



BUDGET★
2010-11

SKILLS AND INFRASTRUCTURE—BUILDING A
STRONGER AND FAIRER AUSTRALIA

STATEMENT BY
THE HONOURABLE JULIA GILLARD MP
MINISTER FOR EDUCATION
MINISTER FOR EMPLOYMENT AND WORKPLACE
RELATIONS
MINISTER FOR SOCIAL INCLUSION

THE HONOURABLE ANTHONY ALBANESE MP
MINISTER FOR INFRASTRUCTURE, TRANSPORT,
REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

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FOREWORD

Australia's response to the global economic downturn demonstrated the Rudd Government's quick and decisive action in supporting the Australian economy, and its commitment to invest for long-term prosperity.

In 2009, Australia had the fastest growth among the world's advanced economies. Australia has far lower debt and deficit compared with major advanced economies.

Our economy is getting stronger despite significant challenges still facing other major advanced economies.

Of course challenges still remain for the Australian economy. We will face challenges such as infrastructure bottlenecks and skills shortages sooner than other countries whose economies are weaker.

We also face the long-term challenges of an ageing and growing population, technological and climate change and evolving international trade. These changes are affecting the structure of the Australian economy.

This is why investing in skills and infrastructure is so important. These investments are helping Australia to thrive in the changing world economy by creating opportunities for employment and, with this, the chance for all to share in Australia's future prosperity.

The imperative of creating opportunity for all Australians guides every stage of the Government's education reforms. The focus is on strengthening the quality of learning and assisting Australians to participate in work and in their community.

Much has been done already. Long-term initiatives like early childhood learning and schooling are giving our future generations the best possible start in life and building the foundations to allow more Australians to move into rewarding careers in the 21st century economy.

We are also driving excellence and equity in higher education by opening the doors of universities to a new generation of Australians, creating new partnerships between disadvantaged schools and universities and targeting student income support so that more Australians can actually go to university. We are determined to provide new opportunities for working-age Australians and to close the education and training gap for Indigenous Australians.

In this Budget, the Rudd Government is again investing in education and skills. The Skills for Sustainable Growth strategy will:

- support more apprentices and provide training to address emerging skills shortages

Skills and Infrastructure – Building a Stronger and Fairer Australia

- improve literacy and numeracy so many more Australians are ready for work
- lift the quality and capacity of vocational education and training.

Many people in our regions and many young Australians are still seeking work. We know that we need to train more Australians and not rely too heavily on skilled migration to solve skills shortages.

The same theme of creating opportunities runs through the Government's unprecedented investment in infrastructure and its renewed focus on urban policy. Increasing congestion, deteriorating transport networks and stagnating productivity were constraining the capacity of the economy to grow sustainably. One cause of those problems was the underinvestment in our critical infrastructure over decades. From day one, the Rudd Government has taken the action needed to turn that around.

We immediately restored national leadership on infrastructure, starting with the new Federal Department of Infrastructure, Transport, Regional Development and Local Government, and a new national advisory body, Infrastructure Australia. Infrastructure Australia has already undertaken a national audit of infrastructure and identified a pipeline of projects and a national infrastructure priority list.

We backed up these institutional reforms with record investments, setting up the Building Australia Fund and rolling out the Nation Building program and spending \$37.0 billion on road, rail and port infrastructure. In total, we have doubled road spending and quadrupled rail spending.

This investment has provided a boost to our economy in the short term, supporting jobs in the face of the global financial crisis. In the longer term, it will help to raise our levels of productivity, create new opportunities for business and prepare our economy to stay one step ahead of the global competition.

In this Budget the Government continues lifting investment in long-term productivity growth, and tackling bottlenecks and supply constraints. The Government's strategy achieves this through:

- modernisation of the interstate freight rail network
- investment in transforming the movement of freight into and out of Port Botany and through the Sydney Basin.

We have put unprecedented levels of investment into addressing the infrastructure deficit but this is just part of the picture. The Australian Government understands that boosting the nation's productivity is not just about investment, it's about reforms that build a seamless national economy, that better plan infrastructure, and that use existing infrastructure more productively.

This Ministerial Statement explains how the Government will invest in skilling Australians and how we will support the infrastructure that is so necessary to sustain economic recovery in our cities and our regions.

This statement outlines the next stages of the Rudd Government's plan to secure Australia's future.

Part one summarises the main budget measures.

