — Development of a generic tax framework

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
*	*	*	*

\* The nature of the measure is such that a reliable estimate cannot be provided.

### Explanation

The Government has decided to develop — with public consultation — a generic tax framework that can be applied to all future demutualisations of non-insurance organisations.

The application of the existing tax law to demutualisations of non-insurance organisations can be uncertain and can give rise to anomalies (including the possibility of taxpayers being subject to some element of double taxation). To address these problems the Government intends to develop a generic tax framework for determining the tax consequences of transactions associated with the demutualisation of non-insurance organisations.

Amongst other things, the generic tax framework will specify:

- what constitutes a demutualisation for the purposes of this measure;
- the tax consequences of members surrendering their membership interests in the mutual organisation;
- the basis for determining the cost base of shares issued to (former) members as a result of demutualisation; and
- the tax treatment afforded to (former) members who receive a cash payment to surrender their membership interests rather than proceeds from the sale of their demutualisation shares.

Given the complexity of these issues and the diverse range of mutual non-insurance organisations to which a generic framework might apply, the Government intends to consult widely on the development of this measure. To facilitate the consultation process, the Australian Taxation Office and the Treasury will shortly be releasing an issues paper inviting comment on the broad policy principles to apply to the generic framework.

## **Taxation of foreign source income**

### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	150	150	150

### **Explanation**

After considering submissions in response to the Treasurer's Information Paper (IP) released on 24 December 1996, the Government has now settled the details of the proposed changes to the system for taxing foreign source income.

A new short list of 7 truly comparable tax countries (ie a controlled foreign company (CFC) list) will be established for the purposes of the CFC and transferor trust measures. The list will comprise Canada, France, Germany, Japan, New Zealand, the United Kingdom and the United States. Profits derived by CFCs and transferor trusts resident in these countries will continue to be largely exempt from accruals taxation under the CFC and transferor trust measures (certain tax concessions in these countries will be designated in the Income Tax Regulations). The new list will generally take effect for statutory accounting periods of CFCs and years of income of transferor trusts commencing on or after 1 July 1997.

In response to concerns raised in submissions, the definition of tainted services income in the CFC measures will be amended to exclude amounts of services income derived from an associated CFC resident in the same country provided that amount is subject to the normal rate of company tax in that country and does not reduce the attributable income of the associated CFC. The definition of tainted rental income will be amended in similar terms.

As proposed in the IP, the existing list of countries in Schedule 10 of the Income Tax Regulations will be retained, updated and expanded for the purposes of the exemptions provided in sections 23AJ and 23AH and related sections of the *Income Tax Assessment Act 1936* (ITAA) dealing with the repatriation of foreign profits. This list (ie the repatriation list) will apply from 1 July 1997. Also effective from 1 July 1997, the Czech Republic and Vietnam will be added to the repatriation list. Amendments to the law will be made to ensure that Hong Kong continues to be treated as an unlisted jurisdiction following the establishment of the Hong Kong Special Administrative Region of the People's Republic of China on 1 July 1997. Other proposals in the IP in relation to the repatriation list will be adopted as proposed.

Bank branches operating in countries only on the repatriation list will be provided with an exclusion from tainted income broadly consistent with the exclusion for bank CFCs in

repatriation list countries. In view of the continued globalisation of financial markets, the treatment of Australian financial institutions will be kept under review.

The Government will also take the following measures to reduce the compliance costs of the CFC measures:

- the active income test for CFCs in CFC list countries will be relaxed to ensure that it operates in the same way as the test for unlisted country CFCs;
- an active income test concession will be provided for branches of Australian companies operating in repatriation list countries, such that, consistent with CFCs in repatriation list countries, they can derive up to 5 per cent of gross turnover as tainted income and still obtain full exemption under section 23AH;
- transactions involving CFCs resident in the same CFC list country will be excluded from the transfer pricing rules in the CFC measures;
- the requirement to apply thin capitalisation rules and debt creation rules in calculating the attributable income of a CFC will be removed;
- an election to vary a CFC's accounting period for accruals taxation purposes will be allowed to take effect immediately if made during the first period that a company becomes a CFC;
- a taxpayer will be allowed to make elections on behalf of a CFC if the company is wholly owned by the taxpayer either directly or indirectly through other entities; and
- an election by a CFC for capital gains tax rollover relief will be able to be made at a later time (ie when an Australian controller lodges a tax return that is affected by the election).

The Government has also decided to proceed with the proposals in relation to section 457 of the ITAA, tax sparing and the Foreign Investment Fund measures as outlined in the IP.

The Government plans to release draft legislation on the changes prior to 1 July 1997.

### **Passive income of life and general insurance companies**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	10	10	10

#### **Explanation**

The Government has decided to correct a deficiency in the current formulae used to determine the passive income of controlled foreign companies (CFCs) of Australian life and general insurance companies that is subject to accruals taxation (taxation in Australia

on a current basis with a foreign tax credit) to ensure that the original policy intent is achieved.

When the CFC regime was introduced, a concession was made in relation to the passive income derived by CFCs that carried on the business of life or general insurance. The concession was designed to exempt from accruals taxation passive income (eg interest, royalties, dividends) derived from assets employed to meet the calculated liabilities of policies issued by the CFC to non-resident non-associated policyholders. However, the formulae used to calculate the passive income allow income derived from assets which are in excess of the assets required to meet the liabilities of non-resident non-associated policy holders to be exempted from the CFC provisions. This deficiency has the effect of sheltering passive income earned from that excess capital from Australian tax.

The Government intends to amend the *Income Tax Assessment Act 1936* to ensure that the deficiency that exists in the current formulae, contained in section 446, is corrected.

This measure is designed to achieve the original policy intention of the law and to prevent further tax avoidance. The amendment to the legislation will apply to passive income derived by insurance CFCs after Budget night (after 7.30 pm AEST, 13 May 1997).

## **SUPERANNUATION AND SAVINGS**

### **Taxation rebate for savings**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	-350	-1370	-2040

#### **Explanation**

Part of the funds set aside in the outlays forward estimates for the delivery of the 'LAW' tax cuts as matching Government superannuation contributions (as described in the 1995-96 Budget) will be applied to introduce a broadly based savings rebate through the tax system. The rebate will provide assistance for individual taxpayers who save or invest, and encouragement for potential savers or investors. Income from a broad range of savings and investments will be eligible for the rebate. This will enable individuals to save or invest in the form most suited to their needs and will avoid introducing further distortions into the financial system.

A taxation rebate will be available for resident individual taxpayers with respect to their undeducted member superannuation contributions and net personal income from other savings and investments up to an annual cap of \$3,000. In 1998-99, a transitional rebate rate of 7.5 per cent will apply providing an initial rebate of up to \$225. From 1 July 1999, the rebate rate will increase to 15 per cent providing a maximum rebate of \$450 per annum. The savings rebate will not be means tested. It will provide equitable assistance to private savings, that recognises the importance of superannuation savings,

but also provides assistance for individuals who save for other life cycle needs. The savings rebate will also benefit individuals who have retired and are living on the returns from their savings.

