The government is trying to encourage jobs and growth in the 2016 budget through some measures for young job-seekers and working families while establishing tougher rules on welfare.

Working families will have to wait for the childcare subsides in the Jobs for Families package. But there is A$840 million in the budget for a Youth Employment Plan to help up to 120,000 young people secure jobs. The government will extend the time people can spend in job-active services before they have to start Work for the Dole from six to 12 months.

The budget provides an additional $100 million over three years to address family violence. The measures will draw on the recommendations of the National Plan to Reduce Violence Against Women and builds on the $101.2 million in the 2015-16 mid-year budget update.

The government is spending an additional $29.9 billion over ten years to deliver the plans outlined in the 2016 Defence White Paper. This includes the funding for 12 new submarines, nine future frigates and 12 offshore patrol vessels.

The public service will be the focus of “Smaller Government” reforms, with portfolio stocktakes and functional and efficiency reviews.

The Conversation’s experts react to these and other aspects of the budget measures below.

How does the budget fit in with the government’s political narrative?

Natalie Mast, Associate Director, Performance Analytics, University of Western Australia

The Turnbull government finds itself in a precarious position politically, stuck between the proverbial rock and hard place.

There needs to be investment in the future, thus the partial continuation of Gonski, as well as funding for infrastructure (be it new money or rebranded funding).

It’s rare to have an election without sweeteners, and thus there are small adjustments to prevent bracket creep for middle-income earners. The adjustments to super concessions impact on so small a percentage of the population that it looks like the government is simply reducing concessions to the rich and providing a small tax break of $500 to low-income earners (under $37,000 per annum).

When Malcolm Turnbull came to power, the electorate was told everything was on the tax reform table. Nine months later, there’s little that hasn’t been rejected, and the structural problems within the tax system remain untouched.

The big tax measure sees cuts in company tax for small businesses and the continuation of the $20,000 equipment tax write-off, which is set to cost $5.3 billion over four years. Compare this to the 12.5% rise in the tax on tobacco, which will generate $4.7 billion over the same period.

It would be a brave government that faced an election with a significant tax reform agenda. But if the Coalition is serious about reforming the economy, bringing the budget back to surplus and ensuring future generations are not burdened by an ever-expanding level of debt, tax reform is essential.

Assuming the Coalition is returned at the July election, the question then becomes: how serious is Turnbull about leaving his mark on Australia? Rather than wait for the 2017-18 budget, the government could use the mid-year economic and fiscal outlook as the catalyst for reform.
Fundamentally, the 2016-17 budget is a holding one, with tinkering on the sides. If reform is coming, given all we know of Turnbull, it will happen quickly following the election.

A damp squib for infrastructure

Jago Dodson, Professor of Urban Policy, and Director, Centre for Urban Research, RMIT University

This is an uninspiring budget for urban infrastructure. In this area one might expect to see new and urgent intervention to transition our cities away from carbon-dependent transport systems, to improve access to infrastructure for socioeconomically less-advantaged households, to support improved urban productivity and to ensure a more equitable distribution of economic activity. The budget largely ignores the infrastructure questions facing our cities.

Most of the claimed $50 billion in funding is dedicated to existing commitments to roads, airports, bridges, passenger and freight rail.

Victoria gets the bulk of some new $2.9 billion in so-called “essential” infrastructure across Australia. Of this some, $350 million of pre-announced funding will support widening of the Western Ring Road and a further $500 million goes to the Monash Freeway. A mysterious $75 million has been announced for “urban congestion”, while $3 billion has been allocated to support the East West Link in the unlikely case that project is ever revived.

All of these schemes will continue to expand car dependence and keep Australian cities on their highly carbon-intensive urban transport path. The sole public transport initiative is a paltry $10 million to assist with the business case for the Melbourne Metro.

Asset-recycling agreements worth an initial $3.3 billion will be offered that expect to “unlock” $23 billion in further state and territory funding, though none of these are described.

Oddly the budget doesn’t appear to allocate funds to the new Smart Cities Plan that was released last Friday. In that scheme was a proposed $50 million Infrastructure Financing Unit intended to develop arrangements to draw private equity into urban infrastructure.

Perhaps this is buried elsewhere in the budget. Or maybe it signals the Smart Cities Plan is merely a draft and dependent on states to contribute to the “city deals” the scheme anticipates.

Overall this is an unremarkable budget for urban infrastructure. It seems to appreciate little of the challenges facing our cities and does even less to address them. It appears to be a placeholder to be superseded by a shower of baubles during an election campaign, or perhaps a future urban reform program expanding and extending the Smart Cities scheme.

