

# Domestic policy overview



Dr Jenny Gordon



**Jenny Gordon** is Nous Group Chief Economist. Jenny has spent much of her post-academic career applying economics to public policy questions. She previously worked with the Productivity Commission, where she was principal advisor, research

for 10 years. Prior to that, she spent 14 years at the Centre for International Economics (CIE); where her work ranged from strategic planning to program design and evaluation, and focused largely on agricultural and other research, financial market development, and industry policy. Much of Jenny's work has expanded the traditional cost-benefit analysis to include environmental, health and social impacts.

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## Introduction

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In the last year the Australian Government has kept big policy reforms off the table, much to the regret of many in the commentariat (for example Jennifer Westacott at the Business Council of Australia). But tinkering to make ongoing, if minor, adjustments to policy can be a good strategy if it improves outcomes for Australians.<sup>1</sup>

The question, of course, is whether the tinkering of 2018 has taken the economy and the Australian population toward better outcomes, not just in terms of economic efficiency, but making the system fairer. We are not all doing it tough no matter what

we are regularly told. Despite low real wage growth, employment is up, and many Australian households are doing nicely. But many are concerned about the future as the digital economy changes the nature of work, and some really are doing it tough – NewStart has not increased in real terms in 24 years.<sup>2</sup>

When it comes to the future we are leaving our children the risks posed by climate change, and how to fund expensive spending commitments on pensions, aged care and health services with relatively fewer taxpayers, have been kicked down the road. Whether 2019 will see more action on the policy front appears to be contingent on the results of the next federal election.

## Interest rates

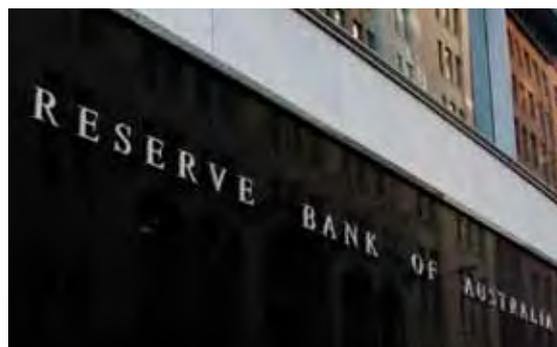
The Reserve Bank continued to hold rates steady, helping dampen the Australian dollar's response to the rising terms of trade.

Cash rates were held at 1.5 per cent throughout 2018, making it 25 months without a rate change, putting the cash rate below the rate of inflation (CPI excluding volatile items) since the end of 2017.<sup>3</sup>

This negative real rate contrasts with the US Federal Reserve rate, which rose from 1.5 per cent at the end of 2017 to 2.5 per cent at the end of 2018, with US inflation in 2018 at 1.9 per cent.<sup>4</sup> The difference means that the Reserve Bank's stance has gone from largely neutral to easing. The lower relative rate has seen the Australian dollar weaken slightly over 2018, despite the rise in the terms of trade (Figure 1).

The major considerations cited by the Bank for their stimulatory settings over the year were inflation remaining within the band (and a fall in the third quarter), slow growth in real wages, softening of housing prices, and high levels of household debt.<sup>5</sup> They anticipate a rise in inflation through 2019, with more pressure on wages as the labour market tightens further, but cite uncertainty around continued growth in household consumption as a reason for caution.<sup>6</sup>

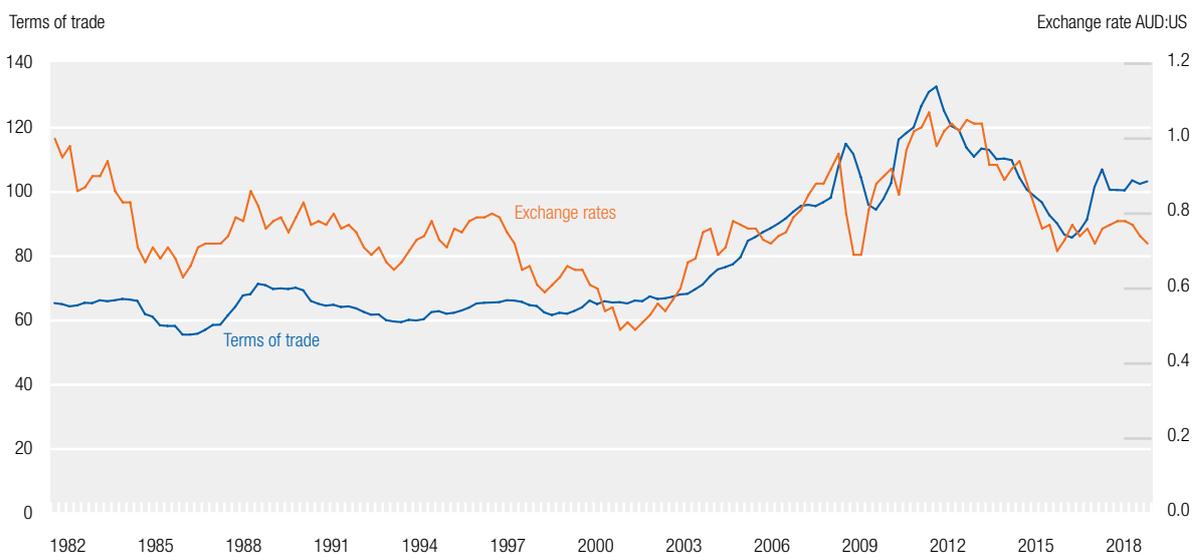
A contributing factor to the slowing house price growth was the 30 per cent market ceiling on the share of housing mortgage loans that were interest