Part two outlines the challenges confronting the economy in skills and infrastructure, the opportunities these provide and what has informed the Government's decisions for the 2010 Budget.

Part three details the priorities and new initiatives of the Government for promoting sustainable economic growth through skills and infrastructure investment.

With the new investments announced in this Budget, we advance further towards achieving the Rudd Government's goal of a stronger and fairer Australia for all.

BUDGET FEATURES

SKILLS FOR SUSTAINABLE GROWTH

Skills for recovery

\$299.5 million

These are strategies that will equip Australia to respond swiftly and decisively to the emerging skill shortages in the economy, including a major training fund to be established in partnership with industry, an extension to the successful Apprentice Kickstart program and a more flexible competency-based apprenticeship system. It will mean more apprenticeships in industries where they are most needed.

Foundation skills package

\$119.2 million

The Government is determined to tackle the language, literacy and numeracy deficits that have been identified as affecting the future employment and earning prospects of more than 4.5 million working-age Australians. The Government's four-year additional investment combined with existing support will assist 140,000 Australians to build skills that will enable them to complete further training, secure employment and progress to higher skilled jobs. More Australians will become ready for work and learning.

A training system for the future

\$242.5 million

Renewing and lifting the quality of vocational education will better serve the needs of industry and students. We will offer support to deliver better access to higher level skills and entrench a broad entitlement to training for young Australians and for others to up-skill or re-skill and to strengthen their foundation skills. We will offer an incentive to the vocational education sector to boost the quality of training and be transparent about teaching and learning outcomes.

In summary, our investment is expected to deliver:

- up to 39,000 additional training places, co-funded with industry, in resources and related sectors facing high skills demands during the recovery
- greater incentives to benefit 22,500 immediate apprenticeship commencements and more timely completion of apprenticeships

- a guaranteed entitlement to a training place for all Australians under the age of 25, and in the future a broad entitlement for foundation skills training, and for older Australians to up-skill or re-skill
- a strong incentive to boost the quality and performance of the nation's leading training providers and improve the transparency of the training sector
- enhancements to language, literacy and numeracy services so that 140,000 Australians over four years will receive high-quality teaching and assistance from Commonwealth programs.

The new measures announced in the Skills for Sustainable Growth strategy build on the recommendations of Skills Australia's recent comprehensive report *Australian Workforce Futures: A National Workforce Development Strategy*.¹ The issues raised by Skills Australia are fundamental to supporting economic recovery and sustainable growth. The report provides a cohesive strategy for addressing them.

Australian Workforce Futures provides a sound basis for the Government to develop an extensive package of measures targeted to those areas of need identified by Skills Australia. In particular, the report highlights the need to lift the language, literacy and numeracy skills of our current and future workforce, develop a national training entitlement for all young Australians and provide a stronger policy approach lifting the supply and use of skills.

The Skills and Infrastructure Budget package will ensure a fairer, smarter and more prosperous future for Australia and provide increased opportunities for Australians to benefit from, and contribute to, the country's economic recovery.

1 Skills Australia is an independent statutory body providing advice to the Minister for Education, Employment and Workplace Relations on Australia's current, emerging and future workforce skills and development needs.

BUILDING STRONG FOUNDATIONS AND INFRASTRUCTURE

Boosting rail productivity

\$996.0 million

This is an equity investment into the Government-owned Australian Rail Track Corporation for a package of productivity enhancing projects across Australia. It will provide funding for stronger steel rail, more concrete sleepers, rail bridge and culvert upgrades, new passing loops and associated rail infrastructure works to strengthen the interstate freight rail network and secure its future over the longer term. This is an investment in the future productivity and prosperity of the Australian economy, and brings total spending on the interstate rail network to \$3.4 billion over six years and total investment in rail across Australia to almost \$9.0 billion.

Moorebank Intermodal Freight Terminal

\$70.7 million

The 2010–11 Budget allocates \$70.7 million to complete the detailed planning on the Moorebank Intermodal Freight Terminal Project in Sydney’s South West, with the staged redevelopment of the site expected to start in 2013. This work will be undertaken in partnership with the site’s current owner, the Department of Defence, and the Department of Finance and Deregulation.

National transport regulation

\$8.3 million

The Government is committed to boosting national productivity and creating a seamless economy. This budget will provide \$8.3 million in 2010–11 towards establishing national regulators for heavy vehicles, rail safety and maritime safety, and for an expanded rail and national maritime safety investigatory function.