Matthew Beck, Senior Lecturer in Infrastructure Management, University of Sydney

With a total spend of A$50 billion, infrastructure represents a key plank of the federal budget. While ostensibly targeting future economic growth and productivity, one cannot also fail to see this potential demand inducing spend in the light of low inflation and slow activity in non-mining sectors.

Not one specific new project was announced. But there is already a large amount of development and construction occurring on the ground in several states. Thus, this budget acts more as providing a longer-term pipeline of projects in key areas.

As the Australian economy transitions from mining into an increased focus on the knowledge and service sectors, cities are crucial to productivity and competitiveness in these spaces.

On the surface, the budget places a greater emphasis on cities by making funding available for public transport infrastructure within Sydney and Melbourne, contingent on further asset recycling.
This is a shift from the previous focus on roads and an acknowledgement that what will be happening in cities will be increasingly important to our national economic future. The $2 billion allocated to water infrastructure also hints at securing the viability of future cities.

Freight has long been an important infrastructure issue. With ongoing support for the inland rail link between Melbourne and Brisbane, we may see some progress on this front – though a plan for a road link has existed for some time.

Interestingly, money is set aside for land acquisition, the preservation of corridors being an important emphasis of the Infrastructure Australia plan. Whether the money translates to action we will have to wait and see. The potential for heavy road user charging still receives no considered attention.

Prior to the budget much of the discussion about transport infrastructure surrounded value capture as a way of increasing funding for roads and rail. However, this mechanism was not mentioned in the treasurer’s speech.

Further examination of the budget documents will be required. But if value capture is going to be important in funding transport, several important issues will need to be tackled. Specifically, how will the historic reticence of state governments to use this method be fixed, and what constitutes appropriate governance structures such that consistent, best-practice planning and decision-making will be applied across each state?

Not as much focus on welfare reform as previous budgets

Peter Whiteford, Professor, Crawford School of Public Policy, Australian National University

In the Coalition government's previous budgets – particularly its first in 2014 – savings were predominantly proposed in the area of social security and welfare spending. At one level this is not surprising. Social security and welfare accounts for around one-third of all Commonwealth government spending.

But as the OECD has pointed out, because Australia has the most-targeted social security system in the rich world, cuts to social security are likely to significantly increase inequality. Perceptions of the unfairness of these proposals were important in derailing the 2014 budget.

In the 2016-17 budget, social security and welfare continues to account for the largest single share of government spending. While this function will continue to see the strongest growth in spending, this is virtually entirely due to the continuing roll-out of the National Disability Insurance scheme (NDIS) over the forward estimates.

Also built into the forward estimates is a range of savings measures that have not yet been passed by the Senate. These include cuts to family payments for low-income families, reductions in Pharmaceutical Benefit Scheme concessions, the higher age pension eligibility age, the one-month waiting period for young people to access income support, and lower payments for many young unemployed people.

Phasing out the compensation for carbon pricing will also reduce benefits for new recipients of the Newstart Allowance.

While this may appear appropriate, as the Australian Council of Social Service has pointed out, the income tax cuts that were also intended to compensate for the carbon price remain in place. It is anticipated savings will also be made through an additional 90,000 medical reviews of people receiving the Disability Support Pension.

There is a range of positive initiatives in addition to the ongoing support for the NDIS. These include around $96 million for a "Try, Test and Learn" fund to finance innovative policy interventions to help people who have the capacity to work but appear to be at risk of long-term reliance on welfare payments.

More substantially, around $750 million over four years will go into a suite of new assistance for young job-seekers.
Budget fails women and child victims of domestic violence

Kate Fitz-Gibbon, Senior Lecturer in Criminology, Monash University

The 2016 budget is further confirmation that the federal government is more concerned with threats abroad and public violence than the scourge of family violence permeating every corner of the Australian community.

Of the $450.5 billion allocated as part of the federal budget, there is $100 million allocated over three years to domestic and family violence. That funding is committed towards delivering on the National Plan to Reduce Violence against Women and their Children 2010-2022 and the recommendations of the April 2016 COAG advisory panel report.

The budget also allocates $5.1 million to continue commitments made as part of the National Framework for Protecting Australia’s Children 2009-2020. That funding will go towards the Building Capacity in Australian Parents trial, a program aimed at building parenting skills in vulnerable families – including where a parent has a mental illness, is imprisoned, or faces significant disadvantage.

In comparison to the $100 million allocated to family violence, the budget allocates $30 billion in funding for national security, with the promise of “keeping Australians safe”.