With respect to superannuation contributions, the savings rebate would apply to the amount of superannuation contributions made by employees or the self-employed from post-tax income. For personal superannuation contributions made by low to middle income earners, the first \$1,000 of contributions would attract both the savings rebate and the existing 10 per cent rebate available to individuals earning up to \$31,000.

The savings rebate will also apply to net personal income from savings and investment (ie unearned income less allowable deductions relating to that income). This would include such items as interest receipts, dividend income (grossed-up by imputation credits), net rental income, net capital gains, privately funded pensions and annuities (including Commonwealth and State Government employee pensions), assessable life insurance and friendly society bond bonuses, partnership income, trust income and attributed foreign income. The savings rebate will also apply to net business income received by an individual, such as income derived from operating as a sole trader or a partnership.

The savings rebate will be calculated by the Australian Taxation Office from information in the individual's tax return. Taxpayers will need to provide information in their tax returns on their undeducted member superannuation contributions. Taxpayers will be able to vary their provisional tax in anticipation of the new rebate.

### **Freezing the trustee tax rate for friendly societies**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-6	-29	-4	2

#### **Explanation**

In the 1993-94 Budget, the former Government announced that the friendly society trustee tax rate would increase from 30 to 39 per cent over the following three years. In the 1995-96 Budget, the former Government froze the trustee tax rate at 33 per cent until 1996-97 as it was to undertake a review of the taxation treatment of the life insurance business of friendly societies and life insurance companies. That review was not completed prior to the election. The friendly society trustee tax rate is currently legislated to increase from 33 to 39 per cent from 1 July 1997.

The Government will proceed with the review of the taxation treatment of the life insurance business of friendly societies and life insurance companies. The review will also cover all other taxation aspects of friendly societies' business.

Undertaking the taxation review in the context of the Government's consideration of the broader policy issues flowing from the Financial System Inquiry will enable the

application of a consistent direction in the taxation and regulatory approaches for the financial market, and specifically for life insurance providers.

While the review is being undertaken, the trustee rate of tax for the life insurance business of friendly societies and other registered organisations will be retained at 33 per cent until 1998-99, and the rebate rate for taxable policyholders with such investments will be retained at 33 per cent until 1999-2000. This trustee tax rate will be increased to 39 per cent from 1999-2000, and the rebate rate increased to 39 per cent from 2000-01, unless other relevant amendments to the taxation treatment of friendly societies are made prior to that time.

The main objectives of the review will be to improve the efficiency of the taxation treatment of life insurance companies and friendly societies, improve the equity in the treatment of their investors and to ensure a more neutral taxation outcome for competing investment products. The review is also aimed at improving the certainty of the application of the taxation laws and to decrease compliance and administration costs.

The review will be undertaken by the Treasury and the Australian Taxation Office (ATO) and will involve ongoing consultation with the life insurance and friendly society industries. A joint Treasury/ATO Consultative Document is expected to be released in the near future for industry comment.

### **Broadening the definition of ‘complying’ pensions and annuities in the Superannuation Industry (Supervision) Regulations**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
–	*	*	*

\* The nature of the measure is such that a reliable estimate cannot be provided.

#### **Explanation**

Superannuants who take at least half of their total superannuation benefits in the form of a ‘complying’ pension or annuity can access the higher pension Reasonable Benefit Limit (RBL), currently \$869,440. ‘Complying’ pensions and annuities are defined in the Superannuation Industry (Supervision) Regulations (SIS Regulations).

The existing definition of ‘complying’ pensions and annuities will be amended. In addition to existing ‘complying’ products (ie non-commutable lifetime pensions and annuities) products purchased on or after 1 July 1998 which meet the following characteristics will also qualify as ‘complying’ pensions and annuities for pension RBL purposes:

- the term of the income stream contract must be fixed and must be for life expectancy (as set out in the Australian Life Tables prepared by the Australian Government Actuary) but can be a minimum of 15 years where life expectancy exceeds 15 years; and

- where the term of the income stream contract is for life expectancy (or a minimum of 15 years) the term must commence on or after Age or Service Pension age.

For these income streams, the other characteristics of ‘complying’ pensions and annuities for pension RBL purposes will remain largely as currently defined in the SIS Regulations.

Indexation of payments will be made optional for all ‘complying’ pension and annuity products.

These measures will provide for greater consistency between the social security provisions and the SIS Regulations governing ‘complying’ income streams for RBL purposes. It will offer superannuants a wider choice of ‘complying’ income stream products and promote greater competition in the provision of such products. In turn, this should place downward pressure on the cost to retirees of purchasing ‘complying’ income stream products.

The details of the legislation to give effect to these changes will be developed in close consultation with the superannuation industry and other interested parties.

This is consistent with the outlays measure titled ‘Reform of the income and assets Test treatment of income streams by the Department of Social Security and the Department of Veterans’ Affairs’ described in Part I of this Budget Paper under the Social Security portfolio.

### **Choice of superannuation fund**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	-	-	-

#### **Explanation**

Legislation will be introduced, with effect from 1 July 1998, to provide employees with greater choice as to which fund receives compulsory employer superannuation contributions made on their behalf.

Employers will be required to offer new employees a choice of five (or more) complying superannuation funds or Retirement Savings Accounts (RSAs) to which such contributions could be paid. The five (or more) choices offered must include at least one RSA and at least one public offer fund. The employer must also include, subject to their existence, a relevant industry fund (or funds), an RSA provided by the institution receiving the employee’s pay, and an in-house superannuation fund. Employers will be required to give employees 28 days in which to make their choice. Where the employee does not nominate a fund or RSA within the required time, contributions will be made to the fund or RSA nominated by the employer.

For existing employees, employers must provide a similar choice within two years of the date of effect of the legislation.

The employer will also need to provide a 'key features statement' prepared by each of the chosen superannuation funds or RSA providers. The employer must also supply any relevant application forms.

The employer will be bound by the employee's decision, and will be liable to pay the Superannuation Guarantee Charge for non-compliance. Employers will not, however, incur a penalty in cases where an employee does not nominate a fund within 28 days, or where the employee's choice is not able to be implemented. This will include circumstances where the fund nominated by the employee ceases to be a complying superannuation fund, or otherwise refuses or is unable to accept contributions.

Appropriate mechanisms will be developed to ensure that employers and employees can be certain that an election is correctly made, received by employers and acted upon. It will also be expected that employers will advise employees of all the consequences of their decision, such as the implications of an election to leave a defined benefit scheme.

Legislative amendments will also be made to override the specification of funds in Federal awards. However, for Constitutional reasons, the choice of fund legislation will not apply to employees working under State industrial awards. In this regard, the Commonwealth Government will ask the States to consider introducing complementary legislation to achieve choice of fund for individuals employed under State awards, where they have not already done so.