Securing the future of Australia’s aviation industry

\$312.4 million

A suite of new initiatives will ensure a continuation of our excellent aviation safety and security record and increase investment in aviation skills and planning. The new funding fulfils the commitments given and expands upon the measures outlined in the nation’s first ever Aviation White Paper which was published in December 2009.

In its totality, the White Paper delivers a comprehensive, long-term plan for an industry which supports more than half a million jobs, delivers essential services to remote communities and contributes nearly \$6.3 billion to the national economy.

State Infrastructure Fund

\$5.6 billion

As part of its tax plan for the future, the Government has announced that it will establish a new infrastructure fund for the states and territories.

The fund will commence in 2012–13 with an initial contribution of \$700.0 million and will be worth more than \$5.6 billion over the decade. This will make infrastructure spending a permanent feature of Commonwealth and state budgets, and support state investment in the nation-building infrastructure necessary to support improved living standards.

THE CHALLENGE

Australia is emerging from the global recession. We are in a strong position to take decisive action to maximise opportunities for the Australian people.

The Government's focus, as outlined in this statement, is on strategic investment in both human and physical capital to achieve this goal. As a nation moving forward we need to be able to share the benefits of economic growth, manage the economic and fiscal impacts of an ageing population, and successfully adapt to the changing global economy.

THE SKILLS CHALLENGE

The Skills for Sustainable Growth strategy responds to the challenges of skills shortages, poor foundation skills and the changing economic landscape.

Australia faces specific skills shortages with the potential for this to worsen due to demographic shifts resulting in lower workforce participation. At the same time we also have unacceptably high youth unemployment and regions not fully participating in economic recovery. In March 2010, 19 ABS labour force regions out of a total of 80 (or 24 per cent), recorded an unemployment rate of 6.5 per cent or above, compared with the national average of 5.8 per cent (in three-month average original terms).

If the supply of individuals with vocational education and training (VET) qualifications remains at the same level as in 2005, a shortfall of 240,000 can be expected by 2016. To meet the shortfall, net completions will need to increase by more than 1.9 per cent per year.² The challenge is exacerbated by relatively high exit rates by apprentices both during training, and once they have qualified. Trade apprenticeship commencements fell significantly during most of 2009 as Australia weathered the global recession.

Around 360,000 young Australians have not obtained at least a Year 12 or Certificate II qualification and are not studying for a qualification.³

In March 2010, Skills Australia released *Australian Workforce Futures: A National Workforce Development Strategy*. The report outlines a strategy for sustaining economic growth, avoiding future skills shortages and deepening the skills of the workforce. The underlying vision of the strategy is compelling – 'that Australia has the workforce

2 Shah C. and Burke G. (2006) 'Qualifications and the future labour market in Australia' Report prepared for the National Training Reform Taskforce, Monash University, Centre for the Economics of Education and Training.

3 ABS Survey of Education and Work, May 2009.

capability it requires for a productive, sustainable and inclusive future, and that Australian enterprises have the capacity to develop and use the skills of their workforce to maximum advantage for the benefit of industry and the community.’

The global recession

The Rudd Government’s economic stimulus plan was underpinned by the \$42.1 billion Nation Building and Jobs Plan. It created significant investment in medium and long-term infrastructure projects and ensured skilled workers were kept in employment. These actions resulted in around 200,000 Australians retaining their jobs.

The \$145.0 million Securing Australian Apprenticeships initiative, announced in February 2009, helped employers keep ‘out of trade’ apprentices connected to training and work. In addition, in October 2009, the Government announced a \$100.0 million Apprentice Kickstart package, including the \$80.0 million Apprentice Kickstart bonus initiative for employers of Australian Apprentices aged 19 years and under in skills shortage trades. This was designed to reverse the decline in traditional trade commencements. It was aimed at young Australians and was in place over the summer months.

Together these measures have helped more than 40,000 businesses in the national skills shortage sectors, enabled more than 48,000 apprentices to remain in work or complete their training, and ensured that close to 24,400 young apprentices started in the trades over the past summer. These initiatives are in addition to the \$1.0 billion available each year to employers and apprentices under the Australian Apprenticeships Incentives program.

