

POLICY UPDATE

Purpose:

This policy update is intended to provide a brief and general review of the most recent government policies, strategies and initiatives in major policy areas at both federal and state level.

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IN FOCUS**Mid Year Economic and Fiscal Outlook (MYEFO)**

MYEFO indicates the budget deficit for the 2014-15 financial year will be \$40.4billion, \$10.6billion larger than what was forecast in the May budget. The fall in the terms of trade was the major driver. A 30% decrease in iron ore prices and weaker wage growth has decreased revenues with the government expecting to receive \$31.6billion less in tax receipts over the next four years. Weaker employment and wage growth figures will lower tax receipts forecasts for this financial year by \$2.3billion. The senate has passed 75% of budget measures but high profile reforms to higher education and Medicare are still yet to pass.

More information can be found [here](#)

Foreign Investment

From March 1 2015, the screening threshold for scrutiny by the Foreign Investment Review Board (FIRB) on agricultural land will reduce from \$252million to \$15million. The government states it will also create a foreign ownership register of agricultural land. From July, the ATO will start collecting information on all new foreign investment of any value in agricultural land and also commence a stocktake of existing foreign agricultural land ownership. A revised version of the Policy will be released shortly which will show further details.

More information can be found [here](#)

Review of Australia's Welfare System

The Government released the final report into the social welfare system, 'A New System for Better Employment and Social Outcomes.' The report has found that major reforms are needed in order to keep the system sustainable. It suggests that the system needs to be more coherent, less complex and have a much greater focus on employment. It outlines four pillars of reform which the recommendations build upon:

- Simpler and sustainable income support system
- Strengthening individual and family capability
- Engaging with employers
- Building community capacity

The Government is yet to respond specifically to recommendations set out in the report, calling for bipartisanship in the debate. The Government has been advocating for people to move away from welfare all together and ensuring they remain employed. The Minister for Social Services, Scott Morison, has indicated a move to an 'investment approach' for welfare. This approach was adopted by New Zealand in 2011 and uses actuarial modelling to focus and monitor programs directed towards groups that are of high risk of being on long term welfare. It allows for bureaucrats to redirect funds to different programs depending on the effectiveness of the program.

The final report can be found [here](#)

ECONOMIC & REGULATORY REFORM

Financial System Inquiry Final Report

This report is intended to be a 'blueprint' for the financial system over the next decade. The objective of the report is to 'best position Australia's financial system to meet Australia's evolving needs and support economic growth.' The inquiry made 44 recommendations concerning the Australian financial system. The Government will consult with industry and consumers up until 31st March 2015 before deciding on these recommendations. APRA and the RBA are also considering the recommendations that are applicable to their mandates as independent regulators. The inquiry noted some weaknesses in the sector including the policy setting, which does not focus on the benefits of competition and innovation, leaving the system prone to more regulation.

More Information can be found [here](#)

Reform of the Federation White Paper

Since the last policy update there have been four issue papers released for the Reform of the Federation White Paper. A Green Paper will be released in the second half of 2015 laying out the policy reform options with the White Paper being published in 2016. These issue papers were:

- Roles and Responsibilities in Housing and Homelessness—this paper looks at different levels of government with services provided in relation to housing and homelessness. The paper notes Commonwealth and State and Territories can directly or indirectly affect demand and supply of the housing market through policies arrangements.
- Roles and Responsibilities in Health—lays out the history of Australia's healthcare and the strains put on the system by the current framework. It further questions the current roles and responsibilities of the Commonwealth and States and Territories and how they could be changed to lift some of the burdens to improve Australia's healthcare.
- Roles and Responsibilities in Education—outlines the history of different levels of government involvement in education in Australia. It further discusses the current issues and poses questions for consideration.
- COAG and Federal Financial Relations—explains how COAG currently operates and to what extent intergovernmental agreements increase accountability of governments to voters.

More information can be found [here](#)

Japan-Australia Economic Partnership Agreement (JAPEA)

The Japan-Australia Economic Partnership Agreement came into force on the 15th January 2015. The main outcomes of JAPEA:

- More than 97% of exports to Japan to receive preferential access or enter duty free when fully implemented.
- Halving of tariffs on beef.
- Tariff free access for horticulture, wine and seafood.
- Elimination of tariffs on Australia's manufacturing, energy and resource exports.
- Better access for Australian service suppliers such including financial, education, telecommunication and legal services.
- FIRB screening threshold on private Japanese investment in non-sensitive areas increased from \$248million to \$1.078billion.
- Cheaper Japanese imports for Australian consumers such as cars, household and electronic consumer goods from phasing out of remaining tariffs on Japanese goods.

More information can be found [here](#)

ECONOMIC & REGULATORY REFORM (CONT.)