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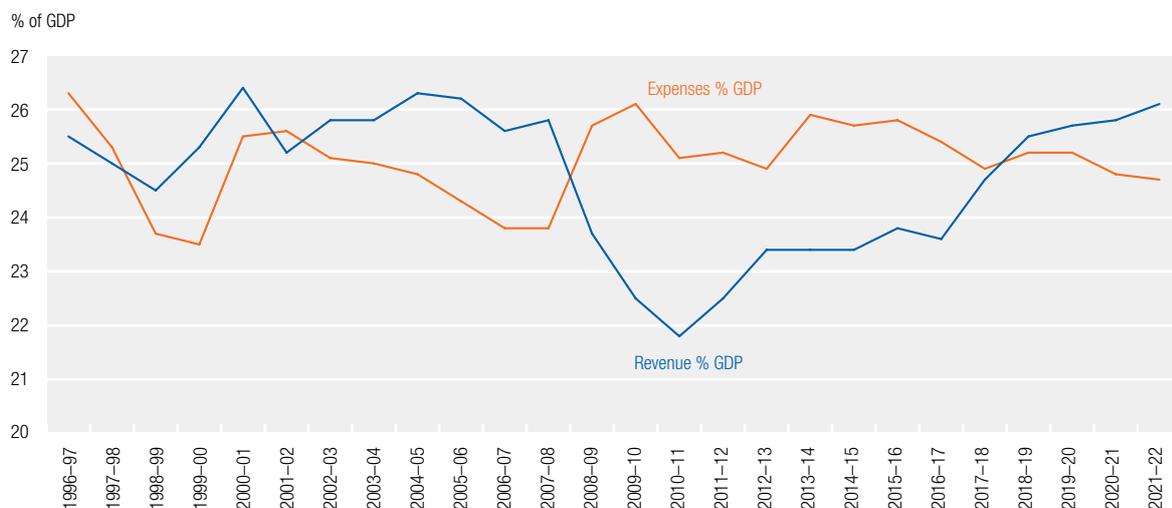


**FIGURE 1**  
The Australian-US exchange rate and the terms of trade 1982 to 2018



Source: RBA Statistical data <https://www.rba.gov.au/chart-pack/commodity-prices.html>, <https://www.rba.gov.au/chart-pack/exchange-rates.html>

**FIGURE 2**  
**Australian Government revenue and expenditure as a share of GDP**



Source: Australian Government Budget Papers 2018-19

only, set in early 2017 by the Australian Prudential Regulatory Authority (APRA). This signalled the regulator's concerns about system stability that, along with the cooling of the housing market, has seen the rates of interest-only (I-O) loans drop well below this ceiling to 16 per cent in late December 2018.<sup>7</sup> The modest drop in house prices in Sydney and Melbourne has yet to pose any real concerns about mortgage default, and is needed to start to improve housing affordability.

### Unexpected revenue growth reduced the deficit

The deficit reduction is due to revenue growth rather than the modest expenditure restraint, with Australian Government funding still playing a mildly stimulatory role in 2018.

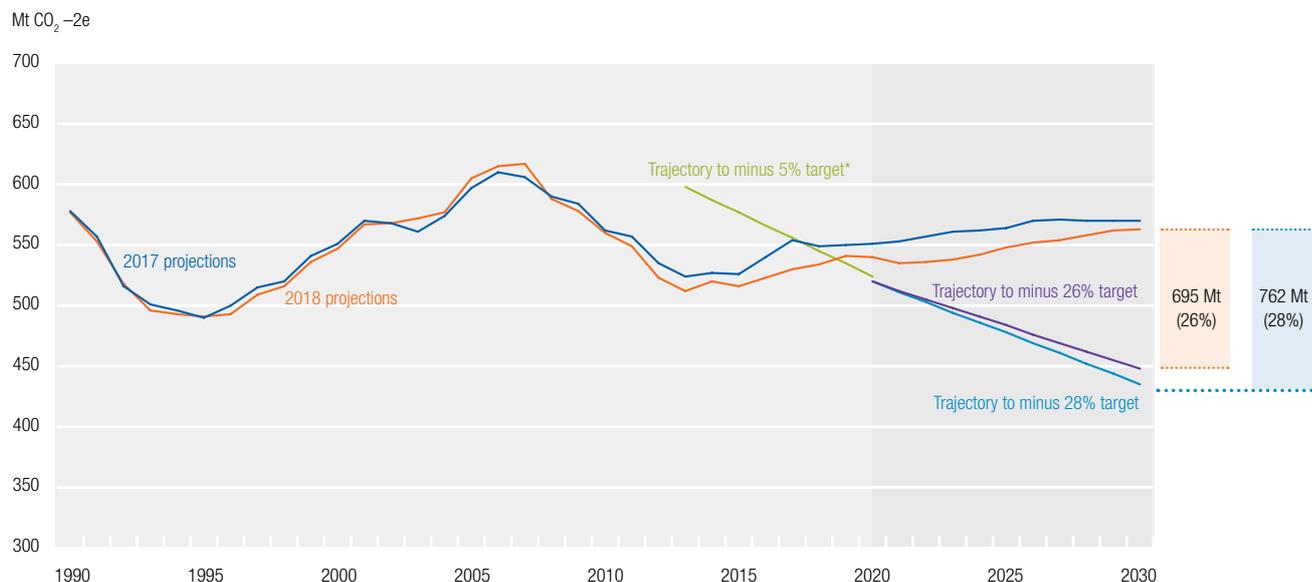
Improvements in revenue reduced the projected 2018-19 budget deficit from a forecast 0.8 per cent of GDP (\$14.5 billion) to 0.3 per cent of GDP (\$5.2 billion).<sup>8</sup> The expected improvement comes from a range of sources, with higher company profits, particularly mining companies, making the biggest contribution. Payments to GDP fell from 25.4 per cent in the 2018-19 budget to 24.9 per cent in the Mid-Year Economic and Fiscal Outlook (MYEFO), which was a result of stronger than expected growth in GDP rather than expenditure restraint (Figure 2). With the budget projected to come into surplus in 2019-20, fiscal policy stance is neutral, although

