

## Federal Labor: Policy Announcements and Costings

June 2016

Leader of the Federal Opposition, the Hon Bill Shorten MP has released a suite of policies the Labor Party will take to the 2 July 2016 election.

Federal Labor's election policy costings have been assessed by an independent panel, consisting of Professor Robert Officer AM, Dr Michael Keating AC and Mr James MacKenzie.

The panel indicated that Labor's Fiscal Plan presents a high degree of certainty due to more than half of the policy costings having capped funding.

The panel also indicated that, due to all of the costings in Labor's Budget Plan being of a similar quality as current Budget estimates generally, this represented a reasonable basis for assessing the net financial impact on the Commonwealth Budget.

Federal Labor's fiscal plan indicates the Budget will come into balance by 2020-21 with Budget surplus delivery over the medium term.

The following is a summary of Labor's policies that are of particular interest to business or which have a significant Budget impact.

Full details of all Labor policies can be found [here](#).

Federal Labor's 10 Year Plan for Australia's Economy is available [here](#).

Labor's Economic Plan including the full costings of policies can be found [here](#).

### Table of Contents

Economy.....	2
Innovation .....	3
Infrastructure .....	4
Superannuation .....	4
NBN .....	5
Jobs .....	5
Education and Childcare .....	6
Climate Change .....	6
Health.....	7
Creative Industries .....	8

### ***Economy***

Federal Labor announced that all of the party's election policies have been fully costed and funded through budget reforms that build over time, with a net savings position of \$10.5 billion over the next 10 years.

- **Small business tax cuts:** A Shorten Labor Government will provide small businesses with a tax break of up to \$20 000 if they hire a parent returning to work, a carer or Australian under 25 or over 55. The tax break would offset the wages of up to five new employees. Businesses that have been in existence for two or more years and with a turnover of less than \$2 million will be able to claim a 40 per cent deduction on top of the amount they can currently claim for their employees. This will decrease the small business company tax rate to 27.5 per cent.
- **Capital gains tax:** A Shorten Labor Government will set the capital gains discount on all asset sales from 1 July 2017. This means that assets held for longer than 12 months will attract a 25 per cent capital gains discount, lowered from the current 50 per cent. This proposed policy will not affect investments made by superannuation funds. Further, the capital gains tax discount will not change for small business assets.
- **Capping deductions for managing tax affairs:** From 1 July 2017, a Shorten Labor Government will limit the amount deductible for tax accounting at \$5000. This cap will however, not be applicable to small businesses with a positive income and an annual turnover of less than \$2 million. The independent Parliamentary Budget Office has costed this policy and indicated savings of \$295 million over the forward estimates.
- **Banking Royal Commission:** A Shorten Labor Government will establish a royal commission into misconduct in the banking and financial services industry and has allocated \$53 million over the forward estimates towards this policy.
- **Negative gearing:** A Shorten Labor Government will limit negative gearing from 1 July 2017 to only new houses. Labor's fiscal plan indicates that changes to negative gearing and capital gains will deliver \$7 billion in savings by 2026-27.
- **Multinational companies and tax:** A Shorten Labor Government will allocate \$1.6 billion over the forward estimates towards a multinational tax package. The package will ensure multinational companies fully comply with the Australian tax system. The package will restore the \$100 million threshold for reporting the tax affairs of large private firms and will introduce an obligation for multinationals to disclose the beneficial ownership for Australian legal identities.
- **Budget Transparency:** A Shorten Labor Government will provide the independent Parliamentary Budget Office with enhanced responsibilities relating to macroeconomic reporting to:

- prepare the macroeconomic forecasts that underpin all key Budget statements and updates;
  - prepare and publish the Intergenerational Report every five years; and
  - prepare and publish an annual structural budget balance statement.
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- **Australian Treasury Outreach Office – Perth:** A Shorten Labor Government will, across the forward estimates, allocate \$4 million towards an Australian Treasury outreach office in Perth, in order to strengthen links with Australian businesses and to foster engagement with neighbouring international economies.
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- **Research and Development Investment Target:** A Shorten Labor Government has nominated the goal of devoting three per cent of Australia’s GDP to research and development by the end of the next decade.

