

Alan Moran: 'Labor lite' Budget undermining a nation's wealth

Herald Sun May 12, 2017

IN this week's federal Budget, the Coalition implemented policies established in the Rudd/Gillard years.

The expansions in health, education and welfare budgets — now comprising two thirds of spending — were confirmed. Over the next four years, annual spending will increase by \$50 billion to \$340 billion — a levy on the average non-government worker of more than \$30,000 a year.

Similarly there is an acquiescence of the cost impositions from renewable energy policy, including attempts to lighten these with subsidies to the “needy” and gas purchases to prevent the collapse of South Australia's renewable energy reliant economy.

Two major expenditure initiatives: Gonski education funding and the National Disability Insurance Scheme are now to be financed with tax hikes, notably through the banks (which will pass them on to customers) and the Medicare levy. These the Treasurer calls a “Senate tax” because the Senate refused to accept the government's preferred compensatory spending cuts.

Education spending is often an investment in the future, but in Australia falling levels of literacy and numeracy have accompanied vastly greater outlays for each pupil. The increased expenditure is going to teachers whose unions protect underperformers and to educational bureaucracies focused on politically correct measures such as “Safe Schools” and teaching oriented away from core subjects.

In the case of people with disabilities, sympathy drives funding increases. Although the NDIS has “chronic and degenerative” defining its eligibility boundaries, costs will rise when these are eroded in future years as new compassion agendas arise.

The Coalition is also setting its own wasteful expenditures.

With recent closures including Hazelwood in Victoria's east, electricity wholesale prices have trebled, boosting customers' costs by \$14 billion a year since 2015. Two white elephants in the Budget are an \$8.4 billion Melbourne-Brisbane rail link and the \$2 billion-plus Snowy hydro storage scheme. Hopefully these will prove to be cosmetic announcements that disappear in the next wash.

Also announced is a new Sydney airport at \$5 billion. In a damning indictment of government red tape, no private-sector investor would take that project's development risk in view of the labyrinth of regulatory hurdles it will face.

Inherited from the Rudd/Gillard years are energy regulations, dominated by measures to replace low-cost coal-generated electricity with subsidised renewables. Though imposing little cost initially, the compounding effects of these subsidies is now finally driving low-cost coal from the market. With recent closures including Hazelwood in Victoria's east, electricity wholesale prices have trebled, boosting customers' costs by \$14 billion a year since 2015. Costs will increase further under the current program and will be augmented by renewables requiring more network spending to compensate for their poor reliability. Cost increases will be further compounded by state governments preventing new gas supplies.

The Commonwealth has two major inquiries into energy under way but both are designed to suggest ways of accelerating the displacement of commercially provided electricity by renewables. All of these policies inflict a toll on living standards. Diversion of income to cover government spending and regulatory costs reduces workers' pay packets. Such measures also cannibalise spending that brings increased living standards down the track from investment and skill upgrades.

Neither major party is willing or able to cut spending and regulations. Our sad choice is between a Coalition undermining the nation's wealth with Labor-lite policies or an ALP which would go even further.