

Federal election 2016: Labor's \$8bn budget shortfall

David Uren, The Australian, May 20, 2016



Opposition Leader Bill Shorten at the 2016 Go West awards in Sydney last night. Picture: Jonathan Ng

Labor is facing a budget shortfall of at least \$8 billion on the strength of policies announced so far and the measures it has blocked in the Senate, with major new spending initiatives on hospitals and the NBN yet to be unveiled.

The cost of Labor's policies is under scrutiny after Bill Shorten made a \$2.4bn promise to reverse a budget cut to Medicare that Labor made in its final 2013-14 budget. The Opposition Leader said yesterday that, while Labor's decision to freeze Medicare indexation for 12 months had been about repairing the budget, the Coalition's extension of that freeze for six years was "a matter of - undermining bulk-billing and Medicare". The new Medicare policy brought the total cost of Labor's spending policies at the end of the second week of the eight-week election campaign to \$11.6bn.

The cost of Labor's election platform has been at the heart of the Coalition's attack, with Scott Morrison claiming the shortfall reaches almost \$70bn. "Labor can't go out there and tell the Australian people that they are going to spend more money when they simply do not have the savings, or even the revenue with their higher taxes, to pay for those sorts of commitments," the - Treasurer said yesterday.

Labor rejects the Coalition's assessment. Its finance spokesman Tony Burke said Mr Morrison and Finance Minister Mathias Cormann had spent the final week of parliament trying to hide the cost of their company tax policy but "try to get away with inventing and costing policies Labor hasn't - announced".

The Coalition assessment includes \$44bn of savings measures that Labor opposed in the Senate but which the Coalition succeeded in passing. Labor has made no election promises to revoke these measures.

Mr Morrison is also counting as measures blocked in the Senate several policies, adding up to \$3.8bn, that have yet to be debated in parliament. However, even Labor's own figures show it is struggling to make ends meet.

Labor's big tax measures, including its decision to oppose the company and personal income tax cuts in the budget, will yield a total of \$16.3bn over the four-year budget period, which is still - comfortably ahead of its spending so far. Labor must also include in its budget calculations the cost of the savings measures proposed by the Coalition that it has opposed in the Senate and succeeded in blocking with the support of crossbenchers and the Greens. These measures, totalling \$12.7bn over the next four years, have all been included in the Coalition's budget, which assumes they will take effect in 2016-17 and must be added to the cost of Labor's spending.

Although Labor has already unveiled its big commitment to reinstate the Gonski school funding, costing \$3bn over the budget period, it has yet to release major policies on hospital funding, NBN and families policy.

The row over costings came on the eve of today's release of Treasury's Pre-Election Economic and Fiscal Outlook, which is signed off by the secretaries of the Treasury and Finance Departments. The document is an independent assessment of the state of the economy and the budget.

It is expected to highlight the risks of lifting spending at a time when revenue remains weak.

The Coalition has been attacking Labor over its plan to double Australia's humanitarian refugee intake after opposition immigration spokesman Richard Marles was unable to detail the cost of the move.

Labor's website puts the cost of its asylum-seeker policies at \$450 million.

Labor has presented some of its big policies with 10-year costings as well as the four-year budget period. Some of its tax proposals have been estimated by the Parliamentary Budget Office to yield much larger sums beyond 2020.

For example, Labor's promised negative gearing restriction is said to save \$32.1bn over a decade but only \$565m over four years.

However, the four-year budget period is how the party's election platform will be judged. Even an \$8.6bn gap over the budget period will need to be made up somehow, as it would be politically difficult for Labor to go to the election with policies promising a blowout in the deficit.

Labor's website is promising "100 positive policies", with the tally of costed policies so far up to 65. There is also a number of policies that do not carry costings, such as its plan to have a constitutional convention on the republic and support penalty rates.

Many of its policies are targeted at small groups, such as a \$40m water safety fund, programs for breast (\$7m) and prostate (11m) cancer, and a \$150m investment in the University of North Tasmania.

Labor's budget calculations were disrupted by the Coalition adopting its tobacco tax policy as well as a rival means of raising the tax on higher wealth superannuation funds. Labor had expected to raise \$3.8bn from tobacco tax over the budget period and \$1.4bn from superannuation. Labor believes it can still save \$1.9bn from its crackdown on multinational companies, on top of the \$3.7bn in additional tax which the Coalition said would be raised from setting up its multinational tax avoidance taskforce.