While national security threats should undoubtedly feature as a Commonwealth commitment, the significant disparity in funding is alarming.

- It ignores the reality of where Australians need protection most.
- It ignores the previously declared “national emergency” that kills on average one woman in Australia each week.
- It does little to deliver on the pleas made by the sector for investment in specialist domestic and family violence services, community legal centres and primary prevention initiatives. These critical services will continue to be inadequately funded and resourced.

In comparison to the Victorian state budget announced last week, the federal commitment to improving prevention of and responses to family violence is barely a drop in the ocean.

Relief on science and research funding

Merlin Crossley, Deputy Vice-Chancellor Education and Professor of Molecular Biology, UNSW Australia

While relatively few champagne corks will be popping tonight in Australia’s laboratories there won’t be that many tears shed either. It’s probably worth opening a beer and sipping it with relief on this one.

The budget is fairly steady. Many of the positives were previously announced in the National Innovation and Science Agenda (NISA) late last year. This reminded us that the government is listening and does recognise that Australian science, infrastructure, and industry-linked research are important.

It is as if the government realises the wealth generated in the West since the industrial revolution and the spectacular recent growth in our region has indeed been fuelled by research. This budget is careful to avoid any major harm to the fragile pipelines that continue to support Australian science.

The additional commitments and discussions about funding schools, STEM education, and the stay of execution on cuts to higher education reinforce the idea that a positive dialogue is on the horizon and that our universities stand a chance of remaining competitive powerhouses of economic growth, major attractors of international students, and export earners.

The champions of strategic-targeted research will be pleased with the investments in Geoscience Australia, the
Australian Antarctic Division, the contribution to the Bureau of Meteorology computer, and that the Medical Research Future Fund appears to be on track.

Those who dream of creating an innovation nation where more of our most talented young people are launched on stable careers of discovery and application may be feeling a little underwhelmed. But it is up to all of us to work positively with our leaders to make the case for visionary and sustained investments in the research activities that are so vital for our future.

The ABC takes a hit

Andrew Dodd, Program Director – Journalism, Swinburne University of Technology

As expected the ABC has taken a hit in the budget. Its Enhanced Newsgathering Program, which produces well-loved services such as Fact Check, will be reduced by several million dollars. The service will receive $41.4 million over three years, compared with the $20 million it received in the last financial year.

The ABC announced it:

… will seek to maintain as many of the initiatives as possible, with a focus on delivering for Australians in regional and outer-suburban areas. However, there will necessarily be some changes to staffing and programming in line with the reduced allocation of funds.

Many of the ABC’s most innovative services have been driven by the Enhanced Newsgathering Program, which was introduced in the last triennial funding round to improve local and regional news-gathering and to set up offices in outer-suburban areas and to create digital news services in each of the states.

The ABC’s statement said:

These news-gathering initiatives complement the comprehensive, independent and trusted news coverage provided by ABC News across its platforms and channels.

It is likely that there will be cuts, meaning the ABC can expect job losses in coming weeks.

However, the ABC can take some comfort from the fact that it’s not in the government’s sights for another ideologically driven round of major cuts. Its next triennial funding, for 2016-19, is relatively intact. This means its core funding will be indexed and will total $3.1 billion from 2016-17.

Commercial TV and radio broadcasters have done very nicely. The government has accepted the argument that digital disruption and the collapse of business models have placed “significant financial pressure on commercial broadcasters”. So, licence fees – the money broadcasters spend to get exclusive access to bandwidth and spectrum – will be cut by around 25%.

This will be effective from next financial year. It will cost $163.6 million over the forward estimates period. These concessions come too late to save the jobs cut in recent years in several regional markets, where commercial media companies shed programs and consolidated services into central hubs, sometimes far removed from the markets they serve.

No shift in NBN approach

Thas Ampalavanapillai Nirmalathas, Director – Melbourne Networked Society Institute, Professor of
In the 2014-15 budget, the Abbott government capped investment in the National Broadband Network (NBN) by limiting its aggregate investment in the NBN to $29.5 billion, falling short of the original forecast of $44.1 billion.

In that year, the budget forecasts included outlays of $7.84 billion in the last fiscal year and $8.33 billion in the next financial year. This will force nbn co. to seek to alternative methods of financing through private equity or debt financing to meet the future operational and capital expenditure required to complete the network’s roll-out.

The company’s corporate plan outlines a $12 billion debt financing (downgraded to $9 billion in its 2016 plan) initiative, along with its forecast revenue, to finance its $57 billion roll-out cost.

