

BUDGET SPEECH 2009-10
DELIVERED ON 12 MAY 2009 ON THE SECOND
READING
OF THE APPROPRIATION BILL (NO. 1) 2009-10
BY
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TREASURER OF THE COMMONWEALTH OF
AUSTRALIA

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

INTRODUCTION

This Budget is forged in the fire of the most challenging global economic conditions since the Great Depression. It is a budget that supports jobs today by investing in the infrastructure we need for tomorrow.

In the worst of economic times it is a nation building budget, carefully crafted to bolster employment now, construct a solid foundation for future growth, and position us to capitalise on the global recovery when it comes.

The global recession has been unleashed on Australia with a brutal, uncompromising force.

Since September last year, almost all major economies have gone into recession, dragging ours into recession, as well.

Others may be overwhelmed by the scope and the ferocity of the biggest global downturn in memory.

But Australians are too strong, too resilient, and too united to be overwhelmed.

We know we can withstand the worst the world can throw at us.

We know this global recession brings adversity, but it brings opportunity as well.

And despite momentous challenges, we know we can emerge more productive and more prosperous than before this crisis began.

We know we are capable of this Budget's one central task: Nation Building for the Recovery.

But it will take time, and it will take discipline.

It will take hard choices; doing more with less.

And it will take determination and foresight — to invest now in the building blocks of long term growth and prosperity.

To the Australian people I say this is not an easy budget for easy times.

These are complex times. And the task in this Budget is complex as well: spending to stimulate the economy now to support jobs, but finding long term savings necessary for fiscal sustainability.

Mr Speaker, the 2009 Budget is framed with these challenges in mind.

- It has at its core the biggest plan for nation building investment in infrastructure since the Snowy Mountains scheme.
- Its focus is on an unprecedented push for jobs and productivity, built on the roads, rail, ports and broadband that are the building blocks for sustainable growth.
- It invests in a Clean Energy Initiative — flagship programs in solar energy and carbon capture central to our vision for the low-pollution economy of the future.
- It continues to build our Education Revolution — the schools and universities and TAFEs and training places we need for the future.
- It invests in world-class hospitals, research and innovation.
- It delivers the fair go our pensioners deserve, and sustainability for the pension system into the future.
- It increases the tax break small businesses need to invest in difficult times.
- It establishes an historic system of paid parental leave, and delivers tax cuts for working families.

- It ensures our defence forces have a strong and sustainable funding base.
- And it contains the hard choices that chart the course back to surplus.

ECONOMIC OUTLOOK

Mr Speaker, this time last year, I spoke of the need to build a buffer against international turbulence.

But since then, we have seen a downturn in global economic conditions unprecedented in our lifetimes.

Virtually every advanced economy is expected to suffer a deep recession in 2009.

Events have unfolded with astounding speed.

In Australia, the mining boom is unwinding.

Revenue, growth and employment have been hit hard.

Our gross domestic product will fall by $\frac{1}{2}$ of a per cent in 2009-10, recovering in 2010-11.

This contraction is many times less than that experienced by other advanced economies. But it shows not even we can escape the impact of this global recession.

The unemployment rate is expected to increase to $8\frac{1}{2}$ per cent by June 2011; again, less than the double-digit rates of other advanced economies, but still too high for this nation, and for this Government.

Importantly, we face this challenge in a much stronger position than other countries.

Our financial system is among the strongest in the world.

Our public finances are among the strongest in the developed world.

And our early and decisive action to support jobs and growth is working — protecting Australians from the pain of an even worse domestic downturn.

SUPPORTING THE ECONOMY AND JOBS NOW

Mr Speaker, the economic stimulus in this Budget raises the level of GDP by $\frac{3}{4}$ of a per cent in 2009-10, when the economy is expected to be at its weakest.

The measures in this Budget build on the decisive action the Government has taken since the extent of the global recession became clear.