Furthermore, choice of fund provisions will not override provisions contained in workplace agreements as to do so would be inconsistent with the intention of the industrial relations legislative framework.

The choice of fund legislation will not apply to public sector arrangements to the extent that employer Superannuation Guarantee (SG) and award contributions are unfunded. This is because of the fiscal consequences associated with being required to fund the benefits of members transferring from partially or totally unfunded superannuation schemes.

The legislation will apply to defined benefit schemes. For these schemes, employers do not make contributions for any particular employee but contribute an amount recommended by the fund's actuary as being necessary to fund the liability to provide benefits under the scheme as a whole. It is possible that employees who exercise their choice to leave a defined benefit fund may receive reduced contributions. For example, employees may only receive the SG minimum employer contributions, rather than contributions at a rate consistent with the defined benefit scheme they have left. In such circumstances, employees will need to be informed by their employers of the full consequences of their choice.

To help implement employee choice of fund, this Budget provides extra funding to the Australian Taxation Office to ensure that an education package is prepared and delivered and so that administrative systems can be designed to allow choice of fund to work

efficiently. The extra funding will also support both initial and ongoing inquiries and complaints handling.

In order to contain the costs which would be imposed on employers if employees frequently nominated a different superannuation fund or RSA, employers will not be required to act on an employee's changed nomination of fund within twelve months of acting on a previous nomination. At any time, employers would also only be obliged to contribute to one fund or RSA for any individual employee. Employers will be able to contribute to more than one fund or RSA for an employee, or accept a new choice more than once per year, if they wish to do so.

### **Opting out of the Superannuation Guarantee system**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-2000	2000-01
-8	-10.3	-11.3	-12.4

Note: The estimates represent the impact on revenue against the forward estimates which are based on the original estimates of the opting out measure provided in the 1996-97 Budget.

#### **Explanation**

In the 1996-97 Budget, the Government stated its intention to allow employees earning \$450 to \$900 per month from an employer the opportunity to receive wages or salary in lieu of Superannuation Guarantee (SG) contributions. The Government has now decided the mechanism for opting out of the SG system.

The proposal will apply from 1 July 1998 to 'eligible employees' receiving monthly salaries of \$450 to \$900. (In response to the Small Business Deregulation Task Force, the Government recently announced that the proposed \$900 per month threshold will be replaced by a threshold of \$1,800 over a period of two months for persons under the age of 18.)

Employees, by agreement with their employer, can opt out of SG arrangements on commencement of employment or once annually thereafter. Employees will be able to opt back into superannuation arrangements at any time.

Opting out will not override the effect of industrial awards. Employees will only be able to opt out of SG arrangements to the extent that an employer's SG liability exceeds any relevant award obligations. For example, if the employer had an obligation under an award to pay the equivalent of 3 per cent of a person's salary in the form of an employer superannuation contribution and the SG contribution rate was 7 per cent, then the employee could only opt out to the extent of 4 per cent of salary.

An employer will not be able to force employees or groups of employees to opt out. Rather, any decision to opt out must be initiated by the employee.

To help employees decide whether to opt out or not, this Budget provides extra funding to the Australian Taxation Office (ATO) to ensure that an education package is prepared and available to employers and employees.

The introduction of opting out has been delayed until 1 July 1998 to allow time for the ATO, superannuation funds and employers to prepare the necessary documentation and alter systems.

### **Improvements to superannuation preservation arrangements**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	-	-35	-105

#### **Explanation**

The former Government amended the preservation rules such that all superannuation contributions, other than a person's own 'undeducted contributions' (that is, contributions for which tax deductions have not been received) would be preserved, without reducing a person's access to existing unpreserved benefits. However, the date of effect of these new rules has been twice deferred because the arrangements are complex and pose significant administrative problems for superannuation funds.

The Government has decided to improve and simplify the preservation rules by requiring that, from 1 July 1999, all contributions made by or on behalf of members be preserved on entry to a superannuation fund. All earnings of the fund from that date will also be preserved. These arrangements will also provide that the greater of a member's undeducted contributions and the member's resignation/retrenchment benefits as at 1 July 1999, as well as the amount at 1 July 1999 of other unpreserved benefits which individuals can currently access at any time, will not be preserved. This amount will not be indexed.

This approach to determining non-preserved benefits will overcome administrative problems associated with the previously legislated amendments to the preservation requirements, which were to have taken effect from 1 July 1998. The Government will consult with the superannuation industry in implementing these measures.

Improving the preservation arrangements will assist in meeting Australia's retirement income and national savings objectives. It will ensure that savings through superannuation are directed to their intended purpose, namely providing for retirement income. It is for this purpose that superannuation savings receive concessional tax treatment. Extending the preservation requirements to cover member superannuation contributions is also consistent with the provision of additional assistance to such contributions by way of the savings rebate.

Individuals will continue to be allowed to obtain early access to preserved benefits where the benefits are taken in the form of a non-commutable life pension or lifetime annuity on termination of gainful employment, subject to the terms of superannuation fund trust deeds.

The changes outlined above will also apply to superannuation savings held in Retirement Savings Accounts.

## Increasing superannuation preservation age

### Financial Implications (\$m)

1997-98	1998-99	1999-2000	2000-01
-	-	-	-

### Explanation

The Government has decided to proceed with a phased increase in the preservation age from 55 to 60 between the years 2015 and 2025. For someone born before 1 July 1960 the preservation age will remain at 55 years; for someone born after 30 June 1964 the preservation age will rise to 60.

This increase is consistent with the Government's pre-election commitment to maintain the timetable first announced by the former Government in 1992 (and reaffirmed in 1995) for increasing the preservation age.

Increasing the preservation age to 60 will reduce the gap between the preservation and Age Pension ages, and thus reduce opportunities for 'double dipping'.

Increasing the preservation age will also allow for the accumulation of a larger retirement benefit, and will therefore improve people's retirement incomes and reduce their dependency on the Age Pension.

Individuals will continue to be allowed to obtain early access to preserved benefits where the benefits are taken in the form of a non-commutable life pension or lifetime annuity on termination of gainful employment, subject to the terms of superannuation fund trust deeds.

## Reforms to early release of superannuation benefits

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
-9.6	-10.2	-10.8	-11.4

### Explanation

The Government will reform the current arrangements for early release of superannuation benefits, with effect from 1 July 1997. These changes will improve the administration of the system by the Insurance and Superannuation Commission and fund trustees. These measures will also address some abuses of the current arrangements.

The changes are as follows:

- Superannuation funds will be able to release benefits to a person who claims to have left Australia permanently only after that person has reached the preservation age. This is broadly consistent with overseas practice.