The company’s revenue has consistently fallen behind initial projections; the 2016 plan outlines a cumulative revenue of only A$3 billion over the 2015-18 period. This has only been exacerbated by further delays in the roll-out. Not connecting more customers leads to a failure to generate a steady stream of revenue.

The 2016-17 budget reconfirms the government’s capped investment, with $8.83 billion as the last tranche of funding to flow to nbn co. during 2016-17. This is a further affirmation of the Turnbull government’s repeated claims that the NBN roll-out is going according to plan and will be cheaper and faster to deploy, not withstanding the latest leaks highlighting roll-out delays.

Repeated reviews of the NBN agenda by the two major parties have resulted in delays and uncertainty in funding commitments to get the project completed.

Connectivity is increasingly becoming a key enabler for the new data-driven and networked economy. Yet the budget is completely silent on the changes required to keep the NBN delivering its original promise and timely completion. Labor has also been very quiet about its commitment to broadband.

Australia needs a re-commitment to broadband and internet connectivity. We require bipartisan support to ensure the NBN delivers the promise without any delays and the taxpayer investment returns a dividend to the nation through a potential market capitalisation of nbn co. post-2020.

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**Defence is a big winner**

Daniel Baldino, Senior Lecturer in Politics and International Relations, University of Notre Dame Australia

Defence is a strong winner. The defence spending spree remains generous. In order to expand Australia’s military might, defence spending is a clear exception to the general oft-repeated rule of fiscal constraint.

Such a cash bonanza does appear even blunter when contrasted to a free-falling foreign aid budget. This cash injection for defence is closely tied to the government’s own promises that it had laid out in its recent defence white paper.

The white paper had addressed competitive geopolitical dynamics – a gloomy undertone underwritten by regional “points of friction” and differences between the US and China – and the implications for Australia’s strategic position. The defence spending target of 2% of GDP remains (by 2020-21) – earlier than initially planned – while the link between what the Australian Defence Force (ADF) will receive and the health of the economy has been “decoupled”.

Past assurances and pledges of spending have been fused within this budget. For the ADF, this is a substantial economic roadmap to cover new equipment, capital investment, operating costs and personnel. The white paper had promised a planned rise to $32 billion in expenditure in 2016-17 that would increase in subsequent years. The budget does not deviate from this outlined spending program. Defence will get $32.3 billion for the 2016-17 financial year.
Further, the government will deliver around $1.6 billion over the period to 2025-26 towards innovation and bankroll a Next Generation Technologies Fund ($730 million), a Defence Innovation Hub ($640 million) and a Centre for Defence Industry Capability to help Australian industry support defence ($230 million).

The budget has attempted to balance costs in order to maintain the ADF’s capabilities. However, the “big-ticket” equipment items are its most heavily weighted, and arguably politically divisive, centrepiece.

A significant portion of this new spending is tied to ensure positive contributions to ADF military modernisation and investing in long-term defence assets such as Reconnaissance Helicopters, Hobart-Class Air Warfare Destroyers, and F-35A Lighting II Joint Strike Fighters. Overall, defence-building projects will receive $195 billion over ten years.

Perhaps most controversially, the government has agreed to spend $50 billion to design and construct 12 new submarines. It also means that major overhauls in blue-water capability will now involve Barracuda-class submarines.

The awarding of the contract to the French-owned DCNS is very expensive and will remain complex. But it does have significant domestic (and job creation) consequences for two Australian shipyards – major warships in Adelaide and minor vessels in Western Australia.

Overall, the Navy will be upbeat and work towards a clear regional capacity edge with a range of new maritime investments that also included frigates, offshore patrol vessels and replacement Pacific patrol boats.

Operation Okra and the ongoing fight against Islamic State have been boosted by $351 million for one year’s maintenance.

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**More cuts to foreign aid**

**Susan Harris Rimmer, Australian Research Council Future Fellow, Griffith Law School, Griffith University**

A further $224 million has been cut from the aid budget, meaning that $11.3 billion has now been cut over the last two years to the lowest level of generosity as a proportion of Gross National Income in decades. Aid is now 23 cents in every $100. Indonesia and multilateral organisations are the losers.

There can no longer be any intimation that the cuts are due to quality or effectiveness of programs. The Papua New Guinea and Pacific programs that had been ringfenced by Foreign Minister Julie Bishop must now be affected.

There is already speculation that PNG faces cuts after the Manus Island detention centre closure. This would constitute a distortion of the purposes of the aid budget, already distorted by immigration policy. Advocates of the AustralianAid campaign are devastated by the impact these cuts are now having on the beneficiaries of the programs.