### *Innovation*

- **Smart Investment Fund:** A Shorten Labor Government will allocate \$7 million over the forward estimates to establish a new Smart Investment Fund to assist early stage and high potential companies bring their idea to the market. A Shorten Labor Government will partner with venture capitalists and licensed fund managers, and provide a Commonwealth contribution of up to 50 per cent of the start-up capital needed by the Australian company to compete globally. Mr Shorten has acknowledged that start-ups also include social enterprises and not-for-profits driven by technology which deliver innovative outcomes and address particular areas of social need.
- **Innovate Australia:** A Shorten Labor Government will establish Innovate Australia - an independent body that will oversee the administration and delivery of new innovative initiatives as well as existing programs. The independent body will have the responsibility to identify opportunities for economic growth and provide expert advice to governments.
- **Innovation Investment Partnership:** A Shorten Labor Government will work with the superannuation, venture capital and startup sectors to explore opportunities and overcome barriers to investment in Australian-based venture capital funds, including engaging with superannuation funds to invest in highly innovative businesses.
- **Regional Innovation Hubs:** A Shorten Labor Government will, over the forward estimates, allocate \$17 million to create a Regional Innovation Hubs. Across three years, up to 20 new accelerators will be established and allocated with seed funding. The accelerators will be established based on applications from consortia that must include, at a minimum:
  - a regional university or TAFE;
  - local government(s); and
  - a local business organisation (such as a Chamber of Commerce) or a group of local businesses.
- **CSIRO:** A Shorten Labor Government will invest \$181 million over the forward estimates in additional funding towards the CSIRO for key national scientific infrastructure.

### **Infrastructure**

- **Infrastructure Australia:** A Shorten Labor Government will strengthen Infrastructure Australia to become an active participant in the infrastructure market with an allocation of \$29 million over the forward estimates. An independent expert panel will also be appointed to advise on investing in new projects.
- **Concrete Bank:** A Shorten Labor Government will establish a \$10 billion 'Concrete Bank' – a new financing facility for public works and major projects that are currently stalled. It will be initially capitalised through existing funding in the "Building Australia Fund", and will also encourage additional investment through leveraging capital currently under management in superannuation funds and from seed funding and direct investment by the private sector.
- **Townsville Sports Stadium, Queensland:** A Shorten Labor Government will co-fund the construction of a new Townsville Stadium with the Queensland Government. A Shorten Labor Government will allocate \$100 million towards the project, with construction expected to commence in 2018 with completion by 2020.
- **High Speed Rail Authority:** A Shorten Labor Government will allocate \$20 million over the forward estimates to establish a High Speed Rail Authority to oversee international expressions of interest to build a High Speed Rail link between Brisbane and Melbourne, via Sydney and Canberra.
- **Priority Projects:** The Opposition Leader has also announced a short-list of priority projects a Shorten Labor Government would support, which includes:
  - Completion of the Maldon – Dombarton railway line, New South Wales, with an allocation of \$50 million across the forward estimates;
  - The Melbourne Metro, Victoria with an allocation of \$245 million across the forward estimates;
  - The Cross River Rail project in Brisbane, Queensland, with an allocation of \$150 million across the forward estimates;
  - The Midland Highway, Tasmania, with an allocation of \$30 million across the forward estimates;
  - Perth Metronet, Western Australia, with an allocation of \$760 million across the forward estimates; and
  - Gawler Line electrification and AdeLINK in Adelaide, South Australia with an allocation of \$500 million across the forward estimates.

### **Superannuation**

- **Superannuation:** A Shorten Labor Government will conduct a review of the Turnbull Government's changes to superannuation, but ensure that the implementation of any alternative measurers would achieve a similar savings.