- The \$500 preservation threshold will be abolished. This threshold is now less relevant given the introduction of ‘member protection rules’ (which prevent benefits of less than \$1,000 from being reduced by administrative fees and charges). Small amounts can now generally be transferred or diverted to eligible rollover funds.
- The current ad hoc assessment of claims for release of benefits on grounds of severe financial hardship will be replaced with an objective test of hardship to be administered by fund trustees based on evidence that the member has received specified social security payments for a continuous period of twelve months (or a cumulative period of nine months for people aged 55 or over). This measure will result in less ‘red tape’ for applicants and be more equitable because the release of benefits will be targeted at those who meet objective tests of financial need under broad social policy parameters.
- Defined criteria to clarify the circumstances covered by the condition for release of benefits on compassionate grounds will be introduced. This will provide a more objective test for the release of benefits on compassionate grounds.

Release of benefits to members who meet these tests will still be subject to the governing rules of their fund. The current arrangements for allowing early release of benefits on the grounds of permanent incapacity remain unchanged.

The changes outlined above will also apply to superannuation savings held in Retirement Savings Accounts.

The Government will consult with the superannuation industry and other interested parties in implementing these new measures.

## CAPITAL GAINS TAX

### Capital gains tax cost base provisions

#### Financial Implications (\$m)

1997-98	1998-99	1999-2000	2000-01
5	80	120	125

#### Explanation

The Government has decided to amend the *Income Tax Assessment Act 1936* (ITAA) to ensure that, where the established cost base reduction rules do not apply:

- expenditure must be included in the cost base of an asset only to the extent that net revenue deductions are not allowable as a result of the expenditure; and
- the indexed cost base of an asset must be calculated by reducing the indexed expenditure on the asset by any net revenue deductions allowable as a result of the expenditure.

This will apply to the disposal of assets acquired after 7.30 pm AEST, 13 May 1997. It will have no implications for assets acquired prior to 7.30 pm AEST, 13 May 1997. Expenditure undertaken on assets acquired after 7.30 pm AEST, 13 May 1997 will continue to be fully deductible but will no longer be able to benefit from the cost base adjustment.

In principle an item of expenditure should either be deductible for income tax purposes, or included in the capital gains tax (CGT) cost base of an underlying asset, but not both. The CGT provisions reduce costs and expenditures that form part of the cost base to the extent that they are allowable as deductions. Section 82 of the ITAA also specifically attempts to prevent double deductions.

However, anomalies in the current tax treatment have given rise to double deductions in respect of certain capital expenditure items. A taxpayer can effectively claim the cost of the capital expenditure twice — first from income tax under capital allowance provisions, and second from inclusion of expenditure in the cost base of the underlying asset resulting in a reduction in CGT gains, or an increase in CGT losses, when the asset is sold.

Examples where this problem can arise include in respect of expenditure on: extending telephone lines; connecting mains electricity; traveller accommodation; and buildings and structural improvements covered by Division 10D of the ITAA.

To limit the increase in compliance costs arising from this measure, a single calculation will need to be undertaken at the time of disposal of an affected underlying asset. This concession will allow taxpayers to calculate the adjusted indexed cost base of an asset by reducing the indexed expenditure on the asset by the total of any net revenue deductions allowable.

### **Interaction of controlled foreign company measures and capital gains tax provisions**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
†	†	†	†

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

#### **Explanation**

The Government intends to correct several anomalies that have been identified concerning the interaction of the controlled foreign company (CFC) measures and the capital gains tax (CGT) provisions. Three of the anomalies could, in combination, prevent the intended taxation in Australia of capital gains on the deemed disposal of tainted assets (assets held to derive tainted income such as interest and dividends) of a CFC. (A deemed disposal can occur, for example, when a CFC, which holds an asset which has been subject to rollover relief, ceases to be a member of a group.) A further anomaly which will be corrected is that shareholders of a CFC that holds a tainted asset

and has taken advantage of the rollover provisions, may reduce their Australian tax liability by diluting their interest in the CFC between the time the rollover relief is obtained and when an asset disposal takes place.

Capital gains derived or deemed to be derived by a CFC on tainted assets are intended to be taxed in Australia (with a credit for foreign taxes paid) unless the CFC satisfies an active income test or the gains have been comparably taxed in another jurisdiction. Unless these anomalies are corrected, the interaction of the CFC measures and the CGT provisions will not operate as intended and companies could avoid the imposition of Australian tax by holding mobile assets through a CFC (rather than in Australia).

The Government proposes to amend the *Income Tax Assessment Act 1936* (ITAA) and the Income Tax Regulations to ensure that:

- tainted income consisting of capital gains on assets deemed to be disposed of by a CFC on its ceasing to be a member of a group, or ceasing to be a CFC, is included in the attributable income of the Australian resident controllers (as the ITAA is currently worded there is uncertainty as to whether this is the case);
- all capital gains accruing, for the purposes of Part IIIA of the ITAA, on the deemed disposal of an asset are taken into account in applying the active income test to a CFC;
- all capital gains accruing for the purposes of Part IIIA of the ITAA are included in the kinds of capital gains that are taken into account in determining whether the gains are designated concession income; and
- taxation of capital gains on the disposal of tainted assets is not avoided or minimised by arrangements designed to dilute the Australian taxpayer's attribution interest in the CFC that holds tainted assets that have received rollover relief.

Because this is an anti-avoidance measure, the amendments to the ITAA and the Income Tax Regulations will apply to disposals (including deemed disposals) of tainted assets occurring after Budget night (after 7.30 pm AEST, 13 May 1997).

## WHOLESALE SALES TAX

### Wholesale sales tax — Change in temporary importation provisions

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2	2	2	2

#### Explanation

An anomaly in the wholesale sales tax system is being removed so that goods cannot be permanently imported sales tax free if they had previously been temporarily imported sales tax free.

Wholesale sales tax applies to assessable sales of goods manufactured in Australia, or imported into Australia. A good that has previously been used in Australia is not subject to sales tax.

The sales tax law allows an exemption from sales tax for goods that are imported for short periods. The special temporary importation provisions are intended to cover goods temporarily imported; for example, by a visiting tourist or for an exhibition, promotion or other special event. Under these provisions, goods can be imported for periods of less than twelve months free of sales tax provided a security or undertaking is given.

There is evidence that these provisions have been used in an unintended manner. Goods have been imported for a short period under the special temporary importation provisions. After being returned overseas, they have then been reimported on a permanent basis free of sales tax because they have previously been used in Australia.

Requisite amendments to the sales tax law to close this loophole will soon be introduced into Parliament; the legislative change will take effect from 7.30 pm AEST, 13 May 1997.

## CUSTOMS AND EXCISE DUTY

### Revenue savings through fuel substitution minimisation

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
12.5	25	25	25

#### Explanation

The Government will take measures to prevent illegal blending and direct substitution of petroleum products. This measure will ensure that it will be difficult for those who currently avoid paying the correct rate of excise to continue to do so. The Australian

Customs Service (ACS) advise that currently people are illegally blending and substituting concessionally taxed fuel or tax free products (such as solvents) for fuel taxed at a higher rate.