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election promises could well see a fiscal stimulus in the later part of 2019. Under current policy settings, the budget remaining in surplus is conditional on continued strong growth in GDP (three per cent real) over the next five years driving revenue growth, and some relatively unlikely expenditure savings coming to fruition.<sup>9</sup>

**FIGURE 3**  
Australia's emission trends 1990 to 2030 and projections of the trend required to meet the Paris target



\*Note: Australia's 2020 target is accounted for using Kyoto Protocol reporting categories (see the "Kyoto Protocol Categories" tab).  
Source: Australia's emission projections 2018, Figure 4, p.12, Australian Government

## Energy policy unseats another Prime Minister

Malcolm Turnbull was replaced for a second time in part for his stance on energy policy, this time it was the National Energy Guarantee (NEG). The very effective 'axe the tax' campaign by Tony Abbott has left the federal political parties unable to contemplate any policy that does what economists have long been recommending as the most efficient emissions reduction policy, which is to put a price on carbon.<sup>10</sup>

Even the third best policy recommended by the Chief Scientist Alan Finkel as a way out of this impasse was judged by the Coalition as too anti-fossil fuels. With the change in Prime Minister to Scott Morrison (well known for bringing a lump of coal into Parliament), the Australian Government stepped away from the hard-fought NEG.

The current policy (Powering Forward – delivering more affordable, reliable and sustainable energy) focuses on bringing down electricity prices by carrying a big stick. The Australian Competition and Consumer Commission (ACCC) and Australian Energy Regulator (AER) were provided with \$50.2 million in MYEFO to enforce the new Retailer Reliability Obligation, which is a program to

underwrite new generation, and address electricity market misconduct. While any government support for new generation is meant to be technology neutral, some in the current government are advocating public subsidies for new fossil fuel generation.

Looking forward to 2019, the Labor Party has committed to adopt the NEG with a higher renewable target (50 per cent power from renewables by 2030). Despite claims that Australia will meet its Paris emission reduction target at a canter, the report released by the Department of the Environment on 22 December suggests otherwise (Figure 3).

While electricity should easily meet the 26 per cent reduction on 2005 levels, this sector needs to do more of the heavy lifting as it is more expensive for other sectors to reduce emissions.<sup>11</sup> The use of credits from the Kyoto 2012 target to meet the 2030 Paris target is controversial (other countries have ruled out doing so). In any case, this will leave Australia with a much greater task of emission reduction to achieve the next round of targets.

“Like energy, tax reform has become too hot for most politicians.”



## Major tax reform remains in the too hard basket

Like energy, tax reform has become too hot for most politicians. In 2018 there was relatively little change, with the Australian Government finally abandoning its attempts to legislate the company tax cuts for large (greater than \$500 million turnover) businesses. The 37 per cent personal income tax bracket is set to be abolished in 2024–25, with increases in the thresholds phased in over seven years (May Budget). This change will flatten the tax system and mean that an estimated 94 per cent of taxpayers will have a marginal tax rate of 32.5 per cent or lower.<sup>12</sup>

Decisions made in 2018 that will play out in 2019 include changes to the way the Goods and Services Tax (GST) is distributed between the states and territories.<sup>13</sup> In changing the formula (which aims to adjust the allocation for the relative cost of providing services as well as the ability of the jurisdiction to raise their own revenue) the Australian Government allocated an additional \$9 billion over the next 10 years (MYEFO).

The company tax rate reduction (to 25 per cent) for small to medium sized businesses (SMEs) has been brought forward from 2026–27 planned in the May Budget. The roll out of the 16 per cent tax

discount for unincorporated businesses will be similarly fast tracked. The \$20,000 instant asset write off for small business was extended in the May Budget to 30 June 2019.

Looking to 2019, a change of government would likely see negative gearing restricted to new dwellings, grandfathering existing owners of rental properties and a reduction in the capital gains tax discount to 25 per cent from 50 per cent. Labor has also proposed removing the cash rebate on dividend imputation, and to raise the top marginal tax rate by two percentage points.

## TPP11 the key trade policy development

The signing of the TransPacific Partnership Agreement (TPP11) was the main change in trade policy in 2018. The impact of trade agreements on the Australian economy are generally overestimated, and the impact of the TPP11 is expected to be mildly positive.<sup>14</sup>

Australia has nine trade agreements in negotiation. On the multilateral front, Australia is in the process of accession to the World Trade Organisation (WTO) Government Procurement Agreement, and the Environmental Goods Agreement.