In 2010 and beyond, as we emerge from the global recession, the challenges are different, but no less pressing. A recovering economy and ongoing structural change bring the risk of a patchwork economy where skill shortages and growing national prosperity co-exist with pockets of entrenched disadvantage and exclusion. This risk has a social dimension—Australians unable to share in, or contribute to, the nation’s prosperity. Importantly, there is also a significant economic dimension including unnecessary constraints on growth and fiscal pressures.

Emerging skill shortages in recovery

By keeping Australians in employment, the Government’s economic stimulus packages helped prevent the major decline in skills usually associated with a downturn. However, the pace of economic recovery means that we need to improve the supply and use of skills if we are to increase the productive capacity of the economy and continue strong growth.

Skills Australia has noted that, ‘employers are already raising concerns about the risk that our economic growth will be constrained once again because of skill shortages.’⁴

Although labour markets are responsive to skills needs, demand created by rapidly expanding industries may create skills deficits and constrain projects in other sectors. For example many of the skills associated with the resources sector also exist in other sectors, particularly construction.

Rural, regional and remote parts of Australia are likely to experience growth through new investment, such as major resources developments in Western Australia and Queensland. These projects will also require significant operating infrastructure, rail, air and sea ports, as well as basic social and physical infrastructure to support an operational workforce or a resident population. While some of this pressure will be alleviated by projects commencing at different times and construction employees moving between projects, shortages may emerge across occupations as labour is attracted to higher wage occupations. A key task is to ensure that skills and capital move seamlessly through the economy to the projects, industries and regions that need them most.

In the near term, skills vacancies are trending upwards with the greatest demand being felt in metal, construction, automotive and wood trades.

Recent research conducted by SkillsDMC (an industry skills council for mining and construction) demonstrated national skill shortages in:

- electricians/electrical engineers
- drillers
- infrastructure engineers
- mine managers and deputies
- geologists
- welders.⁵

Meeting the demand for multiple and higher skills in key sectors of the economy is critical if Australia is to remain globally competitive. We cannot ignore the skills capacity constraints that occurred under the previous Government in the mid 2000s.

4 Skills Australia (2010) Australian Workforce Futures, p. 1

5 SkillsDMC 2009, Building for the Future, Preparing today: A systematic approach to Workforce Development, Environmental scan, Skills DMC National Industry Skills Council.

Apprenticeships are a vital pathway to engage young people in employment and training and to meet the skills needs of Australian industry. However, trade apprenticeship commencements did not keep pace with economic needs from the mid-1990s to the mid-2000s. Apprenticeship commencements fell sharply in 2009 as a result of the downturn. Youth commencements were down by 22,700 in the year to September 2009 compared to the previous year. The biggest impact was among teenagers (18,800 fewer commencements) and among males in particular (down 14,600).

Investing in critical skills and smarter apprenticeships will ensure more Australians have the opportunity to contribute to national economic recovery and to share the job and income benefits of sustained economic growth, while also meeting our immediate skills needs.

Providing strong foundations in language, literacy and numeracy

A number of factors, including educational attainment, affect proficiency in the foundation skills of English language, broader literacy and numeracy. People who did not complete schooling to Year 12 (or equivalent) or who spoke English as a second language comprise 83 per cent of those with poor prose literacy skills.⁶

Around 4.5 million working-age Australian adults don't have the high level of core language, literacy and numeracy skills they need to support their success at work or further study. Yet, as Skills Australia observes, 'language, literacy and numeracy skills are fundamental to workforce productivity'⁷. Better skills are positively associated with higher levels of training, workplace participation and higher incomes. There is a clear economic and social case for making greater investments in this area.

The Productivity Commission estimates that, together with improvements in early childhood education and higher educational attainment, increases in literacy and numeracy could raise aggregate labour productivity by up to 1.2 per cent in 2030.⁸

A poor level of literacy and numeracy is one of the biggest causes of disengagement from the labour market. Most recent data shows that around 60 per cent of unemployed Australians are unlikely to have the necessary foundation skills to successfully complete a Certificate III qualification—a clear risk to their capacity to gain better jobs and better incomes. The inability to read and comprehend operating instructions, safety precautions, equipment and repair manuals or organisation occupational health and safety policies creates a significant workplace and safety hazard.

6 ABS (2008) *Social Trends 2008 Adult Literacy*, p. 2

7 Skills Australia op. cit. pp. 35-36

8 Productivity Commission, *Australia's Productivity Performance*, submission to the House of Representatives Standing Committee on Economics, September 2009

The Skills for Sustainable Growth Budget strategy will deliver unprecedented access to high-quality core language, literacy and numeracy programs for those Australians who need them.