Action that will see 35,000 building sites spring up, around the nation.

Action that has cushioned the impact on Australia, ensuring the effects of this global recession are smaller than the impact borne by other comparable countries.

In the absence of our efforts, the contraction would be four times bigger.

And our economy would be 2¾ per cent smaller in 2009-10 and 1½ per cent smaller in 2010-11.

Our actions are expected to support up to 210,000 jobs, and reduce the peak in the unemployment rate by 1½ percentage points below the double-digit peak it would reach if we listened to those who said we should do nothing.

The Government believes in those 210,000 Australians and we won't cut them loose.

We understand the dignity of work, and the cost of being without it.

That's why we will build on the effectiveness of our economic stimulus by extending two key measures.

Extension of the First Home Owners Boost

Mr Speaker, the First Home Owners Boost has supported employment and helped 59,000 Australians buy their first home.

In light of the continuing global uncertainty, and the success of this initiative, tonight I announce that we will extend the Boost for a further six months – including three months at the full rate, before stepping it down.

Small Business Tax Break increase

Mr Speaker, small businesses are the backbone of the Australian economy, employing around half of all private sector workers.

That is why the Government will also provide immediate additional assistance by increasing the Small Business and General Business Tax Break to 50 per cent for eligible assets ordered between December 2008 and December 2009, in addition to assistance for small businesses to take advantage of e-business opportunities.

NATION BUILDING INFRASTRUCTURE

Mr Speaker, the Government's fiscal stimulus program started with a timely boost for household incomes, and was followed by support for 'shovel-ready' infrastructure.

Tonight we mark the start of the third phase – a move into larger and longer term nation building projects, bringing jobs now and putting in place the building blocks of Australia's future productivity and prosperity.

The centrepiece of this Budget is the \$22 billion we are investing in the infrastructure our nation needs to grow and prosper in the years ahead.

Highways in Central Queensland, the Hunter Valley, and up and down the east coast.

Metro rail in Adelaide, in Melbourne, in Brisbane, in Sydney, in Perth, and on the Gold Coast.

Ports in the west, and the north – international gateways for our exports.

Broadband right around the nation, beginning in Tasmania.

Universities and research hubs and hospitals and cancer institutes in towns and cities everywhere.

Nation building for every corner of Australia.

And through these investments, we can tell our kids and grandkids with pride that to respond to the great economic challenges of our time we created the infrastructure, generated the ideas, shaped the minds, marshalled the energy, and developed the skills that led to a new era of prosperity and sustainability for Australia.

Road, rail and ports

Mr Speaker, tonight I announce the Government will invest \$8.5 billion in Australia's critical road, rail and port infrastructure needs.

The projects reflect advice from Infrastructure Australia and will be funded from provisions we have set aside, including in the Building Australia Fund.

We will invest more than \$4.6 billion in the construction and planning of nine metropolitan rail projects across the nation:

- \$3.2 billion towards a dedicated dual rail link from West Werribee to central Melbourne's Southern Cross Station;

- \$40 million towards planning, design and engineering works for Melbourne's East-West rail tunnel linking Footscray with the CBD;
- \$365 million towards a light rail corridor for the Gold Coast and \$20 million for a detailed planning study into potential new corridors in Brisbane;
- \$294 million to upgrade Adelaide's Gawler rail line and \$291 million to extend the Noarlunga to Seaford line, in addition to \$61 million to extend the O-Bahn track in Adelaide;
- \$236 million towards the central city section of the Perth to Fremantle rail line and the Wellington Street bus station to facilitate urban redevelopment in Perth;
- and \$91 million for detailed design work of the Sydney West Metro – a new 25 kilometre rail line from Central Station to Westmead Hospital.

Mr Speaker, the Government's vision for the efficient movement of goods and the drive for national productivity means we must invest in our road network as well.