A chemical tracer (a marker dye or colourless marker) will be added to concessionally taxed fuel and tax free products just prior to their leaving Customs' control and entering the petroleum distribution system. The chemical tracer will enable the ACS to verify that concessionally taxed fuel is indeed being used only for purposes for which the concession is intended. This will assist the ACS to better collect excise properly due under the existing legislation. To give full effect to the intent of Government policy, the Government will legislate to prohibit certain direct fuel substitution activities.

The details of implementation are to be the subject of post-budget consultations between the ACS and the major oil companies, the petroleum products distribution industry, State government revenue and consumer affairs bodies, and other interested parties. The measures will take effect from 1 January 1998.

See also the outlays measure titled 'Increased running costs associated with measures to reduce fuel substitution' described in Part I of this Budget Paper under the Industry, Science and Tourism portfolio.

## **OTHER MEASURES**

### **Increase in High Court fees**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.8	1.8	1.9	1.9

#### **Explanation**

From 1 July 1997, fees for High Court hearings and other matters will be increased to bring the level of cost recovery in that court to around 30 per cent. This level is around the level of cost recovery in superior courts in the States and Territories and is consistent with the cost recovery levels announced for other federal courts in the 1996-97 Budget.

## Australian Competition and Consumer Commission — New regulatory arrangements for telecommunications

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
1.1	2.3	2.1	1.8

### Explanation

The Australian Competition and Consumer Commission (ACCC) will be funded to implement and administer new arrangements and structures to facilitate open competition in the telecommunications market from 1 July 1997 pursuant to the Government's regulatory approach embodied in the *Trade Practices Amendment (Telecommunications) Act 1997*. The costs incurred by the ACCC each financial year will be recovered from the telecommunications industry in the following financial year via annual carrier licence fees. These carrier licence fees are described in the next revenue measure. See also the outlays measure of this title in Part I of this Budget Paper under the Treasury portfolio.

The *Telecommunications (Carrier Licence Charges) Act 1997* will impose charges in relation to carrier licences under the *Telecommunications Act 1997*. Annual carrier licence fees will be levied by the Australian Communications Authority (ACA) and will comprise the costs of resourcing the telecommunications functions and powers of the ACCC and the ACA for the immediately preceding financial year.

The anticipated long-term benefits of the new regulatory regime include:

- open competition in the telecommunications market; and
- more efficient and better quality services in telecommunications.

### Cost recovery by AUSTEL to implement telecommunications reform initiatives and for set up costs and new functions of the Australian Communications Authority

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
–	4.2	0.9	0.6

### Explanation

Telecommunication carrier licence fees are adjusted each year to recover the costs incurred by the Australian Communications Authority (ACA) in performing its regulatory functions for the previous year.

These measures will result in carrier licence fees being increased in 1998-99 to recover the costs:

- incurred by AUSTEL in 1996-97 and funded in 1997-98 for Government telecommunication initiatives, including implementation of the Customer Service

Guarantee, Telecommunications National Code, and the establishment of a revised National Numbering Plan and charging regime, which were undertaken by AUSTEL prior to the formation of the ACA; and

- associated with merging the functions of the Spectrum Management Agency and AUSTEL into a single regulatory body, the ACA, and for funding provided for new legislative based telecommunication functions.

The corresponding outlays measures are titled 'Funding for costs incurred by AUSTEL in 1996-97 to implement telecommunications reform initiatives' and 'Funding for set up costs and new functions of the Australian Communications Authority' described in Part I of this Budget Paper under the Communications and the Arts portfolio.

**Cost recovery for the Australian Communications Authority to enhance administration of cabler licensing**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.1	0.1	0.1	0.4

**Explanation**

The costs incurred by the Australian Communications Authority in administering cabler licensing are recovered through telecommunication cabler licence fees.

Revenue from this measure will be recovered through telecommunications cabler licence fees over the five year period to 2001-02 to offset the costs associated with additional administration of cabler licences, particularly in relation to enhanced inspection and information activities. There will be a lag in the recovery of revenue to offset the outlays provided for this measure due to the timing in renewal of cabler licences.

The corresponding outlays measure is titled 'Funding for the Australian Communications Authority to enhance administration of cabler licensing' in Part I of this Budget Paper under the Communications and the Arts portfolio.

**Licence charges payable by telecommunications carriers to meet costs of monitoring industry development**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.6	0.6	0.7	0.8

**Explanation**

The *Telecommunications (Carrier Licence Charges) Act 1997* will be amended to allow the cost of monitoring industry development plans to be recovered from the telecommunications carriers through an increase in annual licensing charges.

Under the Government's post-1997 telecommunications regime, set out in the *Telecommunications Act 1997*, the Department of Industry, Science and Tourism is to monitor the performance of each licensed carrier against their annual industry development plans. Further information on this measure can be found in the outlays measure titled 'Monitoring telecommunications industry development' described in Part I of this Budget Paper under the Industry, Science and Tourism portfolio.

### Special dividend from Australia Post

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
80	80	–	–

#### Explanation

To avoid adding appreciably to Australia Post's significant balances of retained profits built up over a number of years, Australia Post will make special dividend payments in 1997-98 and 1998-99. Over these two years, some of Australia Post's forecast capital expenditure may need to be funded through increased borrowing rather than from retained earnings. The strength of Australia Post's current financial position will allow it to absorb this increased borrowing and still maintain a strong balance sheet. The dividends will also strengthen incentives for Australia Post to continue to improve its efficiency and optimise internal allocation of capital.

### Australian Competition and Consumer Commission — Gas regulation role

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
–	1.8	1.5	1.5

#### Explanation

The Australian Competition and Consumer Commission (ACCC) will perform the function of gas regulator for transmission pipelines under the gas access code that is being developed as part of the Council of Australian Governments' agreed reforms to facilitate free and fair interstate trade in gas. It is proposed that the regulatory costs incurred by the ACCC each financial year will be recovered from the gas industry in the following financial year. The precise mechanism for cost recovery has yet to be finalised.

The ACCC will establish a new Branch to perform this function, the costs of which will be identifiable for the purpose of cost recovery from the industry.

The anticipated long-term benefits of the new regulatory framework include:

- a national regulatory framework underpinning competition for gas transmission; and
- more efficient and better quality services to gas users.

See also the outlays measure of this title described in Part I of this Budget Paper under the Treasury portfolio.

**Cost recovery of funding for Airport Environment Officers and Airport Building Controllers at Federal airports subject to sale**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.4	1.4	1.4	1.4

**Explanation**

This measure will allow the Department of Transport and Regional Development to fully recover the costs of contractors performing the statutory functions of an Airport Environment Officer and an Airport Building Controller at airports subject to long-term lease as part of Phase 1 of the sale of Federal airports. There is also a corresponding outlays measure titled 'Funding of Airport Environment Officers and Airport Building Controllers at Federal airports subject to sale' described in Part I of this Budget Paper under the Transport and Regional Development portfolio.

