

BUDGET SPEECH 2013-14

**DELIVERED ON 14 MAY 2013 ON THE SECOND
READING**

OF THE APPROPRIATION BILL (NO. 1) 2013-14

BY

THE HONOURABLE WAYNE SWAN MP

**DEPUTY PRIME MINISTER AND TREASURER
OF THE COMMONWEALTH OF AUSTRALIA**

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

STRONGER ECONOMY, SMARTER NATION, FAIRER SOCIETY

Tonight this Labor Government makes the choice to keep our economy strong and invest in our future.

To support jobs and growth in an uncertain world.

To chart a pathway to surplus through responsible savings.

And to ensure no Australian is left behind because of the circumstances of their birth or misfortune in their life.

Speaker, no government gets to choose the global economic circumstances in which the budget is framed.

But you do get to choose the priorities for the nation.

Labor chooses a stronger, smarter and fairer Australia.

An Australia where our school children get the opportunity to reach their full potential with \$9.8 billion invested in new school funding.

An Australia which gives dignity to people with severe and permanent disability through the historic \$14.3 billion investment in DisabilityCare Australia. This is a proud moment for our country.

Budget Speech

An Australia with the critical infrastructure we need to drive our economy forward, with \$24 billion new investment in road and rail.

An Australia where our prosperity spreads opportunity to every postcode in our nation.

Speaker, tonight, we put in place the savings to fully fund these priority investments for 10 years and beyond, an achievement unprecedented in our nation's history.

We make these historic investments in the Labor tradition from a position of economic strength.

The facts are, under Labor's economic leadership:

- Our economy is 13 per cent bigger than before the GFC.
- More than 950,000 jobs have been created with more Australians in work than ever before – there is no fact we are more proud of.
- For the first time ever we have a Triple-A credit rating from all three global agencies with a stable outlook – one of only eight countries to do so.
- And all this with contained inflation and new record low interest rates.

That is because we got the big calls right on the economy.

Now we enter a period where new choices must be made.

Challenging global conditions and the high Australian dollar have put huge pressure on the Budget and led to a significant reduction in expected tax receipts totalling over \$60 billion over the four years to 2015-16.

Speaker, we face a clear choice.

Radical cuts to the bone that would risk jobs and our economy.

Or a sensible, calm and responsible approach that puts jobs first.

We have always put the interests of working Australians first.

In this Budget, we do so again.

Just because the global economy took an axe to our budget, does not mean we should take an axe to our economy.

Just as we shielded Australia from the worst during the GFC, we will continue to follow the responsible middle course.

Two simple but powerful words are at the heart of our approach and they mean an awful lot to every Australian watching tonight – jobs and growth.

Speaker, because of our deep commitment to jobs and growth we have taken the responsible course to delay the return to surplus, and due to a savage hit to tax receipts there will be a deficit of \$18 billion in 2013-14.

The alternative, cutting to the bone, puts Australian jobs and our economy at risk, something this Labor government will never accept.

Speaker, this is our choice.

To those who would take us down the European road of savage austerity I say the social destruction that comes from cutting too much, too hard, too fast is not the Australian way.

Instead, we're making targeted, sustainable savings of \$43 billion over the forward estimates.

To deliver a measured and balanced consolidation of around ½ a per cent of GDP a year on average from 2013-14.

Since mid-2009 we have fully offset all new spending with savings measures and that continues tonight.

This discipline gives Australia a responsible pathway back to balance in 2015-16 and surplus by 2016-17.

It is a fairer way forward, by helping modern families with targeted assistance for the everyday pressures, by delivering the Schoolkids Bonus and through the Low Income Super Contributions.

A smarter way forward providing businesses with a skilled workforce, boosting incentives to innovate and adapt, to reap the benefits of the Asian Century.

And a stronger way forward, investing in education and training, boosting productivity, protecting and creating jobs, growing the economy, and keeping inflation and interest rates low.

ECONOMIC AND FISCAL STRENGTH

Speaker, tonight we build on Australia's resilience during the global financial crisis and its fallout.

Our nation's outlook is bright and our economy is set to grow faster than most of the developed world.

Real GDP growth of $2\frac{3}{4}$ per cent in 2013-14 and 3 per cent in 2014 15.

By mid 2015, our economy will be 22 per cent bigger than before the global financial crisis, outstripping every major advanced economy.

An economy in transition

From this position of strength, our economy is undergoing an important transition.

Our nation's largest resource investment boom is shifting to a boom in production and exports.

As the resources boom enters its new phase, the economy is also transitioning towards broader sources of economic growth.

And while our opportunities are great and our future bright, this transition will not be seamless.

Unemployment is forecast at $5\frac{3}{4}$ per cent in 2013-14, up slightly, but still among the lowest in the developed world.