Korea-Australia Free Trade Agreement (KAFTA)

The Korea-Australia Free Trade Agreement came into force on the 12th December 2014. This announcement came after the Korean National Assembly voted in support of KAFTA. The main outcomes of KAFTA:

- 84% of Korean imports (by value) will be tariff free immediately.
- 99.8% of Australian goods exported to be duty free on full implementation.
- 8% tariff on Australian automotive parts to Korea eliminated.

For more information click [here](#)

Productivity Commission

- PC has released its inquiry report on Childcare and Early Childhood Learning. The report suggests that approved services for assistance should include home based care services such as qualified nannies. It further recommends merging the present three childcare subsidies into one that is means tested. The report estimates that the recommended approach will increase workforce participation for mothers by 1.2%.

For more information click [here](#)

- PC has been asked by the government to look at potential enhancements to Australia's workplace relations framework. The commission will review wages, awards and penalty rates, unfair dismissal, bullying and the effectiveness of the Fair Work Commission and the Fair Work Ombudsman. The Government has said if it accepts any of the recommendations from the inquiry, they will be taken to the next election. Therefore any industrial relations reform is unlikely until after the next election.

For more information click [here](#)

- PC has released an issue paper on Business Set-up, Transfer and Closure. This issue paper is intended to assist in preparing submissions to the commission for the report. The inquiry will look into barriers to entry and exit for business and where these barriers can be reduced to improve efficiency. The report is expected to be released August 2015 and will include recommendations on regulation and licensing, subsidies and insolvency regimes on business exits.

For more information click [here](#)

QUEENSLAND

Election

The Queensland Election resulted in a change of Government as Labor moved to form a minority government. Anastacia Palaszczuk has been sworn in as the new Premier of Queensland and announced a 14-member cabinet. She has stated that the Government's policy focus will be on jobs. She has ordered a review of the former Government's asset sales and leases plans and directed Government to cease all work being done on the Asset Sales Program. Here are some of the policy initiatives taken by Labour to the last election:

- Payroll Tax Rebates for employers hiring apprentices and trainees.
- Employing 1,000 nursing graduates each year over 4 years costing \$220million.
- \$200 million for the Building our Regions fund to deliver vitally needed infrastructure in regional areas.
- A \$40 million Business Development Fund to turn ideas into commercial realities to create jobs.
- \$50 million for Advance Queensland, to reinvigorate research, science and innovation to help create the well-paid, knowledge-based jobs of the future.
- \$34 million as part of the Rescuing TAFE policy to improve training and to provide skills young people need to find work.
- A Red Tape Reduction Advisory Council to focus on areas of regulation that are of most concern to business.
- \$240 million for Skilling Queenslanders for Work employment programs to support 32,000 Queenslanders back into jobs.
- A Queensland Entrepreneurs of Tomorrow program to support education in computational science and business development and to support stay-at-home parents to develop home-based businesses.
- \$100 million to protect the Great Barrier Reef and the \$6 billion and 60,000 jobs it contributes to the economy.
- A commitment that 10% of workers on major government projects are apprentices and trainees, including projects delivered by government-owned corporations.

For more information click [here](#)

WESTERN AUSTRALIA

Mid-Year Financial Projections Statement

- The WA Mid-Year Financial Projections Statement has been hit severely by a 40% drop in iron ore prices. There has been a revenue write down with an estimated operating deficit in 2014-15 of \$1.3billion compared to surplus of \$175 million projected at budget-time. There is expected to be a \$7.1billion shortfall over the next 4 years. In response the Government has announced new \$1.8 billion public sector cuts adding to the \$2 billion cuts to the public sector announced in October as part of its Workforce Renewal Policy.

The statement can be found [here](#)

Infrastructure

- The WA Government has established The Pilbara Energy Infrastructure Project. The project comprises a team from both the public and private sectors that will plan and implement a model for electricity infrastructure in the Pilbara region. The project aims to facilitate an interconnected electricity system, create a model for efficient construction of infrastructure and encourage private sector investment.

More information can be found [here](#)

Agriculture

- The Government launched the WA Grains Industry Strategy 2025+. The strategy included eight major initiatives to double the value of WA grain industry to \$10billion by 2025.

More information can be found [here](#)

Road

The Government has announced a long term road safety camera plan. The 5-year plan involves:

- Increasing the number of red light cameras from 30 to 90.
- Raising the number of fixed speed cameras from 5 to 30.
- Increasing mobile speed camera hours.
- A trial of point-to-point cameras measure average speed.

The money raised will go towards the Road Trauma Trust Account (RTTA).

More information can be found [here](#)

NEW SOUTH WALES

Election

The NSW state election will be held on the 28th of March and will see the Coalition Government led by Mike Baird challenged by Luke Foley's Labor Party. Some of the key policy differences are:

- Electricity privatisation—Labor supported recent privatisation of the state's ports but will not support the privatisation of power and water utilities. The Baird Government is looking for a mandate to sell a 99 year lease for 49 per cent of the states poles and wires.
- Education—Funding for TAFE, which has been cut by the Coalition.
- Hospitals—Labor opposes the Coalition's Public-Private Partnership model in health.