The Opposition remains concerned about the Turnbull Government's retrospective changes to the superannuation system, announced in the 2016-17 Budget. These concerns will be considered that as part of the review.

Potential changes could include the Opposition's initial superannuation policy, under which future earnings on assets supporting income streams would be tax-free up to \$75,000 a year for each individual. Earnings above the \$75,000 threshold would attract the same concessional rate of 15 per cent that applies to earnings in the accumulation phase

### **NBN**

- A Shorten Labor Government will connect an additional two million businesses and houses to the NBN via fibre to the premises. Premises with a fibre connection can receive internet speeds of up to one gigabit per second. Funding for the NBN will be capped at \$57 billion.

### **Jobs**

- **Metals Manufacturing:** A Shorten Labor Government will implement its six-point *Plan for Australian Metals Manufacturing and Jobs*. The plan proposes to:
  1. Introduce new steel procurement regulations that require projects receiving government funding to use steel that meets Australian standards and certification requirements.
  2. Enhance Australian Industry Participation Plans to provide steels producers with the opportunity to participate in federal projects.
  3. Labor will halve the threshold for private projects to prepare an Australian Industry Participation Plan from \$500 million to \$250 million. We will also halve the public sector threshold from \$20 million to \$10 million.
  4. Establish an Australian Industry Participation Authority and appoint an Australian Industry Participation Board to advise and assist those developing major projects.
  5. Enhance a Commonwealth Government relationship with the Anti-Dumping Commission.
  6. Create a National Steel Supplier Advocate that will work with small and medium sized steel fabricators to collaborate and generate consortia and co-production deals that will enable the delivery of products at scale and in more competitive ways.
- **Manufacturing Transition Boost jobs package:** A Shorten Labor Government will, across the forward estimates allocate funding of \$59 million to assist existing automotive businesses develop and implement plans to plug into new supply chains, bring new products to market and improve productivity.
- **Youth Jobs Pathway:** A Shorten Labor Government will introduce a Youth Jobs Connect pilot program for 3000 young people to complete a six-month program designed to provide them with necessary skills to actively participate in the workforce.
- **Apprentice Ready:** A Shorten Labor Government will, across the forward estimates, allocate \$38 million towards *Apprentice Ready*. It is estimated this will create 10 000 new *Apprentice Ready* places, targeted at young people who have been unemployed for six months or more. Further, a Shorten Labor Government will provide an additional incentive payment of \$1000 to employers who hire *Apprentice Ready* apprentices.

- **Apprenticeships:** A Shorten Labor Government will require that major federal infrastructure projects receiving federal funding have one in 10 employees as apprentices.

### ***Education and Childcare***

- **Higher Education:** A Shorten Labor Government will allocate \$1.7 billion towards a Higher Education Package, across the 10 year forward estimates.
- **Science, Technology, Engineering and Maths (STEM):** A Shorten Labor Government will allocate \$2 million across the forward estimates to provide 100,000 STEM Award Degrees over five years. Should the degree be completed, the student will not be required to re-pay the HECS-HELP.
- **VET:** A Shorten Labor Government will introduce a loan cap of \$8000 per year in the VET FEE-HELP scheme. Labor will also introduce legislation to provide the Department of Education and Training with powers to suspend VET FEE-HELP payments to a provider for non-compliance with the Higher Education Support Act and VET guidelines.
- **Your Child. Our Future – Gonski Funding:** A Shorten Labor Government will allocate a \$5.2 billion funding package across the forward estimates, towards the basis of a students' need.
- **Coding:** A Shorten Labor Government will allocate \$13 million over the forward estimates to establish a National Coding in Schools centre (NCIS). This initiative will provide teachers with the opportunity to develop their digital proficiency skills and for students obtain opportunities to learn coding.
- **Girls into Code:** A Shorten Labor Government will establish a \$4.5 million grants program that will be made available to organisations that support outcomes by encouraging girls to learn to code.
- **Child Care:** A Shorten Labor Government will, from 1 January 2017, increase the Child Care Benefit Scheme by 15 per cent and increase the Childcare Rebate cap to \$10 000 per child per year.

