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The Red-Green camp opposed the spending cuts. The picture shows a demonstration in Aarau against the cuts.

Tough spending cuts

Parliament has approved a first programme of spending cuts to trim public expenditure by over CHF 3 billion. A second package, aimed at savings of CHF 2.5 billion, will be proposed this year.

THE 2003 WINTER SESSION was dominated by the federal elections. The election of Christoph Blocher and Hans-Rudolf Merz to the cabinet, coupled with the simultaneous failure of Federal Councillor Ruth Metzler to be re-elected, overshadowed all other events (see "Swiss Review" 6/03). Ne-

vertheless, parliament also managed to complete its day-to-day business in the course of the session, chief among which was a revision of the spending cuts programme, proposed by the Federal Council in summer and debated for the first time by both houses in autumn.

This spending cuts programme was prompted by the so-called structural deficits in the federal accounts, i.e. deficits attributable to a permanent imbalance between income and expenditure rather than to the economic situation. Since income in particular is lower than envisaged in the government's financial planning, expenditure must be accordingly adjusted downwards. The Federal Council and the centre-right majority of parliament emphasise that the aim is merely to rein in the growth in spending rather than reduce existing expenditure. Moreover, the impact of the programme will be fully

felt only in 2006, by which time the cuts may well be more easily absorbed by a stronger economy.

Cuts in spending

In essence, the National Council and Council of States followed the Federal Council's lead. While the focus was partially shifted, the overall scope of the CHF 3 billion package remains unchanged. The cuts are largely on the spending side. The aim of the programme is to tackle all major sources of public expenditure without making any fundamental changes or transferring the burden to cantons and communities. All in all, this objective can be achieved, even if the programme necessitates sweeping measures in some sectors (see box).

Fundamental opposition to the budget was voiced only by the Left-Green camp, which recommended that the scope be re-

Cuts at swissinfo/SRI

The spending cuts programme also affects swissinfo/Swiss Radio International (SRI). With effect from 2005, the government subsidy to swissinfo/SRI's foreign service will be drastically cut, and as of 2006 will be fully withdrawn. Up to now, the government has contributed some CHF 20 million to swissinfo's annual CHF 42 million budget. Now, swissinfo is to be fully funded from licence fees collected by the Swiss Radio and Television Corporation. According to swissinfo, the subsidy cuts will lead to a shedding of 35 of the 147 full-time jobs. Details of the job cuts will be announced in the near future, and will mainly affect the German, French, Italian and English services. The Council for the Swiss Abroad has voiced its objection to the government cuts (see also "Swiss Review" 06/2003).

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duced to CHF 2 billion and that a new federal inheritance tax be introduced to shore up federal finances. However, both proposals were soundly defeated. Nevertheless, various aspects of the programme were hotly debated: for example, the level of expenditure on education, research and technology, which was originally set at 6.5 percent. After much heated discussion, both houses of parliament finally agreed on 4.75 percent. Another controversial topic was the Federal Council's proposal to postpone certain in-

vestments in public transport. Ultimately, however, parliament followed the government's lead. By contrast, the proposal for a one-off discontinuation of the combination index for adjusting old age, survivors' and invalidity pensions was rejected. This would have resulted in pensions for 2006 being adjusted only to inflation rather than also in line with the wage index.

This spending cut would have resulted in savings of CHF 75 million: a small amount compared to the overall scope of the pro-

gramme. But from the outset left-wing parties and the unions had threatened to hold a referendum against this "social cut". By shelving this measure, the government has averted the referendum threat. Since no other group had collected signatures against the programme by the time this issue went to press, it will most likely be implemented as planned.

Second programme announced

The Federal Council and parliament debated long and hard on the merits and drawbacks of the budget and the associated tough spending cuts. However, the Federal Council remains convinced that further measures will be required in order to achieve a sustainable turnaround in the federal finances. In the course of this year, therefore, it intends to propose another programme to achieve further savings of CHF 2.5 billion. Details have still to be finalised.

René Lenzin 

Translated from German

Triple blow for the government

A resounding snub for Berne: voters rejected both the counter-proposal to the Avanti initiative and the rental law reform. They also went against the Federal Council and parliament by voting in favour of life imprisonment for violent offenders.

Voters and cantons made their opinion very clear on 8 February, with 63 percent of voters and all the cantons rejecting the counter-proposal to the Avanti initiative, 56 percent of voters and 24 cantons in favour of the life imprisonment initiative, and 64 percent of voters as well as all the cantons rejecting the rental law reform. The outcome showed virtually no differences between the language regions or between town and country. The turnout was just on 45 percent.

In all three of the proposals, voters decided against the recommendations of the Federal Council and parliament. Yet Federal President Joseph Deiss, commenting on the results at the end of the referendum day, claimed that because of the myriad amendments made by parliament to the Avanti

counter-proposal and rental law reform, the Federal Council did not feel it lost the referendum. The federal councillors responsible for both issues stated their intentions of formulating, as soon as possible, new projects that more accurately addressed the people's wishes.

In terms of transport policy, virtually none denies that the motorway network should be completed and expanded at critical junctions as planned, and that targeted investments are needed in the suburban transport area. On the other hand, it looks like the idea of a second Gotthard tunnel has been shelved for the foreseeable future. The project must now be revised to reflect these developments. As far as rental law is concerned, tenants and landlords fundamental-