“The most ambitious agreement in negotiation is the Regional Comprehensive Economic Partnership (RCEP).”

The most ambitious agreement in negotiation is the Regional Comprehensive Economic Partnership (RCEP). An extension of the Association of South East Asian Nations (ASEAN), RCEP involves the 10 ASEAN countries and Australia, India, China, Japan, the Republic of Korea, and New Zealand. Reducing barriers to trade between RCEP countries should be of substantial benefit to Australia in the absence of a wider multilateral approach to reducing barriers to trade and investment. Negotiations on the Indonesian CEP were recently impacted by the announcement of Australia’s position on the location of the Australian Embassy in Israel.

### Security prompts spending and regulation

Security was one area of expanded spending in 2018.<sup>15</sup> One of the last actions of the Australian Government in 2018 was to pass the Assistance and Access Bill that allows selected law enforcement agencies to require Australian companies to decrypt encrypted messages. While the aim is to help fight serious criminal activity and terrorism that use encrypted channels, there are valid concerns that the legislation will open up encrypted messaging apps to malware and can undermine the ability of Australian firms to sell their products abroad.<sup>16</sup>

A review has been included, but the legislation continues a trend toward government legislating their access to data (for example, the metadata retention scheme) and a more punitive approach to people who have embarrassed the government. The adoption of the mantle of security to justify these erosions of the ability to criticise the government of the day, or

reveal misdeeds, has been supported by both sides of the political spectrum.

Action on a national integrity and anti-corruption commission is likely in 2019.<sup>17</sup> As sunlight is the best remedy to poor behaviour by governments, it is to be hoped that the current government proposal will be strengthened to deliver an anti-corruption body that can be effective in exposing undue influence over policy, procurement, and other behaviour that undermines democracy.<sup>18</sup>

### Progress in unlocking better use of data

On a more positive front, 2018 saw the introduction of the Consumer Data Right (Open Banking) which requires banks to provide people with their personal data, helping them shop for better value services.<sup>19</sup> There are plans to extend this right to other services. A requirement that businesses provide their customers with access to their data in an easy-to-use form has been included in the ACCC’s Consumer Data Rights Rules Framework.<sup>20</sup>

The other data related change on the 2019 agenda is the introduction of the *Data Sharing and Release Act*.<sup>21</sup> The legislation aims to unlock the value in administrative data by facilitating sharing of administrative data between government agencies for the purposes of research to improve policy and service delivery.

Following the problems with Robodebt and My Health Record, ensuring that the public appreciate the value to them of better use of administrative data, as well as the restrictions in place to protect privacy and prevent the misuse of data by government, is a critical part of this legislative process.



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## What of financial services post Royal Commission?

As the Royal Commission into misconduct in the Banking, Superannuation and the Financial System nears its conclusion, it has become clear that the problem is less with the law, than the failure of regulators to uphold the law, and of courts to apply penalties that would be an effective deterrent.<sup>22</sup> In anticipation of the final report the Australian Government boosted the funding of the financial system regulators in MYEFO.<sup>23</sup> The response could see a tightening of credit in 2019, casting further doubt about the GDP forecasts.

The Australian Government has moved to fill what it sees as gaps in the access to finance for small and medium sized businesses (SMEs) by establishing the \$2 billion Australian Business Securitisation Fund. This will provide funding to small banks and non-bank lenders to on-lend to small businesses. It also established the Regional Investment Corporation to provide subsidised loans to farmers to help them through drought (an additional \$1 billion was allocated in MYEFO).

## Employment growth in health, disability and aged care

Demand-driven programs – such as Medicare and the Pharmaceutical Benefits Scheme (PBS) – continue to grow with the population and the coverage as new items are added, particularly to the PBS. The Australian Government signed a new hospitals funding agreement with the states and territories in 2018. The big impact on employment has come through the announcement of an additional 14,000 high-level home care packages and the continued roll out of the National Disability Insurance Scheme.

Looking to 2019, there are two major inquiries that should result in policy change. These are the Productivity Commission’s inquiry into Improving Mental Health to Support Economic Participation and Enhance Productivity and Economic Growth and the Royal Commission’s inquiry into Aged Care Quality and Safety.

Beyond the responses to these inquiries, the lack of a common view on the best system mix makes it unlikely that major reform in Australia’s health system will be pursued in 2019. Building a consensus for

fixing the system is a slow process. While there is still plenty that can be done to improve the efficiency and health outcomes in the current system,<sup>24</sup> the recently announced Community Health and Hospitals Program (\$1.3 billion over four years) is not the best way forward.

Australian Government investments need to be coordinated with state and territory governments, which have delivered improvements in their service models to reduce demand and better meet the needs of users with chronic conditions.<sup>25</sup>

### One step forward, half a step back in education policy

Education took a step forward toward equity with the Gonski model being adopted, and half a step back with the additional funding for Catholic schools.

Both political parties now support a needs-based funding model, taking the Gonski recommendations as the starting point. Both also have capitulated to the non-government schools lobby with commitments to raise their funding. The Australian Government package proposes linking Commonwealth funding for non-government schools more closely with parental income from 2020 (currently postcode socioeconomic measures are used).

