

**BUDGET SPEECH 2010-11**

**DELIVERED ON 11 MAY 2010 ON THE SECOND  
READING**

**OF THE APPROPRIATION BILL (NO. 1) 2010-11**

**BY**

**THE HONOURABLE WAYNE SWAN MP**

**TREASURER OF THE COMMONWEALTH OF  
AUSTRALIA**

Mr Speaker, I move that the Bill now be read a second time.

**A POSITION OF STRENGTH**

Mr Speaker, of Australia's 18 years of continuous economic expansion, Australians can be proudest of the one just passed.

Not just because together we avoided recession when almost all other advanced economies did not.

Not just because together we created 225,000 jobs when many other advanced economies were shedding hundreds of thousands of jobs.

But because our shared successes put us in a position of strength from which we will build growth and opportunity, and secure the future.

A position of strength from which we will build a modern tax and retirement incomes system, invest in renewable energy, and deliver historic health and hospital reform.

A position of strength from which we will build the skills base and capital stock we need for a new generation of prosperity.

Tonight we meet the highest standards of responsible economic management.

Every dollar of new policy in this Budget has been offset across the forward estimates, as we meet the strict confines of our responsible fiscal strategy.

A strategy that will see the budget return to surplus in three years time, three years ahead of schedule, and ahead of every major advanced economy.

A strategy that will pay off debt three years sooner – again ahead of every major advanced economy – without increasing taxes as a share of the economy beyond the level we inherited from our predecessors.

Mr Speaker, this is a Budget that moves from supporting the economy through the slowdown to bringing us back to surplus now that we are recovering strongly.

A Budget that produces an economic and fiscal position the envy of the developed world, and a stronger, more secure future for all Australians.

## **ECONOMIC OUTLOOK**

We do not easily forget this time last year, when we faced the grimmest set of global economic conditions since the Great Depression.

Last year, around \$60 billion was stripped from our export earnings, and company profits fell more sharply than in the 1990s recession.

Our two-stage strategy was to support jobs, then lay down a framework to bring the budget back to surplus as the economy recovered.

Tonight I am proud to announce this strategy is working, ensuring our economy has far outperformed the rest of the developed world.

Advanced economies contracted by over 3 per cent in 2009, while Australia grew 1.4 per cent. Without stimulus, we would have gone backwards 0.7 per cent that year.

Mr Speaker, last Budget we expected our economy to contract in 2009-10 by half a per cent. Instead it will grow by around 2 per cent.

Last Budget the unemployment rate was rising and forecast to peak at 8½ per cent. Instead it peaked at 5.8 per cent and is now on its way down to 4¾ per cent.

Last Budget projected a return to surplus in 2015-16. We now expect a surplus in three years, three years ahead of schedule.

Together, Australians have defied global economic gravity; not by accident but by choice.

Together, we have avoided the destruction of skills and capital by keeping people in jobs and the economy ticking over.

Fiscal stimulus, monetary policy, a well-supervised banking system, and our close ties with Asia all served to protect our country.

But events in Greece remind us risks in the global economy stubbornly endure.

Aftershocks from the crisis continue to reverberate around parts of the world.

Mr Speaker, the robustness of this Budget forms a solid buffer against the troubles of Europe.

Our economy and fiscal position remain among the strongest in the world. We have more robust growth, lower unemployment and lower debt than our peers.

Our economy is expected to rebound powerfully, with forecast real GDP growth of 3¼ per cent in 2010-11 and 4 per cent in 2011-12.

Best of all, the unemployment rate is expected to fall further from 5.3 per cent today to 4¾ per cent by mid-2012, around the level consistent with full employment.

The Australian economy is today in an important transition phase.

Fiscal stimulus is winding back as planned.

Business profits are recovering.

The private sector is re-emerging as a driver of growth.

And we are taking steps now to maximise our opportunities for the future.

## **AN AGENDA FOR THE FUTURE**

Mr Speaker, while economic circumstances have changed significantly over the past year, the magnitude of our policy challenges has not.

Our goal is to manage the years ahead as decisively and successfully as in the year just passed.

So this Budget targets three key challenges: the return to full capacity in a two-speed economy; climate change; and the fiscal pressures of an ageing population.

Mr Speaker, tonight I am outlining a reform agenda to help tackle these challenges.