This transition comes against the backdrop of a profound shift in the global economy.

The weight of economic activity is shifting towards our region.

As the Asian century unfolds, there are many new opportunities.

Not just in mining, also for our farmers, manufacturers, and service providers, but only if we make the choice to invest.

Because you don't want to find yourself in the fastest growing region in the world, with yesterday's economy.

You can't be a first-world economy in the 21st century if you haven't laid the groundwork to seize the opportunities.

Training a highly skilled, educated and productive workforce.

Supporting business to be innovative and competitive.

Investing in high quality infrastructure.

Ensuring a strong, fair and sustainable tax system.

All achievements of this Budget.

And you can't be a first-world economy in the 21st century if you're not on the path to a clean energy future.

As is widely accepted, putting a price on carbon pollution is the lowest cost and most efficient way to tackle dangerous climate change.

This Budget recognises as we move to an emissions trading scheme the carbon price is likely to be lower as is associated spending, reflecting lower costs to the economy, households and business.

We will continue to deliver existing household assistance, including increases in pensions, allowances, family payments and other benefits, and ensure future assistance remains adequate.

Weaker tax revenue

While our economy remains resilient, powerful global forces and the stubbornly high Australian dollar have savaged budget revenues.

Not since Hawke and Keating floated the dollar has it remained so high.

This has put acute pressure on prices and company profits, weighing more heavily than expected on tax receipts.

Speaker, let's be clear about the magnitude of the hit to revenue.

This year we face the second largest revenue writedown since the Great Depression.

Since last year's Budget, expected tax receipts for 2012-13 have been written down by \$17 billion.

And since our mid year update in October, there has been a total revenue write down of over \$60 billion over the next four years.

Company taxes, capital gains tax, resource rent taxes have all been hit.

We've seen almost \$170 billion wiped off our tax receipts since the GFC.

The tax-to-GDP ratio in 2013-14 is estimated to be 22.2 per cent, 1.8 percentage points lower than the average of the 5 years prior to the GFC.

It's as simple as this – if we were taxing Australian families and Australian businesses like our predecessors did, we'd have an extra \$24 billion in taxes in 2013-14 and be comfortably in surplus every year of the forwards.

The hit to our tax collections will see our very low level of net debt peak at 11.4 per cent of GDP, still less than 1/8th the level of major advanced economies.

Budget Speech

This Budget sets a sensible pathway to surplus, while making room for the big investments in our nation's future.

We've put in place over \$180 billion in responsible savings over six budgets since 2008-09.

And we have been putting structural savings in place since day one.

The long-term savings we've made over the last five years add up to over \$300 billion by 2020-21.

Of course, these savings involve some very difficult decisions.

But Labor has always tackled the reforms our nation needs.

We take the difficult decisions knowing they allow us to fully fund better schools for our children, the historic creation of DisabilityCare Australia, and of course the next wave of nation building.

BUILDING A SMARTER NATION

Speaker, we know that a smarter Australia means a stronger Australia.

An Australia able to grasp the opportunities of the Asian century.

A skilled workforce and a strong, productive and resilient economy.

We know we'll only win the economic race in the Asian Century if we win the education race.

Our current school funding system is broken, it's failing our children.

That's why we are transforming our nation's schools by investing \$9.8 billion in new school funding.

Delivering more teacher training, extra resources for school libraries, specialist language assistance, and literacy assessments in the early years.

We are also ensuring funding will grow for every school.

The Budget fully funds this investment over the next decade, meaning we can return the Budget to surplus without leaving our children an education deficit.

Building on our unprecedented investments in early childhood education and care with \$660 million to continue the National Partnership that will achieve universal access to preschool.

And establishing a \$300 million Early Years Quality Fund to support childcare workers.

Speaker, this Labor Government has delivered a 75 per cent funding increase for university places, supporting around 189,000 more university students.

And in this Budget we ensure this funding continues to grow sustainably.

Tonight we announce an additional \$97 million investment to boost the number of Commonwealth-supported university places, and an extra \$186 million for research infrastructure.

Speaker, the investments we make tonight will ensure our children are equipped to take up the high-skill, high-wage jobs of the future.

On this side of the House, we believe every Australian child deserves the same opportunities in life, and a child's postcode should not determine their future.

BUILDING A FAIRER AUSTRALIA

Speaker, the fair go is at the heart of everything Labor stands for.

That's why we're so proud to establish DisabilityCare Australia, the National Disability Insurance Scheme.

Supporting Australians with significant and permanent disability has long been in our nation's heart.

In March we put it in our nation's laws, and tonight we put it in our nation's Budget.

Following in the huge footsteps of Medicare and Labor's record of historic social policy reforms.

In 2018-19 around 460,000 Australians with significant and permanent disability will get the support they deserve.

Our current disability system is underfunded, unfair and fragmented.