Behind the support for the needs-based funding model, the Australian Government sought to implement an 80:20 rule, where the federal government funds 20 per cent of public school education and 80 per cent of private school education. Victoria has yet to sign onto this rule.

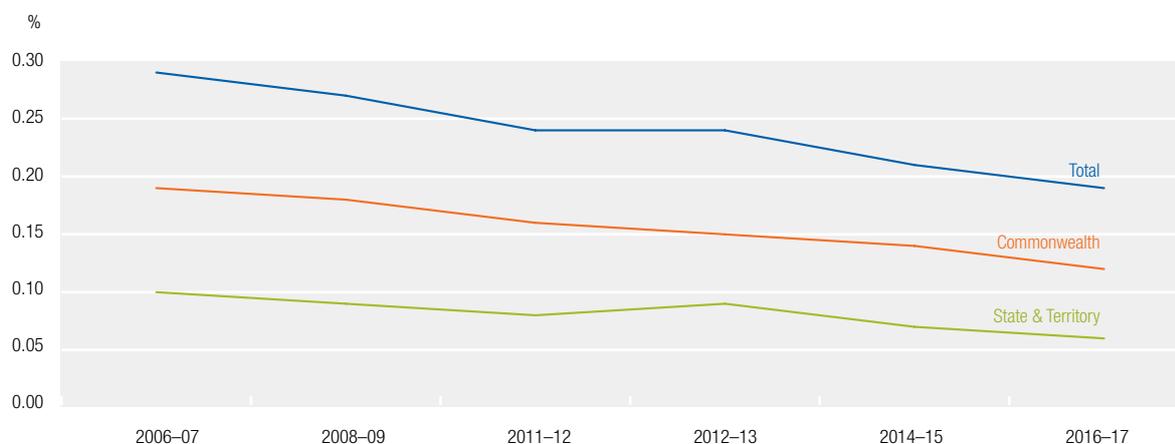
The funding debates are likely to continue in 2019, but more attention needs to be paid to how additional funding is best used to deliver improvements in educational outcomes across the population, and particularly for those students in the bottom quarter of the educational outcome profile which is going backwards faster than those at the top (according to PISA results).<sup>26</sup> A review planned in 2019 will hopefully focus in on this and how better to move students into more appropriate tertiary education pathways, and support life-long learning.

The New Child Care Package, which rolled the childcare rebate and the means tested childcare benefit into one and established an hour rate cap (but did not remove the annual cap as recommended by the Productivity Commission), was introduced in July 2018.<sup>27</sup> The Australian Government preschool funding (for the states and territories to deliver 15 hours for four-year olds) was re-funded in the May Budget for one more year. The Labor Party platform is to extend access to three-year-olds, but providing funding certainty beyond a one-year horizon for four-year-olds would be a good first step.



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**FIGURE 4**  
Public expenditure on R&D in Australia, 2006-07 to 2016-17



Source: ABS, Research and Experimental Development, Government and Private Non-profit Organisations, Australia, 2016-17, 5, July 2018, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8109.0>

## Higher education and research funding goes backwards

The Australian Government froze funding for university supported places in the May Budget at 2017 levels for 2018 and 2019, effectively removing the demand-driven system.<sup>28</sup> Labor has pledged to return to the demand-driven system, which had to a reasonable degree responded more to market signals than the previous fixed-place system.

A more critical question, that is unlikely to be but should be addressed in 2019, is whether students are getting value for their and the public's money by pursuing a university degree. Some students would do better, and the Australian economy benefit from, greater investment in vocational and educational training (VET).<sup>29</sup> Given the convergence of reviews, – the Australian Qualifications Framework (AFQ), Higher Education Provider Category Standards, the current VET Review, and Labor's promised tertiary education review – with any luck, 2019 could see the start of a principles-based discussion of what a coherent post-secondary education sector should look like.

Public funding for research as a share of GDP has fallen consistently over the last six years and is now down to 0.18 per cent of GDP (Figure 4). The recently announced reduction in the Research Block Grants (of just over \$197 million over the forward estimates) in MYEFO, after a decline of \$131 million (over four years) in the May Budget, continues this downward trend.

The much-needed reforms to the Research and Development Tax Incentive designed to more effectively induce additional R&D, were estimated to reduce the cost to the budget by \$2.4 billion over the forward estimates.<sup>30</sup> This saving has notionally been diverted to industry programs, such as the Growth Centres Initiative. Labor has pledged to increase the total expenditure on R&D in Australia from the current 1.8 per cent to three per cent by 2030.<sup>31</sup>

## Strengthening investment in infrastructure

After the hiatus on investment in infrastructure by the states and territories post the GFC, 2018 saw further strengthening in investment in infrastructure, much by the states and territories, and with a focus on public transport.

Early growth was supported by the Australian Government's asset recycling program, but this has expanded to a \$75 billion 10-year infrastructure package over the next decade. The May Budget included \$24.5 billion for new nationally-significant transport projects. Most of the federal spending leverages the states and territories, with major commitments to roads in the major cities, notably WestConnex in Sydney (\$1.5 billion and a concessional loan of \$2 billion), M80 Ring Road in Melbourne (\$500 million), and connecting airports to cities – Western Sydney Airport (\$5.3 billion), Melbourne Airport Rail Link (\$5 billion announced in MYEFO), and the \$490 million for the Forrestfield Airport Link in Western Australia.