Adapting to a changing economy

Skills Australia makes the salient point that '[Australia] will need to deepen [its] skills and lift productivity to enable us to successfully adapt to change and maintain our competitive advantage and a high standard of living, as the emerging economies in our region further advance and industrialise.'⁹

The link between skills and productivity is multi-dimensional. As well as equipping people to do their jobs more effectively, skills enhance the adaptive capacity of individuals and create the conditions needed for innovation. Higher skill levels may reduce any decline in participation as the population ages, as highly skilled individuals are more likely to engage in paid work, and to work for longer.

Our future workforce will not only need more skilled people, but also people with multiple and higher level skills and qualifications. Deepening skills across all occupations is crucial to achieving long-term productivity growth. Skills Australia modelling estimates that 4.6 million additional qualifications may be required over the next 15 years due to employment growth. To approach the quantitative expansion in qualifications that may be required in the future, Skills Australia has estimated that enrolments in higher education and VET should expand by three per cent per annum.¹⁰

Higher levels of participation and increasing skill levels are engines of economic growth. The Organisation for Economic Co-operation and Development (OECD) has noted that:

The 'quality' of the labour force, as seen in education and skills, also has measurable effects on growth. Currently, the working-age populations of most OECD countries have between 10 and 14 years of education per capita, compared with about 7 and 11 years in 1970. This improvement in education is estimated to have increased GDP per capita in the range of 10 to 20 per cent, bringing high returns to individuals but also for society as a whole.¹¹

Vocational education provides many of the technical and professional skills essential for innovation and productivity in the Australian economy. Each year, around 1.7 million Australians learn through vocational education and training, including the

9 Skills Australia, op. cit. p. 1

10 Skills Australia, op cit. p. 2

11 OECD (2003) *The Policy Agenda for Growth*.

technical and professional skills to complement skills associated with university education. It is the major vehicle for up-skilling the Australian workforce.

Australia has a sophisticated and dynamic vocational education system. In 2008 the OECD recognised it as a well understood, flexible national qualification system that actively engages employers and achieves participation from all age groups.¹²

However, we can and must do better if vocational education is to meet the skills and training needs of a rapidly changing economy. Improved quality, stronger outcomes, agility, transparency and access are the key themes of the vocational education sector reforms of the Rudd Government.

The vision for a modern VET system is one that helps people:

- participate in training
- select the training that will best suit their needs
- convert experience into recognised skills
- complete training in the timeliest way.

It is a system that will also support employers to make the best use of skills.

The Skills for Sustainable Growth strategy initiates much needed structural reform of vocational education. It will invest directly in more places, with a strong focus on quality and transparency.

THE INFRASTRUCTURE CHALLENGE

The Rudd Government is investing \$37.0 billion in the period 2008–09 to 2013–14 in road, rail and port infrastructure that will serve Australia for the future. This investment is supporting jobs today while investing in the infrastructure the nation needs for the future.

Infrastructure investment is now firmly recognised as a key driver in strengthening the national economy and enhancing Australia's productivity. The combined contribution of higher productivity and employment means an improved standard of living for Australians.

Over the past decade capacity constraints have capped our productivity and the infrastructure deficit has held us back. The Australian Government is putting

12 OECD op. cit.

unprecedented resources into addressing the bottlenecks. If we are to resume the high productivity levels Australia enjoyed during the mid-1980s through to the 1990s as a result of microeconomic reforms, then infrastructure and regulatory reform must play a major role in meeting the challenges of capacity constraints.

Infrastructure investment also sits as a key arm of economic policy—to stabilise demand in the recovery from the global recession, to take pressure off demand in the long run, reduce costs through regulatory reform and further boost the supply capacity of the Australian economy to alleviate inflationary pressures.

The Rudd Government took decisive and immediate action to address major short-term challenges of the global recession. This investment has ensured Australia's economic strength. In 2009, Australia had the fastest growth among the world's advanced economies. Australia has far lower debt and deficit compared with major advanced economies. Australia's resilience during the global recession is the envy of the world. As we move forward, addressing the challenges of the infrastructure deficit is a high priority for the Government.