A reform agenda which will create jobs and encourage investment; boost renewable energy; build capacity; save for the future; and fund better health and hospitals.

All part of a fiscal strategy that allows us to ease the cost of living for working families while still getting back to surplus three years ahead of schedule.

Those looking for a big-spending pre-election Budget won't find one.

Instead we are maximising our opportunities – keeping Australia ahead of the pack, just as we were ahead of the pack in dealing with the global recession.

## **GROWING THE WHOLE ECONOMY**

Mr Speaker, the resources boom presents enormous opportunities and challenges.

Booms are not a permanent part of the economic landscape even if they might be expected to run for a decade or more.

That is why we need to manage our resource wealth sustainably – capturing a fairer share for all Australians and turning it into other forms of wealth that last.

That is why we are introducing a Resource Super Profits Tax from 1 July 2012.

This will reduce the tax burden on less profitable resource projects and projects in their early stages, supporting greater resource sector investment and more production.

It will also ensure our community charges a fairer price for our finite resources.

The revenue we raise will be directed to strengthen and broaden the whole economy, to invest in our productive capacity, and to boost our national savings.

Taxing mining super profits fairly means we can afford to cut the company tax rate to 29 per cent in 2013-14 and 28 per cent in 2014-15.

This will boost our competitiveness, expand investment and job opportunities, and spread the benefits of the boom more broadly, to more working families.

Mr Speaker, our focus in this Budget is on helping small business, financial services, and the renewable energy sectors thrive.

From 2012-13, small businesses will receive a head start on the 28 per cent company tax rate. They will enjoy an instant write-off for assets costing less than \$5,000, and a simple but generous depreciation pool for other assets.

Tonight's Budget also delivers on our commitment to position Australia as a leading financial services hub in our region.

A phase-down in interest withholding tax, reforms to promote a deep and liquid corporate bond market, arrangements to promote cross-border marketing of managed funds, and a new Centre for International Finance and Regulation will all help us capitalise on the strengths of our financial services sector.

## **INVESTING IN RENEWABLE ENERGY**

Mr Speaker, climate change remains a core challenge for the future – for this nation, and for all nations.

This Government accepts the science of climate change and the need for combined global and domestic action.

That’s why we have accepted a target range of reducing greenhouse gas emissions by between 5 and 25 per cent by 2020.

We sought to pass our Carbon Pollution Reduction Scheme through this Parliament this year because it is the cheapest and most effective way of tackling climate change.

As we continue to work to build the necessary domestic and international consensus for carbon markets, we will roll out the most substantial renewable energy plan this country has seen – consistent with our decision to increase the renewable energy target to 20 per cent by 2020.

We have already committed support for energy efficiency, renewable technologies and clean coal of over \$10 billion.

Tonight I announce the next step – a new \$652 million Renewable Energy Future Fund, which will be part of an expanded \$5.1 billion Clean Energy Initiative.

This Fund will leverage private sector investment to support renewable energy projects, and the development and deployment of low-emissions technologies.

It will also be used to enhance Australia’s take-up of energy efficiency, including helping households and businesses reduce their energy consumption.

## **BUILDING SKILLS AND INFRASTRUCTURE**

Mr Speaker, we are also taking the necessary steps to expand our productive capacity, so we can grow sustainably with low inflation into the future.

Our main priority has shifted from soaking up idle capacity in the economy to building new capacity for the future.

## *Budget Speech*

Not long ago the Australian economy was facing skills shortages that were constraining growth and contributing to wage and price pressures.

Now, with some industry sectors and regions growing faster than others, labour demand will grow faster in some areas than others as our recovery gathers pace.

That is why I announce tonight a new *Skills for Sustainable Growth* strategy.

A strategy that will invest \$661 million in the skills of our workforce and ensure our education and training systems are flexible and responsive to our economic needs.

A strategy that will deliver up to 70,000 new training places over the next four years, and support 22,500 young apprentices.

This includes critical investments in emerging skills hot spots, like infrastructure projects, the resources sector, and renewable energy.

In partnership with the states, it will deliver a guaranteed training place to people under 25 for their first qualification, or to raise their qualifications.

It will improve the quality and accessibility of training – strengthening the link between training and business needs.

And it will provide greater access to training in core foundation skills such as literacy and numeracy.

Mr Speaker, infrastructure investment is a key driver of productivity.