Tonight I announce a further \$3.4 billion investment in Network 1 – the road freight corridor between Melbourne and Cairns that includes the Hume, Pacific and Bruce Highways:

- \$1.5 billion for the Hunter Expressway – a new dual carriageway road in New South Wales between the F3 and the New England Highway near Branxton;
- \$618 million towards a dual carriageway bypass of Kempsey and Frederickton to the east of the existing Pacific Highway;
- \$488 million to replace 25 kilometres of the Bruce Highway between Cooroy and Curra in Queensland with a better four-lane divided carriageway;
- and \$884 million to upgrade the Ipswich Motorway from Dinmore to Goodna.

This investment in major roads and rail will help achieve our goal of building a truly integrated national transport system.

And, Mr Speaker, we will also set aside \$389 million to invest in the capacity of our bulk commodity ports, the critical international gateways between our businesses and global markets:

- \$50 million towards design and engineering works for the Port of Darwin's East Arm, that will improve port capacity and efficiency;
- and \$339 million towards the development of common user facilities at the Port of Oakajee, north of Geraldton in Western Australia.

National Broadband Network

Mr Speaker, this new investment comes on top of the Government's plans to partner with the private sector to build a \$43 billion superfast broadband network – the biggest nation building infrastructure project in Australia's history.

Supported by an initial investment of \$4.7 billion, this will ensure our economy has a fast and efficient communications backbone for the 21st century.

Concrete, steel and fibre-optic links reaching out across the whole nation, creating new jobs and clearing new paths to recovery and prosperity in every single community.

CLEAN ENERGY INITIATIVE

Mr Speaker, we are also absolutely determined that our nation building plans will create the low-pollution economy Australia needs for the future.

That's why the Government is introducing the Carbon Pollution Reduction Scheme and expanding the national renewable energy target.

Tonight I am pleased to announce the Government will also invest \$4.5 billion in a new Clean Energy Initiative – the critical infrastructure that supports low-emission technologies and creates low-pollution jobs.

- We will establish Renewables Australia, a new innovation body to promote the development, commercialisation and deployment of renewable technologies.
- We will establish up to four new Solar Flagship projects to demonstrate the viability of solar technologies.
- And we will support projects that demonstrate carbon capture and storage on an industrial scale from coal-fired power stations.

WORLD-CLASS UNIVERSITIES, RESEARCH AND HOSPITALS

Mr Speaker, Australia's recovery depends heavily on the quality of our human capital; on our ability to educate our people and to innovate in business.

In total, this Budget invests \$5.3 billion in tertiary education, research and innovation over six years.

Education and innovation

The Government will commit \$2.6 billion from the Education Investment Fund for priority infrastructure projects in Australia's tertiary institutions and research agencies.

This includes:

- \$934 million for 11 teaching and learning projects, 8 research-based projects, and 12 vocational education and training projects around the nation;
- \$901 million for 21 research projects in space, marine, climate and nuclear science;
- and a further \$750 million for future funding rounds from the Education Investment Fund.

Mr Speaker, these investments build on our previously announced \$14.7 billion modernisation of Australia's primary and secondary schools.

The Government is determined to give opportunities for talented Australians to participate in higher education no matter what their background, consistent with the recommendations of the Bradley Review into our higher education system.

We will invest \$491 million over four years to uncap the number of university places from 2012, starting with increased places from next year.

This will allow an extra 50,000 students to commence university courses by 2013.

We will commit \$437 million over four years, to give people from disadvantaged backgrounds an opportunity for a university education.

And to help achieve the Government's targets for Australia's innovation performance, this Budget provides funding of \$500 million to encourage additional research, development and commercialisation of ideas, on top of \$512 million to help universities fund the indirect costs of research.

From 1 July 2010, we will also replace the current research and development tax concessions with an expanded tax credit that rewards firms for research and development.

Hospitals and health care

Mr Speaker, Australians deserve a world-class hospital and health care system.

The Government has announced it will invest an additional \$2.5 billion over five years to drive hospital and health workforce reform, in cooperation with the States and Territories.