The Nation Building and Jobs Plan was not just about the short term. This investment has provided a boost to our economy in the short term, but in the long term, it will result in sustained benefits by enhancing the productive capacity of the economy. We are supporting jobs today by building the infrastructure we need for tomorrow.

Modernising the regulatory and planning framework

An ambitious nation building agenda must be matched by a robust policy framework and the removal of outdated and inefficient regulations. The Council of Australian Governments (COAG) Reform Council is working to reduce these differences and build better national approaches. COAG's involvement in the Seamless National Economy National Partnership initiative, which includes a set of 27 deregulation priorities and eight major competition reforms, will help ensure Australia's future prosperity and competitiveness. The Rudd Government understands the boost to productivity that comes with moving towards a seamless, national economy.

The Government is providing national leadership on urban policy. The Major Cities Unit is developing Australia's first national urban policy statement that will help guide activities and infrastructure investment in the years ahead. The Government is working cooperatively with states and territories through COAG to support strategic planning and investment in our capital cities for a more productive, liveable and sustainable future.

Australians are a resilient, innovative and hard working people. Investing in our productive capacity must include strengthening our education infrastructure. The Government's education revolution will continue creating a world-class education system for Australia. The Rudd Government's commitment to building school infrastructure, modernising digital education resources and providing national

consistency in education, is delivering long-term benefits for our national and international competitiveness.

The nation is set to reap the benefits of the Government's significant investment in communication technology. Developments in information and communication technologies have already helped reduce the tyranny of distance that separates Australia from major global markets. The National Broadband Network will bring fast and affordable broadband to Australian businesses, regardless of where they are located. The new network will dramatically improve broadband, connecting 90 per cent of all homes, schools and workplaces with optical fibre, fibre-to-the-premises or 'FTTP', providing broadband services to Australians with speeds of up to 100 megabits per second (50 times faster than most people experience today).

In an increasingly complex global environment, the challenges facing the Australian economy are immense—but with each challenge comes enormous opportunities. In just two years the Australian Government has overhauled past approaches to infrastructure investment rolling out the most significant range of infrastructure activities in our nation's history, supporting jobs, productivity and sustainability right across the country. To ensure the long-term prosperity of the nation, the Government is committed to ensuring that future investments are similarly planned and targeted.

PRIORITIES AND NEW INITIATIVES

SKILLS FOR SUSTAINABLE GROWTH

A fairer, stronger and more prosperous future for the nation depends on our ability to act on immediate and longer term skills challenges and improve employment opportunities for disadvantaged job seekers. This will ensure that all Australians can benefit from, and participate in, the economic recovery.

The Skills and Infrastructure Budget package will deliver jobs for Australian workers, improve the supply of skilled labour in high demand sectors and locations, make significant further reforms in Australia's vocational education and training (VET) system and tackle the language, literacy and numeracy deficits that hold back the economic participation and productivity of disadvantaged job seekers and workers. The package will address these skills challenges in three major ways:

1. By responding quickly and decisively to skills hotspots that will likely emerge as the economy recovers and grows.
2. By investing in language, literacy and numeracy initiatives and support for adult Australians to ensure they have the core skills needed to be work-ready.
3. By improving the quality of skills training to build a world-class VET system that is responsive to emerging skills demands and engages more Australians in training.

The Skills for Sustainable Growth strategy is an investment of more than \$660.0 million to address skill shortages, lift foundation skills and reform and improve access to VET. The Government's commitment to the deficit reduction strategy requires offsetting savings for new spending. This has been achieved through bringing forward the 2013–14 provision for the National Partnership Agreement for the Productivity Places Program (\$375.9 million), and re-prioritising a further \$80.0 million from this program; and re-prioritising spending from the Fast Track Apprenticeships program (\$30.8 million), the innovation element of the Additional Apprenticeships Incentives program (\$31.9 million), and the RTO element of the Securing Australian Apprenticeships initiative (\$7.9 million).

1. Skills for recovery

To ensure that Australia's recovery is sustainable, the nation needs to ensure that workers' skills can be matched with the right work opportunities and industries.

Trade vacancy data show a recovering demand for a range of skills—particularly in the construction, metal and automotive trades. At the same time, the demand for some

skills is declining with the development of new technologies, with workers needing to be up-skilled or re-skilled.

Apprenticeships are a key pathway to meet the skills needs of Australian industry and engage young people in employment and training. However Australia's apprenticeship system was hit particularly hard by the economic downturn and we need to re-build a strong and robust system to meet this growing demand.