For too long, people with disability have been denied the opportunity to live a life many of us take for granted.

For too long, Australia has failed to reform this broken system.

Speaker, tonight we right this wrong.

We provide choice, control and dignity to people with disability.

Budget Speech

This could mean the difference between getting the right wheelchair now or waiting three long painful years using a wheelchair that doesn't fit.

It could mean the difference between a shower every day, or only once a week.

This Budget will fully fund our share of DisabilityCare Australia, beyond the next decade.

From 1 July 2014 the Medicare levy will increase by $\frac{1}{2}$ a percentage point.

The money raised will be placed in a special Fund for 10 years and only used for the additional costs of DisabilityCare Australia.

Tonight, we end the cruel lottery of the current system.

Speaker, the Government is investing \$64.6 billion in health funding, up 40 per cent since we came to office.

This includes National Health Reform funding for state and territory Governments who will receive unprecedented growth of 35 per cent for public hospital services over the next four years.

This includes \$14 billion in 2013-14 which grows to \$19 billion in 2016-17.

This means that health funding to every state and every territory will grow over the forward estimates.

As a cancer survivor myself, I've experienced the high quality treatment provided by our health system but I know more needs to be done to prevent, detect and treat this disease.

Tonight's Budget builds on the \$3.5 billion we've already invested in cancer prevention, detection, treatment and research.

We continue the fight against cancer, investing over \$226 million in world-leading cancer care.

Investing over \$100 million in screening for breast, cervical and bowel cancer.

Supporting critical chemotherapy medicines, and investing \$23.8 million for life-saving bone-marrow transplants.

Funding a third Prostate Cancer Research Centre and continuing support for the two existing Centres.

Supporting CanTeen's work with young people living with cancer, and supporting those affected by lung cancer.

Speaker, Labor also has a strong record of supporting older Australians.

We introduced the largest single increase in the Age Pension in 100 years, and we introduced the Superannuation Guarantee which we're raising gradually to 12 per cent starting from 1 July this year.

We're improving aged care services through our \$3.7 billion *Living Longer. Living Better* package.

Tonight marks another step in the Gillard Government's plan to turn Grey into Gold and harness the wisdom of our senior Australians.

We will invest another \$127 million to help senior Australians continue their active engagement in society and introduce a pilot program to help downsize their home without affecting their pension.

We're also tackling entrenched disadvantage.

Committing \$777 million to renew the National Partnership on Closing the Gap on Indigenous Health Outcomes.

And funding a new transitional National Partnership to continue vital homelessness services.

BUILDING A STRONGER ECONOMY

So we are investing in Australia's human capital, at the same time as we invest in our economic capital.

Nation-building infrastructure

We have already invested a massive \$36 billion in roads, rail and ports.

Tonight we continue our ambitious program with a new \$24 billion investment in the next wave of nation building infrastructure.

It's critical to invest in both urban road and rail infrastructure.

Traffic congestion costs commuters time with their families and is estimated to cost our economy up to \$20 billion a year by 2020 if not addressed.

That's why we have committed more to urban public transport infrastructure than all our predecessors since Federation combined.

But there is more to be done.

So tonight we're investing in transformational public transport projects like Brisbane's Cross River Rail and Melbourne Metro.

These projects will change the way these cities work and allow them to grow into the future.

We're also putting funds towards productivity-enhancing infrastructure in Sydney – the M4 extension and M5 duplication – and funds that will see the Missing Link between the F3-M2 constructed.

We will partner with the private sector and State Governments to deliver these critical projects as efficiently as possible.

We are also investing in the Gateway North Upgrade in Brisbane, Melbourne's M80 Ring Road, and the South Road Upgrade in Adelaide.

And in our regions we are investing in the Swan Valley Bypass in WA, the Bruce Highway in Queensland, the Pacific Highway in NSW, the Midlands Highway in Tasmania and the Tiger Brennan Drive in the Northern Territory.

These investments will boost productivity, build capacity, improve safety, and relieve congestion, as well as improving the quality of life in our communities across the nation.

The National Broadband Network is putting Australia at the cutting edge of broadband technology and turbocharging productivity for decades to come.

Tonight we announce \$12.9 million to connect more local councils to the NBN and provide training for small business and not-for-profits in 20 regional NBN rollout sites.

Supporting business to innovate

Speaker, the strength of our economy also depends on the ability of Australian businesses to win work at home and abroad.

We're boosting innovation, productivity and competitiveness through our \$1 billion Plan for Australian Jobs.

Investing over \$500 million to create Industry Innovation Precincts around Australia.

And providing \$378 million to stimulate private sector investment in entrepreneurial small to medium-sized enterprises.

Part of our plan to support and create jobs, building on our loss carry-back and instant asset write-off reforms for three million small businesses.