We will also draw \$3.2 billion from the Health and Hospitals Fund to expand and modernise key public hospitals across Australia, improve cancer treatment facilities, and support cooperative research between clinical researchers and health professionals.

And we will provide \$121 million over four years to relieve pressure on maternity services, and \$134 million over four years in a new Rural Health Workforce Strategy to attract medical practitioners to areas of need.

PENSIONS AND PARENTAL LEAVE

Mr Speaker, how parents are encouraged to balance their commitments to work and family, and how we treat our pensioners and carers, are important benchmarks for the economy we seek to create as we go from recession to recovery and beyond.

Paid Parental Leave

To ensure Australians can participate in work, and participate in our recovery, we must ensure they can balance their family commitments.

That's why the Government is investing \$731 million over five years to deliver a Paid Parental Leave scheme for the first time.

The Paid Parental Leave scheme enables parents to maintain links with their employer and to receive an income whilst nurturing their child.

From 1 January 2011, eligible parents will receive taxable payments at the rate of the Federal Minimum Wage, for up to 18 weeks.

This is an historic reform, it is long overdue, and it will help us meet the participation challenge imposed on us by our ageing population.

Secure and sustainable retirement incomes

Tonight, Mr Speaker, we are proud to deliver on the Government's commitment to pensioners.

Our pension reforms are aimed at giving pensioners a fair go now, when they need it most. Just as importantly, we will ensure the pension system is sustainable over the longer term.

From 20 September 2009, the Government will provide single pensioners on the full rate with an additional \$32.49 per week, bringing the value of their pension to a legislated benchmark of 27.7 per cent of Male Total Average Weekly Earnings.

Couple pensioners will receive an extra \$10.14 per week combined, through a new fortnightly Pension Supplement.

And because carers are among the unsung heroes of our community, and because of the financial difficulties they face, this Budget introduces a \$600 a year Carer Supplement for all Carer Payment recipients, on top of an increase in their pension.

Recipients of a Carer Allowance will also receive an additional \$600 a year for each eligible person in their care.

FISCAL STRATEGY

Mr Speaker, it has not been easy to find room in the Budget for our commitments to pensioners, and to meet our responsibilities as nation builders.

Consider these facts:

Since last year's Budget, taxation receipts have been revised down by around \$210 billion over the forward estimates.

This represents around two-thirds of the write-down in our Budget position.

It is the biggest downward revision in our history. Roughly equivalent to the entire Commonwealth spend on health and hospitals over the forward estimates.

Faced with that reality, there are two starkly different ways to go.

You can balance the budget by dramatically pushing up taxes and slashing and burning vital services in key areas like health, leading to a deeper and longer recession, and higher unemployment.

Or you can offset a temporary collapse in revenue with a program of responsible borrowing that also provides for the stimulus the economy needs when private sector investment is in retreat.

This is the course the Government has adopted. It is the only responsible course.

The Government's balance sheet will continue to be among the strongest in the world.

Net debt is forecast to peak at 13.8 per cent of GDP in 2013-14 before falling again, compared with net debt of 80 per cent of GDP for advanced economies in 2014.

RETURNING THE BUDGET TO SURPLUS

Mr Speaker, our fiscal strategy is two-pronged:

- first, to provide fiscal stimulus in the short term by allowing the budget to adjust automatically to the economy's movements, and through further discretionary policy action;
- and second, to bring the budget back to surplus and pay down debt in the medium term.

We are driven by the reality that some things our predecessors committed to in boom times are not sustainable now.

We have delivered major tax relief to low- and middle-income earners because we are guided by the belief that the tax system best rewards hard work.

Our reform efforts are focused on a better balance between tax and transfer payments.

Budgets are about priorities. And economic leadership is about making the tough decisions, no matter what the political consequences might be.

Take the pensions commitment.

We gave it in good faith.