There is clearly no context of “budget emergency” either, with the commitment to spend 2% of GDP on defence in the white paper bearing fruit already.

International climate finance has also stalled, despite the promises Malcolm Turnbull made in Paris.

What does this mean for Bishop’s power in cabinet, then, if she cannot prevent her portfolio being used as an ATM?

Surprisingly, although the Department of Foreign Affairs and Trade (DFAT) just launched a new consular strategy, there are cuts to consular assistance in the DFAT portfolio.

**DFAT gains:**

- a further $9.2 million to maintain the Department of Foreign Affairs and Trade’s People Smuggling and
Human Trafficking Taskforce;

- $2.7 million to establish Australia’s first Cyber Ambassador; and
- $39.4 million to open two new overseas consulates, in consultation with host governments, in China and in Lae in Papua New Guinea as part of the Coalition’s “economic diplomacy” agenda.

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**A commitment to smaller government, and a smaller public service**

Janine O’Flynn, Professor of Public Management, University of Melbourne

Public servants may well have breathed a sigh of relief listening to the treasurer’s budget speech tonight, with no mention of an axe to be swung through the Australian Public Service (APS).

But, as with any budget, the devil is in the detail. A quick dive into Budget Paper No.4 shows the big commitment to smaller government. Under a “Transforming Government” headline is a list of largely old ideas – outsourcing, digital, contestability, productivity – but there are no new ones that will allow for an actual transformation of government.

This is a surprise from someone I predicted, perhaps wrongly, would be our first CEO prime minister. When Malcolm Turnbull became prime minister, he quickly announced the arrival of “21st-century government” and a ministry of the future – whatever that meant.

In terms of the structure of government, Turnbull announced “very big changes to meet very big challenges to help all of us seize very big opportunities”, and began sprinkling his speeches and media bursts with plenty of catchphrases – innovation, disruption, agility, nimbleness, human capital, renewal, integration.

However, most of this was outward-looking – toward the private sector mainly. Most of it did not land with much of a ripple in the public service.

There is nothing in the budget that signals big investment in building this human capital or capacity in the public service, but rather a zombie-style commitment to small government, a fixation on a specific level of employment, and the continuation of one of the laziest and bluntest tools in the public sector toolbox – the efficiency dividend.

All the efficiency dividend does is chip away at government organisations, rather than making the much harder decisions about what you want to do and then how you want to do it. Inevitably it takes crucial resources away from areas that are operating effectively, those that are high priority, as well as those that are lower priority or wasteful.

The papers claim $2.7 billion has already been saved across the public service through functional and efficiency reviews. More savings are expected to be delivered through rolling reviews across the public service. The slow bleed is set to continue.

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**Where are the housing affordability measures?**

Carolyn Whitzman, Professor of Urban Planning, University of Melbourne

The budget did not contain any meaningful affordable housing measures. This represents two lost opportunities for the government.

First, negative gearing and capital gains tax concessions both remain essentially untouched. This represents billions of dollars lost annually to Australian taxpayers for a tax-avoidance strategy that disproportionately benefits high-income households.

Prime Minister Malcolm Turnbull mooted reform of these tax-avoidance loopholes back in 2005. He called them
a “sheltering tax haven” that was “skewing national investment away from wealth-creating pursuits”, causing a “property bubble”. But 2016 Turnbull appears to be avoiding 2005 Turnbull’s radical ideas.

The second lost opportunity is capitalising on an Australian innovation economy with a new affordable housing fund. If a fraction of the $12 billion lost annually to the economy by tax write-offs could be redirected towards innovative affordable housing projects, what new manufacturing ideas might be developed?

Cheaper, pre-built housing might lessen construction costs and timeframes as it does in Sweden, where more than 40% of housing is now pre-built. Low-income housing tax credits in the US have provided a stable source of affordable housing financing since 1986; more than 2.6 million units have been constructed.

The previous Abbott government cancelled both the low-income Social Housing Initiative and the moderate-income National Rental Affordability Scheme, which had negative impacts on investor confidence and the development of an efficient and stable affordable housing industry.

A new bipartisan affordable housing initiative could be a triple bottom-line win: relieving housing stress for more of the 500,000 low-income households that are paying more than they can afford for rental accommodation; creating construction jobs such as those that helped Australia relieve the economic downtown threatened during the global financial crisis; and alleviating the need to commute long distances to so-called “affordable housing” at the urban fringe.

While last week’s Smart Cities announcement is a welcome return to city-building after the Abbott years, and the transport infrastructure funding is welcomed, the absence of action on affordable housing certainly creates ground for differentiation with Labor and Green policies in the forthcoming election.