

The new Australian budget — hard times for all

In its efforts to reverse Australia's underlying deficit, the Howard government has introduced one of the toughest budgets in years, cutting US\$3.2 billion across a broad spectrum of government expenditures this year, with an additional \$5.4 billion over two more years. The areas most affected by the cuts are health, education and welfare.

Using a carrot-and-stick approach, the government is offering financial incentives to low-income earners to take out private health insurance, and punitive taxes for people in high income brackets who refuse to do so. These measures are part of the Liberal government's efforts to keep its promise to leave Medicare — the popular universal health coverage — alone, while shoring up the declining private health-care industry (since 1983, private health insurance coverage dropped from 65 to 33.6 percent of the population).

Under the new budget, Australians will have to pay more for consultations and medications. Doctors will be restricted in being admitted to practicing under Medicare. Expenditures for pathology services will be capped, and radiology services will be reorganized. There will be less money for frequent users of psychiatric services, and several procedures, such as vasectomy reversals, will be removed entirely from the Medicare Benefits List. In addition, the government will review what drugs will be subsidized, including calcium channel blockers and ACE inhibitors.

On a positive note, there is more money for rural health, preventive health and immunization programs. There is also more support for biomedical research. The government has agreed to match an offer of biomedical research funding by the Wellcome Foundation in Great Britain, but no figures were given.

According to Ron Lord, editor of the health policy monthly *HealthCover*, the government has failed to deliver a cohesive health policy. He scathingly referred to the new budget as "death by a thousand cuts." Private insurers in Australia are not allowed to offer "gap insurance," that is, full payment between what doctors charge and the Medicare rebate outside hospitals. Lord says that under these conditions, the government is creating an unhealthy situation by forcing

people into buying coverage that cannot fully insure them.

Geoff Burgess, president of the Institute of Actuaries of Australia agrees. He says that offering tax benefits without fundamental structural reforms will not stop the industry's chronic decline or its spiraling prices.

The Australian Health Funds welcomed the new measures, but shot themselves in the foot by raising their



premiums within two weeks, forcing Prime Minister Howard to initiate a full-scale industry inquiry.

Even though the health, education and welfare sectors are reeling from the deep cuts, resulting in bloody demonstrations and threats of industrial action to come, science, technology and industry did not fare too poorly.

In science, the apparent winner is the Commonwealth Scientific and Industrial Research Organisation (CSIRO), which will receive US\$47.4 million for research and an additional US\$43.5 million to ease the pain of reorganization. However, according to both an internal CSIRO document and Joe Baker, President of the Federation of Australian Scientific and Technological Societies (FASTS), the outlay is "revenue-neutral" because it will have to be repaid over the next four years through asset sales and efficiency gains. The Cooperative Research Centres have been retained under the new plan and will be expanded from 62 to 64, three less than planned by the previous government.

The major scientific granting bodies will also get more money: the National Health and Medical Research Council will receive an increase of 8 percent (to \$90.9 million) and the Australian Research Council an extra 14 percent (to \$313 million). But Baker says these in-

creases are not enough to offset the deep cuts in education. "Compared with the enormous losses that education has had to pay, science did comparatively well," Baker told *Nature Medicine*, "but the cuts in education will have a long-term effect on science and technology, and that will have a long-term adverse effect on industry and our national profitability." Baker also says the budget fails to give industry the type of encouragement it needs to be competitive, and adds that FASTS is looking for a "vision" from the government.

Robert Bryce, chemical sector and commercial manager of the Plastics and Chemicals Industries Association agrees. "I don't think the government has a vision for the manufacturing industry in Australia across the board," he said. The budget reduces the R&D tax concession and establishes a new program (called "START") to replace the R&D syndication scheme, which was unexpectedly scrapped in July. However, industry analysts say the new program will target a different group of R&D aspirants, such as smaller biochemical start-up companies. But Cochlear, the pioneer manufacturer of products for the profoundly deaf, one of those expected to benefit from START, told the national daily *The Australian* that it expects to lose \$1 million profitability as a result of these changes. A similar problem faces the Australian pharmaceutical industry, which was slapped with increased recovery fees for the assessment of new medicines.

In sum, the new government's budget is tough across the board. A *Newspoll* survey conducted a week after it was presented found that it was generally well received, but as cabinet members fanned across the country to sell details to the public before parliamentary debates began, it became apparent that they may have a tougher time than originally thought. Despite the fact that the prime minister indicated he wanted no tinkering with his budget, the government will have to demonstrate to the Senate that it has a "vision." Otherwise, it may get bogged down in political debate, and Prime Minister Howard's high approval rating immediately after the Budget will not translate into votes for the Liberal party in the next local elections.

ELIZABETH BAN
Sydney, Australia