It is a commitment at the core of our Labor values, and we meant it.

And having made the commitment, the onus was on us to find room elsewhere in the Budget to pay for it.

We couldn't raise the pension without hard choices elsewhere.

Pension sustainability

That's why tonight I am also announcing some major structural savings to support the longer term sustainability of our pension system, and the budget more broadly.

Central to this has been a review of the qualifying age for the Age Pension, which will be progressively increased to 67 years by 2023, reflecting increases in life expectancy, and consistent with international trends.

The rate at which the pension is withdrawn with private income will be increased to 50 cents in the dollar, but a more generous work bonus will be introduced for the first \$500 of fortnightly employment income, providing extra assistance to those who work.

All existing pensioners will have their payments maintained in real terms, and all singles and couples will receive an increase of at least \$10.14 per week.

The Government will reduce the generosity of some superannuation concessions for those with greater private wealth. The cap on concessional super contributions will be lowered and the matching rate of the superannuation co-contribution will be reduced temporarily.

Private health insurance rebate

Mr Speaker, spending on the private health insurance rebate is growing unsustainably, and disproportionately favours those on higher incomes.

From 1 July 2010, the private health insurance rebate will be reduced for higher income earners. The Medicare Levy Surcharge will also be increased to maintain the incentive for those able to pay for private health insurance to continue to do so.

Treasury modelling shows that, under these reforms, private health insurance coverage will remain at more than 99 per cent of its current levels.

Family payments

Mr Speaker, for higher income earners, the income thresholds for some payments made to families will be maintained at their current levels for a further three years.

The Government is also changing family payments to index the Family Tax Benefit Part A to the Consumer Price Index only. This change will maintain the real value of future payments, but they will not grow by as much as they otherwise would.

Families affected by this measure will be among the main beneficiaries of other initiatives introduced by this Government, including the doubling of the Low Income Tax Offset; the Education Tax Refund; the Teen Dental Health Plan; and Paid Parental Leave.

We are also improving tax system integrity to crack down on loopholes exploited by a small number of high-income earners.

Path to surplus

Mr Speaker, the savings decisions we have taken will allow us to offset fully our new spending in the final year of the forward estimates and ensure fiscal sustainability for the longer term.

They will put us on the path to surplus by 2015-16 and ensure that Australia's public finances remain among the strongest in the world.

This Budget also enhances the broader, longer term productive capacity of the economy, building a stronger revenue base for future generations.

Before the 2010 Budget, we will produce the next Intergenerational Report, to provide an updated assessment of our demographic challenges and the sustainability of policies.

Mr Speaker, I know some will be unhappy with the hard choices we've taken in this Budget.

Especially those we have asked to contribute more, because they can afford to do so.

But I'm confident that most Australians will understand that the choices we have made are necessary, and responsible.

They are the only way to ensure the budget remains on a sustainable footing and the national balance sheet remains strong.

They are the only way to ensure we can responsibly fund our priorities and our commitments to pensioners.

And they are right for the circumstances we face together, as a nation.

CONCLUSION

Mr Speaker, not since the Great Depression has Australia confronted a more difficult set of global economic conditions.

We have always been upfront and honest with the Australian people about the reality of this global recession and the magnitude of the challenge.

But it is also true that the economy will recover strongly and that Australia will be as well placed as any nation to grasp the opportunities presented by that recovery.

Tonight we stand with the Australian people to say we refuse to be overwhelmed by the brutal force of this global recession.

We will support jobs today by building the infrastructure we need for tomorrow.

This Budget builds on a comprehensive strategy that has done so much to ensure we remain better placed than other nations.

Nation Building for the Recovery has become Australia's central task. The central task of this Government. And the central task of this Budget.

These are truly momentous challenges for our nation.

But by steeling ourselves;

By pulling together as we always do, when we are tested;

We will emerge from this global recession stronger and more prosperous than before.

I commend the Bill to the House.