The skills for recovery component of the strategy responds swiftly, and in a targeted way, to the emerging skills shortages in the economy. The Australian Government will work with industry and training providers to provide working-age people with the skills needed for sustaining growth in a dynamic economy. Skills training can take a number of years, particularly in traditional trades, so it is important the Government acts now to avoid serious skills shortages in the future.

The skills for recovery component of the strategy consists of \$299.5 million invested in three key initiatives.

Critical skills investment fund

\$200.2 million

A significant training fund will be established by the Australian Government and industry to plan for and meet Australia's emerging skills demands. The Government will contribute \$200.2 million to the fund on the basis that industry will also make significant contributions to train existing workers and job seekers.

The aim is to develop the right skills in high-demand sectors as the recovery proceeds. The fund will reduce the need to import labour in these key sectors.

Up to 10,000 training places per year will be created through the fund.

The initial focus will be on up-skilling existing workers and training job seekers for work in key industries that are especially vulnerable to skills shortages—infrastructure and construction, renewable energy and resources.

Emphasis will also be on regions and sectors under stress as a result of skilled workers being attracted to major projects in other industries or regions.

A particular focus will be to support the re-skilling and learning of mature-age Australians so they can continue to participate in the workforce.

Industry skills councils will assist the Department of Education, Employment and Workplace Relations with assessing applications. An independent panel will advise ministers on allocations from the fund. Funding will be allocated on a competitive basis to eligible companies and monitored to ensure the proposed skill outcomes are achieved. The scope of the fund may be broadened in later years, based on advice from Skills Australia.

Apprentice Kickstart extension

\$79.4 million

The Australian Government invested \$80.0 million in the 2009 Apprentice Kickstart program that led to around 24,400 young Australians getting a start in a trade apprenticeship. The program was vital in restoring trade apprenticeship commencements to pre-global recession levels.

Building on this success, the Apprentice Kickstart extension will provide an additional \$79.4 million to boost the supply of apprentices, which the economy needs as it recovers.

The initiative will support up to 22,500 youth apprenticeship commencements in traditional trades from 12 May to 12 November 2010. The initiative will target small and medium enterprises (with less than 200 employees) that find it particularly difficult to take on apprentices. These businesses will receive \$3,350 in bonus payments in addition to the existing \$1,500 commencement incentive if they engage and retain young (aged 19 and under) traditional trade apprentices in a skill shortage area. This will expand training opportunities for young people who were hit particularly hard by the global downturn and assist their employers. Together with the Smarter Apprenticeships initiative, the Kickstart extension will boost the supply of skilled apprentices into the workforce.

Smarter apprenticeships

\$19.9 million

The Government will invest \$19.9 million over the next four years to support a fundamental shift from a time-served apprenticeship model to a competency-based system.

The measure will ensure apprentices can progress through their training and qualifications in step with their acquisition of the relevant skills. This will mean that the supply of skilled labour can increase as the economy grows without jeopardising training quality.

Industry skills councils and industry bodies will be eligible for funding to develop and implement competency-based training models and projects, which achieve the broad adoption and expansion of competency-based training and qualifications for apprentices. Examples of projects could include investment in supervisor mentoring, reducing state-level regulatory barriers (such as problematic state licensing arrangements) and promoting the business benefits of competency-based progression. Industry partners will be encouraged to make substantial co-investments in the program.

A small portion of the funding will be directed towards the reform of industrial instruments to enable and enhance competency-based progression.

The Government will also appoint an expert panel to advise on the steps needed to sustain and grow the Australian apprenticeship system training arrangements and support. The panel will examine apprenticeship training arrangements, including current incentives, and suggest principles and evidence to help guide to help improve outcomes for both apprentices and industry. The work of the panel will be underpinned by a study on related economic costs and benefits, to be conducted by the National Centre for Vocational Education and Research. The panel will report to the Government by the end of 2010.

2. Foundation skills package

Around 4.5 million working-age Australians, including an estimated 40 per cent of Australian workers, do not have the basic literacy and numeracy skills needed in a modern workforce.

Further, around 60 per cent of unemployed Australians do not have the necessary foundation skills to successfully complete a Certificate III qualification.¹³

13 Derived from the Adult Literacy and Life Skills Survey, ABS 2007

The Australian Government is committed to tackling deficits in language, literacy and numeracy skills to boost the employment and earning prospects of working-age Australians.