The Australian Government has had to go it alone on other projects, notably the Inland Rail project – Brisbane to Melbourne (\$9.3 billion), and many of the ‘Roads of Strategic Importance’ (\$3.5 billion) – which includes \$1.5 billion for the Northern Australia Package.

### No coherent rural policy agenda

A mix of policies relate to rural Australia – but do not form a coherent agenda.

In 2018 there was further allocation of public funds towards rural and regional development in the Building Better Regions Fund (\$200 million for a third round) and the Regional Growth Fund (\$272 million with a focus on regions facing structural adjustment). Funding to adapt the City Deal framework to pilot Regional Deals announced in MYEFO will ideally provide more effective direction to the investments being made under the \$641.6 million Building Better Regions Fund, \$272.2 million Regional Growth Fund, and \$222.3 million Regional Jobs and Investment Packages.

On the agricultural front, an additional \$1.8 billion in assistance and concessional loans to support drought affected farmers and communities was allocated under MYEFO.<sup>32</sup>

These policies continue to maintain the fiction that drought is an unusual event, when even the National Farmers’ Federation is on the record as concerned about climate change.<sup>33</sup> The \$3.9 billion Future Drought Fund (scheduled to grow to \$5 billion) continues the trend of setting up investment funds (Future Funds) to provide funding for ongoing activities, in this case projects focused on building drought resilience, preparedness and recovery.

### Little to see in environment, multicultural or foreign aid policy

In 2018 there was little to see in environment, multicultural or foreign aid policy developments, with a nod to gender and rejection of an important opportunity for kickstarting real reform in Indigenous affairs.

There has been little action on environment policy other than a large donation to an unlikely organisation with The Great Barrier Reef Foundation receiving a grant of \$400 million (and \$44 million to cover their costs of management) to invest in research and activities such as water quality, and community engagement and monitoring to improve the health of the Great Barrier Reef.<sup>34</sup>



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“In 2018 there was little to see in environment, multicultural or foreign aid policy developments, with a nod to gender and rejection of an important opportunity for kickstarting real reform in Indigenous affairs.”



After the removal of funding for programs that supported multicultural celebration in the 2014 Budget, the Australian Government funded a new program in 2018, entitled Mutual Understanding, Support, Tolerance, Engagement and Respect (MUSTER). This grant program will support community groups in disadvantaged communities to promote social cohesion.

Despite Australia seeking to play a greater role in the Pacific (to counter the influence of China), the funding cuts in foreign aid announced in previous years remain in place. The Indo-Pacific Special Visits Program was expanded, as was the Expanded Pacific Information Network.

The removal of the GST on tampons was a win for women, as was the Women's Economic Security Package. Announced in MYEFO, this is \$119.2 million to fund measures including more flexibility in and access to Parental Leave Pay for primary carers, and funding for the Future Female Founders and Boosting Female Founders programs. While these are in the right direction, they do look tokenistic.

One area where even tokenistic changes are largely absent is in Indigenous policy. The outright rejection of the Uluru Statement from the Heart of the Nation has made it implausible for the federal

government to do anything with credibility in the Indigenous space.<sup>35</sup> Despite many well-meaning people trying to improve services on the ground for Indigenous people, when the main change in Indigenous policy is an extension of the trial of the cashless debit card, it is very clear that the Australian Government needs to do better. If 2019 sees meaningful engagement to reform the Community Development Program, that tackles the problems inherent in its predecessor, while undoing the punitive and ineffective elements, this would be policy success indeed.

Tinkering on the policy front can be the right approach when the economy is doing well. But ignoring the big known and emerging risks and taking a 'she'll be right' attitude is not good policy. Hopefully governments will decide that 2019 is the year to start the serious conversations that are needed to develop bipartisan approaches to tackling the more fundamental economic and social challenges including efficient revenue raising to fund promised services, ensuring a health system that is accessible to all, tackling climate change, and building solid foundations for more effective Indigenous programs.