User charges will apply as follows:

- Costs of the Airport Environment Officers will be recovered from:
  - payments by airport lessees to the Department of Transport and Regional Development; and
  - charges for a limited number of services provided by the Airport Environmental Officers, once legislation to allow such charges is in place, with proceeds being passed on to the Department of Transport and Regional Development.
- Costs of the Airport Building Controllers will be recovered through:
  - fees for services provided by the Airport Building Controllers which will be passed on by the controllers to the Department of Transport and Regional Development; and
  - the airport lessee reimbursing the Department of Transport and Regional Development for any cost of the Airport Building Controllers that are not recovered through direct charges on users.

The arrangements will apply to the Phase 1 airports (Melbourne, Brisbane and Perth) when they are sold.

Amendments will be sought to the *Airports Act 1996* to allow Airport Environment Officers to directly charge for certain services.

**Reform of the provision of legal services provided by the Attorney-General's Legal Practice to enhance contestability and competitiveness**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	6.0	8.7	8.8

**Explanation**

Returns to the Commonwealth are expected from the restructure of the commercial elements of the business unit into a more commercially focussed organisation (to be known as the Australian Government Solicitor). This will include receipts of taxation and dividend payments to Consolidated Revenue Fund. See also the corresponding outlays measure titled 'Reform of the provision of legal services provided by the Legal Practice to enhance contestability and competitiveness' described in Part I of this Budget Paper under the Attorney-General's portfolio.

**Phased increase in industry contribution for the regulation of therapeutic goods**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
3.1	9.9	9.7	9.8

**Explanation**

The Therapeutic Goods Administration (TGA) has been progressively increasing the level of cost recovery from industry since 1992-93. At the same time, it has been improving its efficiency and reducing turnaround times for approvals. Currently, TGA operational costs are 58 per cent recovered and scheduled to increase to 75 per cent in 1998-99.

This measure will accelerate the rate of increase in the level of cost recovery from industry contributions and eventually increase these to fully recover all costs from industry. The changes will be phased in progressively, with 75 per cent cost recovery in 1997-98 moving to 100 per cent from 1998-99.

This change will be accompanied by a set of reforms within TGA, which are aimed at achieving increased flexibility, greater efficiencies, enhanced international competitiveness of Australian industry and further improving the high standard of medicinal products manufactured in Australia. The reforms are also aimed at freeing business from inappropriate regulatory requirements. Some of the changes include increased use of medicinal evaluation reports and decisions from comparable overseas regulatory agencies, a review of export arrangements to remove unnecessary regulatory obstacles for Australian manufacturers and exporters, and maximising opportunities for mutual recognition or harmonisation of Australia's regulatory requirements with those of countries with comparable standards.

Consumers are also expected to benefit by having more timely access to new products and to the information necessary to ensure appropriate use.

In its undertaking of further efficiency gains, TGA proposes to adopt the European Union Classification System with self-regulation of low risk medical devices which will reduce approval times, and pursue a Mutual Recognition Agreement with the European Union.

**Increase in passport fees**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
5.1	5.5	9.1	12.5

**Explanation**

From 1 July 1997, passport fees will increase for individuals applying for, or renewing, passports. The standard adult passport fee will increase from \$120 to \$126 per passport.

**Extension of the Migration Agents Registration Scheme**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
0.6	–	–	–

**Explanation**

The Migration Agents Registration Scheme was due to cease in September 1997 but is to be extended to March 1998 to assist in the migration agent industry becoming self-regulating. As the Scheme is currently funded from fees levied on the registration of migration agents, this has meant the continuation of the fees for that period. Further details of the move to self-regulation are set out in the outlays measure of this title described in Part I of this Budget Paper under the Immigration and Multicultural Affairs portfolio.

**Increased cost recovery for citizenship processing**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
1.3	2.8	2.8	2.9

**Explanation**

The fee on applications for citizenship will be increased from \$80 to \$120 from 1 January 1998 to fully recover the costs associated with the processing and granting of

citizenship. This reflects the Government's commitment to increase cost recovery in the migration process.

### **Rationalisation of temporary business entry visa sub-classes**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
3.4	3.9	4.4	4.9

#### **Explanation**

The Government will introduce a simplified temporary business entry visa sub-class from 1 July 1997. The new visa will be valid for three months, provide for a single entry and allow for up to a three month stay. Previously, the duration of stay was at the discretion of the issuing officer. This change will simplify the administration of visas and make an improved visa available for business clients. A charge of \$45 will be introduced to partly recover the processing costs, reflecting the Government's commitment to increase cost recovery in the migration process.

### **Cost recovery for health assessments, health undertakings and medical reviews**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
3.0	3.0	3.1	3.2

#### **Explanation**

This initiative aims to more fully recover costs associated with applications for permanent migration (except refugees and special humanitarian cases) by:

- increasing the fees for applications for permanent migration by \$40; and
- introducing a fee for medical review of \$330 payable by those who appeal against a rejection on medical grounds of their application for permanent migration.

The related outlays measure titled 'Health assessments, health undertakings and medical reviews' is described in Part I of this Budget Paper under the Immigration and Multicultural Affairs portfolio.

## Increased cost recovery for business skills migration

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
0.6	1.2	1.3	1.3

### Explanation

The fee for applicants for business migration will be increased from \$2,540 to \$3,040 from 1 January 1998. This reflects the improvements in service to business clients in this Budget and the Government's commitment to greater cost recovery in the migration process.

The fee will increase from \$2,465 to \$2,540 from 1 July 1997 to recover the costs of health assessments and the health undertaking service (described in the above revenue measure) and as a result of the normal indexation of the fee to capture price increases.

## Merging of the Migration Internal Review Office and the Immigration Review Tribunal

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
2.3	1.9	1.9	1.9

### Explanation

The fees for appeals to the Migration Internal Review Office (MIRO) and the Immigration Review Tribunal (IRT) will be increased to \$500 from \$200 and \$300 respectively from 1 July 1997. This will recover a greater share of the cost of appeals from applicants. Fees on applications will be non-refundable.

These bodies will be merged into a new Migration Review Tribunal (MRT) from 1 July 1998 to simplify administration and reduce duplication. The fee for review by the MRT will be \$500. The increase in fees for appeals to the MIRO and the IRT will partly cover the transitional costs of this merger.

A new fee of \$1,000 will also be introduced for an appeal to the Refugee Review Tribunal. It will be payable after the decision on a review application has been made but will not be imposed in cases where the applicant is deemed to be a refugee.

The related outlays measure of this title is described in Part I of this Budget Paper under the Immigration and Multicultural Affairs portfolio.

**Australian Quarantine and Inspection Services — Implementation of reports into quarantine and imported fish and fish products (industry charges)**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
4.7	7.0	7.0	6.6

**Explanation**

This measure is for increased cost recovery for operational aspects of the Australian Quarantine and Inspection Service activities associated with the Government's response to Professor Nairn's report, *Australian Quarantine — A shared responsibility* (the Nairn Report), and the report of the National Task Force on Imported Fish and Fish Products (the Fish Report).

