

# FEDERAL BUDGET 2014-15

A resource for Australian PR agencies to make sense of the Federal Budget.

**THE ROXBURGH GROUP**

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## INTRODUCTION

The intention of this document is to provide communication professionals with an 'at a glance' summary of the major policy elements of the 2014-15 Federal Budget, delivered by the Treasurer The Hon. Joe Hockey, MP on the 13th May 2014.

The emphasis of this summary is to answer the immediate question, "what does the Budget mean for your PR agency, your clients and the social/political environment they operate in?"

This document is intended to be neutral in political tone and won't cover every Budget detail (it's a free report after all).

## ABOUT THE AUTHOR

Anthony Lowe has over 20 years experience in PR agencies and in-house communication roles. He started his career as a political staffer after a very enjoyable degree in Political Science from the University of NSW and has maintained a strong interest in the impact of major Government policy announcements on the Australian community ever since.

While working in PR agencies, Anthony produced similar reports for clients who required a short snapshot of the Federal Budget announcement for media commentary and business planning purposes.

## THE FEDERAL BUDGET CONVERSATION OPPORTUNITY

The Federal Budget is a major vehicle the Commonwealth Government has to introduce change to the electorate outside of elections. And every change needs communications support.

We hope you use this Federal Budget as an opportunity to start a conversation with your client/s. It just might lead to an exciting new business opportunity.

Keep in mind that the announcements made on Tuesday night are NOT law yet, they still need to be approved by both Houses of Parliament (where changes can be made). The Government does not have a guaranteed majority in the Senate.

## CHANGES BY SECTOR

### Education

- Complete deregulation of university fees.
- Commonwealth funding extended to students at TAFEs, private colleges and sub-bachelor degrees at a cost of \$820 million over three years.
- 'Gonski' school funding commitments scrapped from 2017-18 with school funding indexed to inflation from 2018.
- School chaplaincy program continued at a cost of \$243.5 million over five years.
- Establishing the biggest medical research fund of its kind in the world, the \$20 billion Medical Research Future Fund. Every dollar of savings from health in this Budget will be invested to build this Fund, until the Fund reaches \$20 billion.

### Health

- All Australians to pay at least \$7 for GP visits, blood tests and X-rays.
- General patients to pay \$5 more and concessional patients 80¢ more, for prescription drugs.
- Billions slashed from hospitals, which will be free to charge for emergency department services.

### Retirees

- Age pension age to reach 67 by July 1, 2023 and 70 by July 1, 2035.
- Pension means test thresholds to be frozen for 3 years.
- Tougher income test for self funded retirees to receive Commonwealth Seniors Health Card (will include untaxed super).

### Welfare

- Enforced six month waiting period for under-30s signing on for the dole. After first six months on dole they will again be cut off for a six month period.
- Tightened eligibility criteria for disability support pensioners under 35.
- Newstart recipients aged between 22 and 25 will be pushed back onto the lower-value Youth Allowance payment.
- Access to Family Tax Benefit-B will be cut when youngest child turns 6.
- The income eligibility for Family Tax Benefit Part A (FTB-A) will remain at \$94,316 regardless of the number of children in the family.

### Public service

- 16,500 full-time jobs gone in three years.
- Tax Office suffers biggest hit; Department of Human Services one of few winners.

- Cost savings team to target the bureaucracy's PR agencies next.

### **Environment**

- \$2.55 billion over 10 years for the Emissions Reduction Fund.
- At least \$2 billion in cuts to programs and scrapping of environmental agencies.
- \$525 million for a “green army”, \$40 million over four years for the Great Barrier Reef, and \$2.1 million for solar projects in local communities.

### **Defence**

- Total Defence spending to rise to 2% GDP by 2024, with fast-tracking of \$1.5 billion for new hardware.
- 1200 Defence bureaucrat jobs to go.
- MH370 search to cost Defence nearly \$28 million.

### **Communications**

- ABC-operated Australia Network to close, saving \$198 million over four years.
- Combined cuts to ABC and SBS of \$43.5 million over four years.
- \$10 million for children's safety online including a "Children's e-Safety Commissioner".
- \$100 million for mobile blackspot and wireless coverage in regional areas.