## Endnotes

- 1 Milane, E. (2018). 'Tinkering can achieve a lot. Politics isn't broken', *The Conversation*, 5 November. Accessed from: <https://theconversation.com/tinkering-can-achieve-a-lot-politics-isnt-broken-105819>
- 2 Australian Council of Social Service (ACOSS), 'Could you live on \$39 per day?', <https://www.acoss.org.au/raisetherate/>, (accessed 1 January 2019).
- 3 Reserve Bank of Australia, In Statistics, Cash Rate. Accessed from: <https://www.rba.gov.au/statistics/cash-rate/>, Reserve Bank of Australia, In Inflation, Measures of Consumers Price Inflation. Accessed from: <https://www.rba.gov.au/inflation/measures-cpi.html>
- 4 Trading Economics, United States Fed Funds Rate, Summary. Accessed from: <https://tradingeconomics.com/united-states/interest-rate>
- 5 One reason for the slow growth in average full-time weekly earnings is where the growth in employment has occurred. This has been strongest in relatively low wage sectors and occupations. See Pickering, C. (2018). 'What's really causing low wage growth in Australia and is it likely to change anytime soon?' indeed blog posted 12 December 2018. Accessed from: <http://blog.au.indeed.com/2018/12/12/whats-really-causing-low-wage-growth-in-australia-and-is-it-likely-to-change-anytime-soon/>, for a good summary.
- 6 Reserve Bank of Australia, In Publications, Statement on Monetary Policy – November 2018, Overview. Accessed from: <https://www.rba.gov.au/publications/smp/2018/nov/overview.html>
- 7 For a detailed discussion see Kent, C. (2018). 'The limits of interest-only lending' Reserve Bank of Australia Address to the Housing Industry Association, 24 April 2018. Accessed from: <https://www.rba.gov.au/speeches/2018/sp-ag-2018-04-24.html>
- 8 Mid-Year Economic and Fiscal Outlook 2018-19 (December 2018), Statement by The Honourable Josh Frydenberg MP and Senator the Honourable Mathias Cormann. Accessed from: [https://www.budget.gov.au/2018-19/content/myefo/download/MYEFO\\_2018-19.pdf](https://www.budget.gov.au/2018-19/content/myefo/download/MYEFO_2018-19.pdf)
- 9 For example, social welfare debt recovery is estimated to deliver savings of \$316.1 million, and self-sufficiency for migrants \$204.6 million, while the reductions in the level of foreign aid contribute savings of \$110.5 million in 2021–22 despite none of these delivering more than \$10.2 million of savings in the previous years (foreign aid), and imposing small costs for the other two. On the revenue side, combatting illicit tobacco is estimated to deliver an additional \$3.25 billion of revenue in 2019–20, but less than \$200 million in the subsequent years. Another concern is that Australia's GDP growth projections are sensitive to the price of commodities. A major downside risk is an escalation in the trade war between the United States and China, which could hit the demand for iron ore and coal, and hence prices. The Budget projections in MYEFO include a softening in the terms of trade in line with the modest decline projected in export values of bulk commodities.
- 10 For an excellent timeline on Australia's carbon price policies from 1997 to 2014, see ABC News 'Carbon tax: timeline of its tortuous history in Australia, 17 July 2014. Accessed from: <https://www.abc.net.au/news/2014-07-10/carbon-tax-timeline/5569118>
- 11 Australian Government, Department of the Environment and Energy (2018). Australia's emission projections 2018, December 2018. Accessed from: <http://www.environment.gov.au/system/files/resources/128ae060-ac07-4874-857e-dced2ca22347/files/australias-emissions-projections-2018.pdf>
- 12 The Australian Government, Tax relief, Budget 2018-19, Overview. Accessed from: <https://www.budget.gov.au/2018-19/content/overview.html>
- 13 The move is from equalising to the jurisdiction with the greatest capacity to provide services to the stronger of New South Wales or Victoria. This is largely a response to Western Australia's record low share of GST received in 2016–17 (30 per cent of the GST paid in the state), which was the effect of the three-year revenue averaging passing through the system combined with record mining royalties. While the Commission did not find any evidence of state and territory governments failing to taking up revenue raising opportunities, this possibility was viewed as a case to change the GST sharing formula. Productivity Commission, Horizontal Fiscal Equalisation, 5 July 2018. Accessed from: <https://www.pc.gov.au/inquiries/completed/horizontal-fiscal-equalisation#report>
- 14 This is mainly due to improvements in access for dairy and sugar into Canada, Japan and Mexico and a reduction in Japan's tariffs on beef. Australian Government Department of Foreign Affairs and Trade, Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP). Accessed from: <https://dfat.gov.au/trade/agreements/in-force/cptpp/outcomes-documents/Pages/tpp-11-outcomes-at-a-glance.aspx>
- 15 Border Security received \$294 million to increase Australian Federal Police (AFP) presence at airports, and to strengthen screening at regional airports and inbound cargo and mail. The Department of Home Affairs got \$130 million to upgrade its ICT for visa processing, identity management and threat analysis.
- 16 There has been considerable backlash from the tech sector, as reported by Koehn, E. and McDuling, J. (2018). 'From ideas boom to innovation bust: How Australia turned against tech', *Sydney Morning Herald*, 22 December 2018. Accessed from: <https://www.smh.com.au/business/companies/from-ideas-boom-to-innovation-bust-how-australia-turned-against-tech-20181218-p50n1l.html>
- 17 See for example, Crowe, D. (2018). 'Morrison backs national anti-corruption commission following Labor demands', *The Sydney Morning Herald*, 13 December 2018. Accessed from: <https://www.smh.com.au/politics/federal/morrison-backs-national-anti-corruption-commission-following-labor-demands-20181213-p50lzf.html>, and Easton, S. (2018). 'Federal ICAC back on the agenda in federal parliament' *The Mandarin*, 29 October 2018. Accessed from: <https://www.themandarin.com.au/100531-federal-icac-back-on-the-agenda-in-federal-parliament/>
- 18 The case for transparency is made well by Wood, D., Chivers, C., and Griffiths, K. (2018). 'States and territories have improved integrity measures, but Commonwealth lags far behind.' *Grattan Institute*, 2 November 2018. Accessed from: <https://grattan.edu.au/news/states-and-territories-have-improved-integrity-measures-but-commonwealth-lags-far-behind/>
- 19 The next sectors to be required to provide consumers with their data are electricity and telecommunications, although these already have some requirements for data provision. Australian Treasury, Consumer Data Right - Fact Sheet. Accessed from: <https://static.treasury.gov.au/uploads/sites/1/2018/02/180208-CDR-Fact-Sheet-1.pdf> (accessed January 1, 2019).
- 20 See section 10 (page 46) of the ACCC's Consumer Data Right Rules Framework paper. Accessed from <https://www.accc.gov.au/system/files/ACCCpercent20CDRpercent20Rulespercent20Frameworkpercent20percent28finalpercent29.pdf>
- 21 An issues paper on this proposed legislation is available from Prime Minister and Cabinet. Accessed from: <https://www.pmc.gov.au/resource-centre/public-data/issues-paper-data-sharing-release-legislation>
- 22 Financial Services Royal Commission, Interim Report, Executive Summary. Accessed from: <https://financialservices.royalcommission.gov.au/Documents/interim-report/interim-report-exec-summary.pdf>
- 23 Additional funding was announced in MYEFO for:
  - \$70.1 million to the Australian Securities and Investment Commission (ASIC) to reduce misconduct in the financial services industry.
  - \$58.7 million to the Australian Prudential Regulation Authority
  - \$35.6 million to the ACCC over 4 years from 2018–19
  - \$51.5 million to the Commonwealth Director of Public Prosecutions and the Federal Court of Australia to 'enable court actions for corporate and financial services misconduct to be dealt with effectively and expeditiously' (MYEFO p.6).
- 24 For a discussion of the issues see Australian Health Coalition Reform Alliance (2018), 'Health Budget fails prevention, equity and reform goals'. Accessed from: <http://www.healthreform.org.au/wp-content/uploads/2018/05/MR-Budget-2018-16-May-2018-2.pdf>, for suggestions on policy reforms within the current system see Productivity Commission (2017) *Shifting the Dial: 5-yearly productivity review*, chapter 2, Healthier Australians. Accessed from: <https://www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review.pdf> and for some more significant changes see for example, PWC (2018). 'Reimagining Healthcare in Australia, Budget 2018 - Progress towards reform'. Accessed from: <https://www.pwc.com.au/health/federal-budget-health-8aug18.pdf>, and Swerissen, H., and Duckett, S. (2018). 'Mapping Primary care in Australia, Grattan Institute, 29 July 2018. Accessed from: <https://grattan.edu.au/report/mapping-primary-care-in-australia/>