While the Government will meet a significant proportion of the increased quarantine effort, industry will be required to contribute to the implementation costs of the Nairn and Fish Reports through fees and charges to help reduce the direct call on Australian taxpayers and reinforce the Nairn Report's concept of 'a shared responsibility'.

**MEASURES INTRODUCED UP TO THE 1997-98 BUDGET**

**INCOME TAX**

**Medicare levy surcharge — Increase in family income threshold for each additional child by \$1,500**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-3	-3	-3	-3

**Explanation**

In the 1996-97 Budget, the Government announced that a Medicare levy surcharge of one percentage point would be introduced from 1 July 1997 for single individuals with taxable incomes in excess of \$50,000 and couples and families with combined taxable incomes in excess of \$100,000 (irrespective of the number of children) who do not have private hospital cover through private health insurance.

However, following an amendment made by the Senate to the original legislation, the threshold above which a family without private health insurance is required to pay the Medicare levy surcharge will be increased by \$1,500 for each child after the first child. For example, families with one child would still have a threshold of \$100,000 while those with two children would have a threshold of \$101,500. This amendment is estimated to result in a reduction in revenue of \$3 million per annum.

**Medical expenses rebate — Reduction in threshold for eligible net medical expenses to \$1,250**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-1	2	4	6

**Explanation**

In the 1996-97 Budget, the Government announced that the threshold for eligible net medical expenses above which taxpayers are entitled to the Medical Expenses Rebate would be increased from \$1,000 to \$1,430 for the 1996-97 income year and \$1,500 for the 1997-98 and subsequent income years.

However, following amendments made by the Senate to the original legislation, the threshold has been set at \$1,250 for 1996-97 and subsequent years. Above this threshold, the rebate will continue to be available, at the rate of 20 cents in the dollar, for eligible expenditure not reimbursed through Medicare or private health insurance.

The combination of the reduced thresholds and an upward revision to the initial revenue estimates (due to revisions to the growth in claims for the rebate) has produced the net changes shown in the above table to the estimates presented in the 1996-97 Budget.

**Provisional tax uplift factor**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-	-	-	-

**Explanation**

The provisional tax uplift factor has been set at 6 per cent for 1997-98, the same rate as applied in 1996-97. The uplift factor was determined, as set down in the *Income Tax Assessment Act 1936*, by reference to the nominal increase in Gross Domestic Product for the twelve months ending 31 December immediately before the 1997-98 year of income, as published by the Australian Statistician.

## Deductibility of gifts

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
*	*	*	*

\* The nature of the measure is such that a reliable estimate cannot be provided.

### Explanation

The Government announced that gifts of \$2 or more to the following bodies would qualify as deductible donations, under the gift provisions of the *Income Tax Assessment Act 1936*, as indicated below:

- from 2 September 1996 to 1 September 1998 inclusive, The Australian National Korean War Memorial Trust Fund (which was given in principle approval by the previous Government);
- from 9 November 1996, The Australia Foundation for Culture and the Humanities (a Government election commitment); and
- from 18 March 1997, The AAP Mawson's Huts Foundation Limited.

On 10 October 1996, the Government announced it had given in principle approval for donations to the Menzies Research Centre to be tax deductible. After the Centre has satisfied the usual public fund requirements, the Government will announce the date from which gifts to the Centre will be tax deductible.

In addition, since the 1996-97 Budget, there have been 41 admissions to the Register of Cultural Organisations and 7 deletions. A further 10 additions and 10 deletions were also made in response to changes in names of organisations.

There have been 15 admissions to the Register of Environmental Organisations and an additional 7 changes in names of organisations already registered since the 1996-97 Budget.

## Preventing future access to the Infrastructure Borrowings tax concession

### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
–	†	†	†

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

### Explanation

On 14 February 1997, the Treasurer announced that the Government would introduce legislation with effect from 12.00 pm (by legal time in the ACT), 14 February 1997 to

prevent the lodging of any new Infrastructure Borrowings (IBs) applications; the issue of any further IB certificates (except where, prior to that time, the Development Allowance Authority had given a written undertaking to issue a certificate); and re-engineering (including amendment) in respect of existing certificates to increase tax benefits. This decision is reflected in the Taxation Laws Amendment (Infrastructure Borrowings) Bill 1997 which was introduced into Parliament on 26 March 1997.

The Government decided to prevent future access to the IBs tax concession because the concession was not achieving its objectives and there would have been a significant budgetary cost if pending IB applications were certified. Benefits from the concession were increasingly being captured by financiers and high marginal tax rate investors. Tax aggressive financing schemes were being proposed which would have resulted in an unacceptable cost to all taxpayers without a commensurate reduction in the cost of funding infrastructure projects. If all pending applications had been approved in their current form, the cost to the revenue could have been more than \$4 billion over the three years 1996-97 to 1998-99. If tax aggressive schemes were adopted in all applications, the cost would have been substantially higher.

### **Taxation of foreign dividends paid on finance shares**

#### **Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
†	†	†	†

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

#### **Explanation**

On 3 February 1997, the Government announced measures to address tax avoidance arrangements involving 'eligible finance shares' (EFS) and 'widely distributed finance shares' (WDFS). (EFS are held by Australian financial institutions or their subsidiaries whilst WDFS are held by the general public.) Under these arrangements it was possible to effectively convert assessable foreign interest income into exempt foreign non-portfolio dividends by attaching a 10 per cent voting right to the finance shares. The measures announced will protect revenue by ensuring that dividends paid on EFS or WDFS do not attract non-portfolio dividend status.

## SUPERANNUATION

### Calculating life insurance companies' exempt and taxable income

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
†	†	†	†

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

#### Explanation

On 29 April 1997, the Government announced amendments to Division 8 of Part III of the *Income Tax Assessment Act 1936* so that the amount of income of a life insurance company that is exempt from tax because it relates to immediate annuity policies is determined on the basis of average calculated liabilities for policies held during the income year rather than on calculated liabilities at the end of the year of income.

Similar averaging arrangements will be extended to the apportionment of income and capital gains between the different classes of business of a life insurance company.

The amendments are being introduced because the present calculation can cause distortions. This is the case where the proportion of calculated liabilities for all policies that is represented by immediate annuity policies at the end of the income year does not reflect the relative proportions of policies held during the income year. The use of average calculated liabilities produces a better reflection of the amount of income that belongs to each of the classes of policy held by a life insurance company and overcomes these distortions.

Details of the methodology for averaging calculated liabilities for policies held during the income year are to be developed in consultation with the industry.

The amendments will apply to the 1997-98 and subsequent years of income. For the 1996-97 year of income, the amendments will apply where there is a significant change in the respective proportions of calculated liabilities for the various groups of policies held by the life insurance company in the period from 29 April 1997 to the end of their 1996-97 income year.