### **Immigration**

- Merging of Customs and Immigration into Border Force will cost \$480 million with 480 jobs lost.
- Asylum seekers who have arrived by boat will lose the right to have their case independently reviewed or to have family reunions.
- Stopping the boats will save \$2.5 billion over five years.

### **Foreign Affairs**

- Foreign aid frozen at current levels for two years, helping save \$7.6 billion over five years.
- International commitment to spend 0.5 per cent of gross national income on foreign aid abandoned.
- \$400 million saved over four years by folding the former AusAID into the Foreign Affairs Department.

### **Privatisation**

- Four more government-owned businesses to be sold: Australian Hearing, Defence Housing Australia, the Royal Australian Mint, and the registry arm of the Australian Securities and Investments Commission.

- Proceeds will be reinvested into the government's Asset Recycling Fund to help build new productive infrastructure.

### **Infrastructure**

- Creating an \$11.6 billion Infrastructure Growth Package, to boost total infrastructure investment by Commonwealth, State and local governments, as well as the private sector, to over \$125 billion by 2019-20.

### **Business**

- Reducing company tax rate by 1.5%.
- Hold two Repeal Days annually to reduce regulatory red tape.
- Incentivising businesses to employ Australians over the age of 50 through the new Restart program.
- Paid Parental Leave Scheme will be revised to pay new mothers up to \$50,000 (or those on salary packages up to \$100,000 inc. super).

### **Indigenous affairs**

- More than half a billion dollars saved over five years by rationalising indigenous services and transferring more than 150 programs into just five, run out of the PM's department.
- More than \$54 million for police infrastructure in remote communities.
- More than \$13 million for the Clontarf Foundation Academy's Sporting Chance program and more than \$18 million to continue boosting school attendance in remote communities.

**\*Information sourced via SMH.com.au, news.com.au, abc.net.au and budget.gov.au.**

## CLIENT CONVERSATION STARTERS

### The Good

- ☺ Lower long term national debt (almost \$300m less by 2023-24) and a path to surplus laid out (will continue the economy's stable growth).
- ☺ The infrastructure investment will see a lot of construction activity/employment on national highways, metro road improvements, rail links, Badgery's Creek airport and its WestConnex transport links.
- ☺ Commonwealth funding extended to students at TAFEs, private colleges and sub-bachelor degrees at a cost of \$820 million over three years.
- ☺ \$20bn Medical Research Future Fund to be started January 1, 2015 with \$1bn - rising to \$20bn by 2020.

### The Bad

- ☹ More is being taken out of consumer wallets (fuel, medical, family tax benefit, youth payment changes) so consumer brands and retail could see slower sales in the winter and spring quarters as consumers adjust.
- ☹ Welfare changes to unemployed youth schemes could see more opt out of the system altogether (unwilling or unable to earn or learn), leaving charitable groups to lift a heavier share of the burden.
- ☹ ABC cuts will result in less local, quality media and no Australia Network (across APAC).
- ☹ Local councils will lose \$1bn over four years which will impact locally delivered services.
- ☹ \$500m cut from indigenous programs as 150 programs rationalised to five under PM's office.

### The Ugly

- ☹ SMEs have been forgotten again in this budget with fuel cost increases a big concern and the company tax rate not applicable to many of them (96% of businesses are small i.e. sole traders or family trusts, not companies). Two red tape Repeal Days are nice but not enough.
- ☹ Deregulated (i.e. higher) uni fees will likely see student protests over larger HECS debts (no change to the 'only repay after you earn over \$50k' rule) but could see improvement in our top University's international standings through increased competition.
- ☹ Those aged 49 or younger today will need to work until they are 70 to be entitled for the pension, with a forecast concessions cut. Expect the physical realities of this to be tested over the coming elections - especially in labour-intensive industries.
- ☹ For those with Federal bureaucracy clients, sharpen your pencils and get ready to defend the value of your work for the Department. PR agencies are being directly targeted for the next round of savings. And if your Department contact departs, he/she is unlikely to be replaced (16,500 public servants to go in three years).

**If you'd like any further background or would like to schedule a team morning tea to discuss the implications of this Budget for the PR profession, please don't hesitate to contact Anthony Lowe, The Roxburgh Group on 0409 925 917.**