- 25 For a commentary on this program see Duckett, S. (2018). 'Morrison's health handout is bad policy (but might be good politics), Grattan Institute, 14 December 2018. Accessed from: <https://grattan.edu.au/news/morrison-health-handout-is-bad-policy-but-might-be-good-politics/>
- 26 Gonski 2.0 had a strong focus on data-driven instruction and personalised learning to ensure that each student in any year achieves at least 12 months equivalent of progress. For a discussion see Goss, P. (2018). 'Two steps forward, one back in march towards fair outcomes for schools'. Grattan Institute, 12 October 2018. Accessed from: <https://grattan.edu.au/news/two-steps-forward-one-step-back-in-march-towards-fair-outcome-for-schools/>
- 27 For details see Australian Government, The New Child Care Package, 2 July 2018. Accessed from: <https://www.education.gov.au/ChildCarePackage>
- 28 From 2020 this will be applied under Performance-Based Funding for the Commonwealth Grants Scheme, which will allow universities to access funding in line with population growth if they meet performance requirements. These requirements are currently under review. Accessed from: <https://www.education.gov.au/performance-based-funding-commonwealth-grant-scheme>
- 29 See, for example, Norton, A. (2018). 'To fix higher education funding, we also need to fix vocational education, Grattan Institute, 5 September 2018. Accessed from: <https://grattan.edu.au/news/to-fix-higher-education-funding-we-also-need-to-fix-vocational-education/>
- 30 The legislation has yet to be passed, but the budget savings have been booked to consolidated revenue. Australian Government, Budget 2018-19, Reforming the R&D Tax Incentive. Accessed from: <https://www.budget.gov.au/2018-19/content/factsheets/6-tax-integrity.html>
- 31 Mannix, L. (2018). 'Labor will 'defend science'. Bill Shorten tells researchers,' *Sydney Morning Herald*, 28 November 2018. Accessed from: <https://www.smh.com.au/national/labor-will-defend-science-bill-shorten-tells-researchers-20181128-p50ixq.html>
- 32 This includes extending the Farm Household Allowance (FHA) threshold test from \$2.6 million to \$5 million, expanding eligibility from three to four years and introducing a one-off Special Drought Supplement of \$3600 for singles and \$3000 each for couples (MYEFO, p.150).
- 33 Murphy, K. (2018). 'We've turned a corner: farmers shift on climate change and want a say on energy,' *The Guardian*, 20 June 2018. Accessed from: <https://www.theguardian.com/australia-news/2018/jun/30/weve-turned-a-corner-farmers-shift-on-climate-change-and-want-a-say-on-energy>
- 34 Australian Government (2018). 'Record investment in the Great Barrier Reef to drive jobs', 29 April 2018. Accessed from: <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=ld:percent22media/pressrel/5935805percent22>
- 35 Uluru Statement from the Heart (2017). Accessed from: [https://www.referendumcouncil.org.au/sites/default/files/2017-05/Uluru\\_Statement\\_From\\_The\\_Heart\\_0.PDF](https://www.referendumcouncil.org.au/sites/default/files/2017-05/Uluru_Statement_From_The_Heart_0.PDF)