### ***Climate Change***

- **Renewable Energy:** A Shorten Labor Government will work with energy providers to enter Power Purchase Agreements to ensure 50 per cent of Australia's electricity sourced from renewable energy by 2030. A Shorten Labor Government would also introduce a pollution reduction target of net zero pollution by 2050.
- **Emissions Trading Scheme (ETS):** The policy proposes a two phased ETS:
  - Phase one of the ETS will operate for two years, from 1 July 2018 until 30 June 2020, to align with the second (and final) period of the Kyoto Protocol. It would impose a cap on carbon pollutions produced by facilities emitting more than 25,000 tonnes of

carbon pollution per year (“liable entities”). It would not impose a direct cost on these liable entities.

- Phase two of the ETS would operate from 1 July 2020. Under this ETS, pollution levels will be capped and reduced over the course of the decade. The design of the 2020 ETS would be finalised during the 2016-2019 Parliament and commence after the 2019 election, following industry consultation.
- **Community Power Network:** A Shorten Labor Government will allocate \$74 million across the forward estimates to establish the Community Power Network and Community Power Hubs. A Shorten Labor Government will work with State Governments to establish 10 Community Power Hubs that will assist local communities to access renewable energy. The Community Power Network will provide communities with access to online resources to develop and share ideas.

### **Health**

- **Medicare:** A Shorten Labor Government will allocate \$1.6 billion across the 10 year forward estimates towards resuming the indexation of the Medicare Benefits Schedule.
- **Hospital Funding:** A Shorten Labor Government will restore the National Health Reform Agreement for four years, at the originally agreed funding formula of 50 per cent of growth in costs based on the National Efficient Price. Additional support will be provided to the States and Territories to reduce waiting times for elective surgery and in public hospital emergency departments. This policy will boost hospital funding by \$2 billion on the basis of actual services performed.
- **Removing the Private Health Insurance Rebate:** A Shorten Labor Government will remove the Private Health Insurance Rebate from policies that only cover public hospital treatment. This policy will cease taxpayers subsidising private health policies, where people end up receiving treatment in the public health sector. The independent Parliamentary Budget Office has indicated this policy will save \$135.1 million over the forward estimates.
- **Australian Healthcare Reform Commission:** A Shorten Labor Government will establish a permanent Australian Healthcare Reform Commission to advise all levels of government to investigate opportunities to improve the healthcare system.
- **Tobacco Excise**  
A Shorten Labor Government will introduce four annual 12.5 per cent increases in excise on:
  - 1 September 2017;
  - 1 September 2018;
  - 1 September 2019; and
  - 1 September 2020
- **Indigenous Eye Health Assistance:** A Shorten Labor Government will allocate \$9.5 million towards addressing Aboriginal and Torres Strait Islander eye health and vision loss.

### ***Creative Industries***

- **Australia Council for the Arts:** A Shorten Labor Government will re-establish the standing of the Australia Council for the Arts and provide \$60 million across the forward estimates from 2017.
- **Regional Arts:** A Shorten Labor Government will allocate \$6 million over the forward estimates towards to a Regional Arts fund.

### **Further information**

Federal Labor's 10 Year Plan for Australia's Economy is available [here](#).

Federal Labor's Fiscal Plan including full costings of Labor's policies is available [here](#).

The suite of Federal Labor's election policies are available [here](#).

The Hawker Britton Occasional Paper on the Federal Budget in Reply is available [here](#).

The Hawker Britton Occasional Paper on Federal Labor's 10 Year Economic Plan is available [here](#).

The Hawker Britton Occasional Paper on Federal Labor's Climate Change Policy is available [here](#).

The Hawker Britton Occasional Paper on Federal Labor's *Your Child, Our Future* policy announcement is available [here](#).