This Government is already more than doubling real expenditure on major transport infrastructure over the six years to 2013-14, compared to the six years before that.

But we know the resource-rich states, in particular, have substantial infrastructure needs for their more rapidly growing economies.

That is why proceeds from the RSPT will create a new infrastructure fund.

The fund will grow over time, with estimated inflows of more than \$5.6 billion over the next decade, beginning with \$700 million in 2012-13.

In addition, I am announcing an equity investment of \$1 billion in the Australian Rail Track Corporation to fund productivity-enhancing rail freight works across Australia.

The Government has also committed \$71 million towards the development of an intermodal terminal precinct at Moorebank in Sydney.

The terminal will improve the flow of international and domestic trade, expanding freight handling capacity in Sydney and alleviating congestion around Port Botany.

Mr Speaker, the National Broadband Network represents a quantum leap in the way Australia communicates, works, and does business.

The Government has made appropriate provision in the Budget for the roll-out of NBN, subject to a final response to the implementation study.

The investments we are making in infrastructure and our changes to the tax system will create a stronger economy.

The RSPT, including the effective removal of royalties, and lower company tax rate will strengthen the business case for new investment, including in the mining sector.

Independent modelling indicates economy-wide investment will be boosted by 2.1 per cent in the long run.

Our role as the Government is also to provide an efficient and certain regulatory framework under which the private sector can invest with confidence.

That's why we asked Infrastructure Australia to develop a National Infrastructure Pipeline that helps give major investors, like super funds, the certainty they need to commit resources to infrastructure investment.

## **SAVING FOR THE FUTURE**

Mr Speaker, our superannuation changes will boost national savings, support investment and help give Australians the financial security they deserve in retirement.

The staged increase in the Super Guarantee and our equity measures for low income earners are major investments in the long-term adequacy of retirement savings.

Tonight, I am announcing additional measures that will help boost savings outside of the superannuation system.

We recognise bank deposits are a preferred savings vehicle for many Australians.

Right now, there is considerable variation in the taxation treatment of alternative savings vehicles.

While interest is taxed at the saver's marginal rate without any discount, capital gains on assets held longer than a year receive a 50 per cent discount.

We know this particularly disadvantages lower-wealth and older savers who are more likely to hold their non-superannuation savings in interest-bearing products.

So from 1 July 2011 Australians will be able to obtain a 50 per cent tax discount for the first \$1,000 of interest they earn, including interest earned on deposits held in banks, building societies and credit unions, and on bonds, debentures and annuity products.

This change is expected to make interest-bearing products more attractive to savers, which will have positive flow-on effects for competition in our financial system.

## **BETTER HEALTH AND HOSPITALS**

Mr Speaker, the ageing of our population and rising health costs pose a long-term challenge for our nation.

Total healthcare expenditure is projected to more than double as a share of the economy over the next 40 years.

That's why this Government is putting so much effort into reforming our health and hospital system.

This Budget builds on our *National Health and Hospitals Network* – a major economic reform with the simple goal of better hospitals and better health for every Australian.

Tonight I am announcing a further \$2.2 billion investment in the health system.

This takes our new investment to \$7.3 billion over five years, and \$23 billion over the rest of the decade.

We make these investments because we believe Australians deserve high quality, accessible health care.

We believe Australians deserve to be able to see a GP whenever they need one, particularly late at night or on a weekend.

That is why I am announcing a \$772 million investment in our GPs and primary care services.

This will provide better access to GPs after hours and establish Medicare Locals – ensuring every Australian has the access and advice they need locally.

It will fund upgrades to around 425 GP and primary care clinics across the nation and deliver 23 new GP Super Clinics.

Mr Speaker, we believe nurses play a vital role in our hospitals and our communities and we have listened to their concerns.



That is why I am announcing \$523 million to train and support our nurses, including in aged care and in our rural and regional communities.

We believe the delivery of healthcare services should be transformed.

So tonight, I am announcing \$467 million to modernise our health system by providing a personally controlled electronic health record for every Australian who wants one.

This will mean patients and their doctors will have their health records at their fingertips – improving patient safety and health care delivery.

We believe in better planning of our aged care workforce.

That is why we have asked the Productivity Commission to inquire into aged care, and why we'll undertake more research into staffing levels, skills and resident care needs.

Combined with the agreement reached at COAG, our investments will deliver better health care, better hospitals, more doctors, more nurses and more beds.