Meeting industry's skills needs

Speaker, as well as having the infrastructure for the future, we must also ensure our economy has the skilled workers it needs.

Labor has increased annual funding for skills and training by almost 50 per cent.

Tonight we build on that record, with a \$69 million Alternative Pathways to the Trades program, providing more flexible pathways for 4,000 Australians undertaking trade and technical qualifications.

We have created a \$45 million Skills Connect Fund to deliver more effective workplace training for Australian businesses.

Workforce opportunity

Speaker, this Labor Government will do everything in its power to boost workforce participation and support transitions to employment.

Tonight we continue our support by allowing Newstart recipients to earn around \$1,000 more a year before their payments are affected, the first increase in more than a decade.

We are also supporting parents in their efforts to balance work and family with around 280,000 parents already reaping the benefits of the nation's first Paid Parental Leave scheme.

Our scheme has been in place for two years, is fully funded, affordable, sustainable, equitable, and supported by every member on this side of the House.

Stronger regions, resilient rural communities

Speaker, tonight we announce new reforms to build stronger regions and more resilient rural communities.

Over \$330 million to support the historic Tasmanian forests agreement, and continuing our investment in Tasmanian economic growth and jobs.

Nearly \$100 million for a new Farm Household Allowance to support farmers in hardship, part of the National Drought Program Reform.

And a new Farm Finance package to help farmers struggling with debt, providing concessional loans, more rural financial counsellors, and a better approach to debt mediation.

Budget Speech

This comes on top of the almost \$1 billion of investment in the Regional Development Australia Fund supporting the infrastructure needs and sustaining economic growth in Australia's regions.

We also commit another \$200 million for Reef Rescue to help farmers improve the quality of water entering the Great Barrier Reef.

Recovering from natural disasters

Speaker, Australians well know the devastation nature can unleash on our country, our communities, and our people – from floods, cyclones to bushfires.

Since 2010-11, Labor has paid \$5.7 billion to the states to support disaster relief.

We expect to pay a further \$6.2 billion over the five years from 2012-13, including \$1.9 billion to help Queensland through the January floods.

Tonight we invest \$40 million to rebuild local council infrastructure to a better and more resilient standard.

Strong foundations

And Speaker, as we build a stronger Australia for the future, we continue to honour those who laid the foundations of our country's strength.

As the Centenary of ANZAC draws near, we honour the hard work and sacrifices of Australian service personnel and their families.

We build on our previous commitment to commemorating the Centenary of ANZAC investing a further \$25 million and expanding veterans mental health services.

And this Budget funds the core defence capabilities required to protect Australia's national security interests.

Royal Commission

We have also provided the Royal Commission into Institutional Responses to Child Sexual Abuse with the resources required to go about its important work and ensure survivors have the support they need.

ENDURING SAVINGS

Speaker, this Budget makes historic investments in our children's education, in care for our most vulnerable citizens, and in building our nation.

But you only get to make the big investments if you are willing to make the savings to fund them.

To fund the critical investments over the next decade and to return the Budget to surplus, this Government has made \$43 billion in savings over the forward estimates.

In addition to the savings already mentioned we are:

- improving the sustainability of the family payments system by extending indexation pauses; not proceeding with increases to FTB-A announced in the 2012-13 Budget and abolishing the Baby Bonus; while providing new support for families of newborns through FTB-A;
- closing loopholes and protecting the corporate tax base to ensure multinationals and big businesses are not being given an unfair advantage;
- better targeting superannuation tax concessions to improve the system's fairness, sustainability and efficiency;
- improving the sustainability of the health budget through phasing out the poorly-targeted Net Medical Expenses Tax Offset and making changes to the timing of Medicare Benefits Schedule indexation;
- changing tobacco indexation to make it more consistent with consumers' purchasing power;
- continuing to grow overseas development assistance to 0.5 per cent of gross national income, but deferring the target date by one year from 2016-17 to 2017-18; and
- continuing to improve the responsiveness of income tax instalments for all large entities.

CHOOSING OUR FUTURE

Speaker, tonight this Labor Government has made the choice – a clear choice – to keep our economy strong and invest in our future.

We've chosen to give every child a world class education, and to make sure no Australian is left behind.

We've chosen a responsible path to surplus while supporting jobs and growth.

To make our economy stronger, our nation smarter and our society fairer.

Budget Speech

Labor has a proud record of making visionary choices that strengthen this great nation.

The Age Pension...Medicare...Universal Superannuation...Paid Parental Leave...The National Broadband Network...Pricing Carbon.

And with the ground-breaking investments I have announced tonight, we build upon that proud Labor tradition.

This is the Australia that Labor Governments choose.

Because creating prosperity and spreading opportunity are the values that drive this Labor Government every single day.

I commend the Bill to the House.