Half Yearly Review

- The Half Yearly Review by the NSW Government has reported a revised budget surplus of a \$272 million instead of the predicted \$283 million deficit. This is largely due to a stronger than expected Sydney property market. The Government expects to receive \$744 million, an increase of 12% from stamp duties this financial year. While the booming property market has helped the budget bottom line, there were lower than expected revenues from payroll taxes and poor mining royalties. The expected growth rate for the state is 2.75% which is lower than forecast.

The review can be found [here](#)

Credit Rating

- Moody's Investors' Service reaffirmed NSW's AAA credit rating in December. This comes after S&P changed its outlook from negative to stable and confirmed NSW's AAA rating in October. Moody's noted that the credit quality reflects the state's diverse economic base and its recent history in narrowing fiscal deficits.

For more information click [here](#)

Taxi Industry

- The Independent Pricing and Regulatory Tribunal (IPART) draft report into Sydney taxi fares recommends the Government freeze taxi fares and maintain license numbers in Sydney due to increased competition from alternative point to point transportation. The report has stated that since 2011 demand for taxis has decreased due to substitutes such as Uber taking up more demand.

The draft report can be found [here](#)

SOUTH AUSTRALIA

Nuclear Power

- The South Australian Government has announced a Royal Commission into opportunities for South Australia in the nuclear industry. A draft terms of reference has since been announced by the premier. The terms of reference have been kept general and the royal commission will inquire about enrichment, storage of waste and power generation.

More information can be found [here](#)

Mid-Year Budget Review

- The Mid-Year Review shows \$254million missing from the SA budget. The Government argues this is due to cuts in federal health funding and the car park tax legislation failing to pass parliament. The Mid-Year Review is still forecasting a surplus for 2015-16 with saving measures of \$1billion included in the forwards estimates until 2017-18. FTEs in the general public sector are expected to decrease by 2858 until 30 June 2018.

More information can be found [here](#)

Water

The Essential Services Commission has released its final inquiry report into reform for the SA drinking water and sewage prices. The inquiry found that moving to a cost-reflective pricing structure is the best way of improving economic efficiency. It noted many areas of the current price structure are not cost reflective. It proposes a long-term framework and an overhaul of pricing arrangements.

The report can be found [here](#)

VICTORIA

Labor won the late November 2014 Victorian state election with Daniel Andrews becoming Premier. The party focused much of its campaign on jobs. Here are some of the key policy agendas:

Economy

- The incoming government has promised not to introduce new taxes, raise existing taxes and maintain the state's budget surplus and AAA credit rating.

Employment

- Focuses largely on the Governments Back to Work Act which includes \$100million in initiatives such as offering tax relief to companies hiring unemployed youth, re-trenched workers and long term unemployed.

Infrastructure

- The Back to Work Act focuses on new infrastructure investment. The Andrews Government has pledged \$1 billion in upgrading regional roads and wants to re-allocate the federal government's multi-billion dollar commitment on the now defunct East-West Tunnel Project.
- Plans to establish Infrastructure Victoria which will be an independent body to advise on priority projects.

- The government will invest \$100million into Flinders Street Station to make it more functional for passengers. The project is estimated to take four years.

More information can be found [here](#)

Education

- Has pledged \$20 million to kick start the TAFE Rescue Fund.

Health

- Promises include the building of a new Women's and Children's hospital, a new Heart Hospital and an expansion of Casey Hospital.
- The Government reached a pay deal with Victorian paramedics after a long running pay dispute.

More information can be found [here](#)

Budget Update

- The budget update indicates surpluses average \$294 million lower per year over the forward estimates. This hit to the bottom line is due to lower GST revenues and more money needed to be paid for prison and youth justice beds.

More information can be found [here](#)

TASMANIA

Revised Estimates Report

- The revised estimates report shows the net operating balance is \$14million below the budget forecast, however, the budget remains on track for a surplus within 6 years. The Government outlined in the budget a reduction in the public sector by 821 FTEs this financial year and as of December there had been a reduction of 509 FTEs.

More information can be found [here](#)

Resources

- The Tasmanian Government has announced a five year moratorium on hydraulic fracking. The ban is an extension from the one year fracking moratorium that came into effect in March 2014. A review into the moratorium be conducted before it expires in March 2020.

More information can be found [here](#)

ABOUT SYNERGIES

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- Regulatory and network economics
- Regulatory compliance and strategy
- Modeling
- Economic impact analysis
- Public policy
- Competition policy analysis
- Expert testimony
- Commercial advisory

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Level 8
10 Felix Street
Brisbane
Queensland 4000

Phone: +61 7 3227 9500
Fax: +61 7 3321 0404
E-mail:
contactus@synergies.com.au
Website:
www.synergies.com.au