## CAPITAL GAINS TAX

### Capital gains tax — Extension of rollover relief through shares

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
–	-90	-90	-90

#### Explanation

On 24 March 1997, the Government announced in *More Time For Business* a further major extension of its initiative to provide capital gains tax (CGT) rollover relief for small business, extending relief to rollover accomplished through the sale of shares. This measure will enable taxpayers actively involved in managing and operating their businesses through companies to obtain rollover relief without separately selling active assets of the company. This provision will allow the sale of business and rollover where this is done through the sale of shares in a company.

An underlying active assets test will prevent rollover relief from applying to gains primarily derived from passive investments and protecting against the extension of relief to sharetraders. The availability of relief is in respect of the sale of shares in an active business for reinvestment in another active business.

The Government will announce further design details of the measure following consultations with the CGT Subcommittee of the Commissioner's National Tax Liaison Group and representatives from the Commissioner's Small Business Consultative Group.

Following that process, the Government will announce further design details of the measure and legislation will be introduced.

The measure will operate with effect from 1 July 1997.

### Capital gains tax exemption on the sale of a small business for retirement — Extension to companies and trusts

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
–	-35	-35	-35

#### Explanation

The Government announced in the Prime Minister's 24 March 1997 statement, *More Time For Business*, that it would extend its 1996-97 Budget measure to provide a capital gains tax exemption on the sale of a small business for retirement to eligible people who operate their small businesses through a private company or trust structure. This will remove the potential for the measure to discriminate against small business people who operate their businesses through such structures.

Legislation to implement this measure was introduced to Parliament on 26 March 1997 in the Taxation Laws Amendment Bill (No. 3) 1997.

### Capital losses — Denial of artificially created losses

#### Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
–	†	†	†

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

#### Explanation

On 29 April 1997, the Government announced it would introduce measures to deny the ability to offset against capital gains certain capital losses artificially created in the past and to prevent the use of such capital losses that may be artificially created in the future. The amendments will not apply where capital losses created prior to this date have been offset against a capital gain in the 1995-96 year of income or an earlier year, or where such losses have been offset in a return for the 1996-97 income year lodged with the Australian Taxation Office (ATO) before 3.00 pm AEST, 29 April 1997. No utilisation of such losses for the current year of income or future income years will be allowed from the date of announcement.

Under the proposed amendments, the income tax law will deny the utilisation of capital losses for the 1996-97 and subsequent years of income (whenever incurred) in strictly defined circumstances outlined below. The amendments will apply to artificial losses created by arrangements entered into before 29 April 1997.

The proposed new provisions will apply where a company which is a member of a corporate group has disposed of an asset to a member of the same group and:

- the group has 100 per cent common ownership;
- the market value of the asset is less than its cost base;
- as a result of the reduction in the market value of the asset rolled over under section 160ZZO of the *Income Tax Assessment Act 1936* (ITAA), the market value of an interest in the disposer, which is held by another member of the same group, has fallen below the relevant cost base of that interest;
- an asset was rolled over under section 160ZZO in relation to the disposal; and
- the asset was disposed of before 29 April 1997.

If these conditions are satisfied, the proposed new provisions will prevent artificially created losses being offset against capital gains in the 1996-97 and subsequent years of

income except where such losses have been offset in a return for the 1996-97 income year lodged with the ATO before 3.00 pm AEST, 29 April 1997.

The only exception is that the proposed amendments will not apply where the asset rolled over was plant, machinery or buildings used both before and after the rollover in a manufacturing business carried on by the company which rolled over the asset and the company which acquired the asset. That asset must be used in the manufacturing business of the company which acquired the rolled over asset for not less than twelve months after the acquisition.

The ATO will also apply the existing general anti-avoidance provisions contained in Part IVA of the ITAA, in appropriate cases, to schemes entered into prior to 29 April 1997 where the scheme has as its sole or dominant purpose the creation of artificial capital gains tax (CGT) losses.

The Government also announced that for capital losses created after 3.00 pm AEST, 29 April 1997, Part IVA will be amended to strengthen its application to arrangements which are designed to artificially create CGT losses. The law will be amended so that Part IVA can apply to the creation of capital losses in the year in which they are incurred, rather than applying only to the amount of loss offset against capital gains in a particular year as is now the case.

The ITAA will be amended to ensure that subsection 177C(2) does not apply to any declaration, election, selection, notice or option arising under a provision relating to CGT rollovers or the transfer of CGT losses.

## FRINGE BENEFITS TAX

### Fringe benefits tax — Small business

#### Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Record keeping	-5	-25	-20	-20
Car parking	-25	-50	-35	-35
Taxi travel	*	*	*	*

\* The nature of the measure is such that a reliable estimate cannot be provided.

#### Explanation

In March 1997, the Government responded to the recommendations of the Small Business Deregulation Task Force in the Prime Minister's statement *More Time For Business*. The response included the following measures.

#### *Record keeping*

An exemption from fringe benefits tax (FBT) record keeping for small business is to be provided where an employer has submitted a return in a base year with \$5,000 or less in taxable benefits and thereafter does not significantly alter the amount of benefits

provided in each year. In the subsequent years, the employer would pay the amount of FBT relating to the amount of taxable benefits established in the base year. The record keeping exemption will be available to all employers who meet these requirements, other than government bodies and tax exempt bodies, and will apply from the date the legislation is enacted.

The employer would be required to recommence record keeping if there was a material change in benefits provided that could result in an increase of more than 20 per cent in benefits compared to the base year (or by more than \$100 if this is greater). In this regard, the onus of proof would continue to lie with the taxpayer. The employer would also need to establish a new base year to vary down the annual amount of FBT.

The record keeping exemption will allow a reduction in compliance costs for small FBT payers who do not make a material change in the amount and type of benefits provided each year.

***Car parking***

With effect from 1 April 1997, small businesses are exempt from FBT on car parking on their business premises. For the purpose of the exemption, small business employers will be taxpayers (other than government bodies and listed public companies and their subsidiaries) with gross incomes of less than \$10 million.

In addition, with effect from 1 July 1997, the Government will remove the provisions that specifically deny deductibility for car parking for self-employed persons in circumstances where FBT would have applied to car parking for employees.

***Taxi travel***

The arrangements for employee taxi travel have been simplified by extending the existing FBT exemption to cover a taxi trip arriving at or leaving from the place of work at any time of the day, with effect from 1 April 1997. The exemption from FBT for taxi travel provided to sick employees continues to apply.

**OTHER MEASURES**

**Retain the current maximum charge for English language tuition under the Adult Migrant English Programme**

**Financial Implications (\$m)**

1997-98	1998-99	1999-00	2000-01
-1.5	-1.8	-1.9	-1.9

**Explanation**

This measure reflects the Government's decision not to proceed at this time with an increase to the maximum charge which was proposed in the 1996-97 Budget.