These are landmark reforms – the biggest since the introduction of Medicare – and they are fully funded over the forward estimates.

We have taken responsibility for our health and hospital system and we are delivering our improvements in a financially responsible way in this Budget.

## **EASING THE COST OF LIVING**

Mr Speaker, in safeguarding the economy and jobs during the global downturn I'm proud we also delivered greater financial security for families, pensioners and carers.

Infrastructure investments across the country, and direct payments under our stimulus packages, boosted confidence and helped keep the economy ticking over.

We are also delivering other significant initiatives to help Australians make ends meet.

With the new tranche of personal tax cuts from 1 July, we will have delivered \$47 billion in tax relief over four years, targeted squarely at working families.

We will have increased the effective tax free threshold from \$11,000 in 2007-08 to \$16,000 in 2010-11 through increases in the Low Income Tax Offset.

Working families have also benefited substantially from the increase in the Child Care Rebate, the Education Tax Refund, and the Teen Dental Plan.

We are improving the First Home Saver Accounts to help address the housing affordability challenge faced by so many young Australians.

For age pensioners we have delivered an historic increase in pensions and benefits.

Our key business tax reforms will increase real wages by around 1.1 per cent in the long run, putting an extra \$450 a year into the pockets of workers on average earnings.

Mr Speaker, the tax cuts and other initiatives in this Budget continue to ease the cost-of-living burden carried by working families.

But the families I speak to right around the country don't just want more financial security; they also want more time with each other.

So we have decided to provide taxpayers the choice of a standard deduction instead of the hassle of shoeboxes full of receipts and the costs of professional assistance.

This means less time with the Tax Pack, more time with loved ones, and for 6.4 million Australians it also means a bigger tax refund.

The standard deduction will be phased in over two years so that \$500 will be available to taxpayers from 1 July 2012, increasing to \$1,000 from 1 July 2013.

This is a key step towards a 'tick and flick' system of pre-filled tax returns that will make life easier for working families at tax time.

## **RESPONSIBLE FISCAL STRATEGY**

Mr Speaker, tonight we deliver all of these initiatives and still achieve the most rapid fiscal consolidation since at least the 1960s.

Our strategy will see us return to surplus in three years, three years ahead of schedule.

The budget deficit of \$40.8 billion for 2010-11 is almost \$6 billion less than the forecast at MYEFO and \$16 billion less than expected one year ago.

We are meeting our commitment to restrain growth in real spending to 2 per cent in above-trend growth years.

We have offset all new spending over the forward estimates, including an extra \$1.5 billion for defence operations, and significant funding for border security.

Our increase in the tobacco excise is not popular; but it helps us fund our health commitments.

And our reforms to medicines pricing under the Pharmaceutical Benefits Scheme, and a new Community Pharmacy Agreement, will deliver \$2.5 billion in net savings over five years from 2010-11 and provide better value for money for taxpayers.

Not one single pre-election budget of the former government delivered net savings over the forward estimates. This one does.

Mr Speaker, I also announce tonight an extension of our fiscal strategy. A new phase, focused on building even stronger surpluses and paying off debt even quicker.

The Government will maintain the 2 per cent annual cap on real spending growth, on average, until the surplus reaches 1 per cent of GDP.

On current projections, this would be achieved in 2015-16.

We will pay off debt three years ahead of schedule, after reaching a peak of just 6.1 per cent of GDP in 2011-12, or \$93.7 billion in 2012-13 in dollar terms.

This is half what we expected a year ago and less than one-tenth of the average peak expected across the major advanced economies.

## **FACING THE FUTURE WITH CONFIDENCE**

Mr Speaker, it is a tribute to every Australian that, tonight, we face our challenges from a position of strength, and not sifting through the rubble of recession.

Were it not for our shared successes we could not afford to boost national savings or invest in skills, infrastructure, renewable energy and hospitals.

To all Australians I say our job now is to convert the economic achievements of the past year into enduring gains for our economy and our people.

We have great advantages, and a spring in our step.

We face the future with confidence, but not with complacency.

We can maximise our opportunities if we dedicate ourselves to the reform task as diligently as we dedicated ourselves to the task of saving jobs during the downturn.

If we do, there is no reason we can't be the envy of the world over the coming years, just as we have been during the year just passed.

Mr Speaker, I commend the Bill to the House.