Strengthening the language, literacy and numeracy capacity of the workforce is perhaps the single most constructive step that can be taken to make Australia more productive over the long term.

An additional investment of \$119.2 million will be made to bring the total number of Australians benefiting from these programs to 140,000. This brings the total Government investment in foundation skills training and strategic initiatives over the next four years to around \$490.0 million, an increase of around \$250.0 million over the last four years of the previous government.

This additional investment will provide adult Australians with unprecedented access to the English language, literacy and numeracy skills that are essential in modern Australia.

As well as providing additional training and trainers, the package will take steps to address the social stigma associated with low levels of language, literacy and numeracy skills.

Overcoming widespread foundation skills deficits will ensure more Australians are ready for work, are productive when in work, and can participate meaningfully in economic and social life.

The foundation skills component of the strategy consists of \$119.2 million invested in three core areas.

Improving and strengthening the Language, Literacy and Numeracy program **\$67.0 million**

The Australian Government will invest \$67.0 million over four years to significantly strengthen the Language, Literacy and Numeracy (LLN) program so that it can equip Australian job seekers with core language, literacy and numeracy skills to find employment. The LLN program will now provide more than 70,000 job seekers with high-quality LLN training over the next four years.

Expanded community-based service development and Workplace English, Language and Literacy program

\$28.7 million

The Workplace English Language and Literacy (WELL) program plays an important role in helping workers improve their English language skills so they can work safely and productively, earn more and progress in their careers.

The Government will invest \$15.7 million to further expand the work-based WELL program by providing an additional 9,500 places over four years.

In addition the Government will open up 8,000 innovative community-based places over four years, through informal learning options such as men's sheds.

Funding will also be provided for six brokers located in industry skills councils so that the program reaches those industries where employees have a lower level of language, literacy and numeracy.

National Foundation Skills Outreach and Leadership project

\$23.5 million

The Government will invest \$23.5 million in the National Foundation Skills Outreach and Leadership project. Tackling national foundation skills deficits requires a strategic view and national leadership. The Australian Government will work with states and territories to develop an over-arching national foundation skills strategy for adults for the next decade.

The project will tackle adult foundation skill capacity constraints in the national training system like inadequate measurement and identification tools and limited numbers of teachers with the necessary specialised skills.

The project will work with industry to improve the core skills of trade apprentices, especially in those sectors where high levels of numeracy are required.

A national community education campaign will be conducted to raise awareness of adult language, literacy and numeracy skill needs and highlight solutions.

3. A training system for the future

Australia's VET system is pivotal to the development of skills contributing to this nation's wealth and helps support social cohesion in the community. Many Australians succeed in their working lives because they have acquired skills through vocational education and training. They are living proof that you do not need to go to university to be successful.

The Government's aspirations for the future of vocational education are built around these key pillars:

Priorities and New Initiatives

- A responsive national system with qualifications of breadth, depth and intrinsic merit that meet the skills needs of the economy and provide pathways into work, learning and the community.
- A quality system with transparency in governance, funding and performance.
- An accessible system for workers, youth, communities and industry.
- A diverse system encompassing high-quality public and private providers.

The Government will invest an additional \$242.5 million over the forward estimates to introduce a series of reforms to underpin the responsiveness, quality, transparency and accessibility of vocational education.

A national entitlement to a quality training place

\$53.6 million

The Government will invest \$53.6 million over four years to ensure young Australians can access a quality training place, and will seek to extend this training entitlement to other Australians who want to improve their language, literacy and numeracy skills and those who want to re-skill or up-skill.

The national entitlement to a quality training place for young Australians will build on and enhance the commitment agreed by states and territories under the National Partnership for Youth Attainment and Transitions to provide access to an education or training place for 15 to 24 year olds, subject to eligibility and availability of training places, which is in place until the end of 2011.

States and territories will be offered the opportunity to transform National Partnership Productivity Places Program funding from 2011–12 and provide access to income contingent loans (VET FEE-HELP) for higher level VET qualifications.

Expanding VET FEE-HELP will enable more Australians to access vocational skills at diploma, advanced diploma, graduate certificate and graduate diploma levels. Access to VET FEE-HELP will potentially be made available for 477,810 individuals in higher skill training places.

In return, states and territories will be required to:

- guarantee all young Australians an accredited training place to gain a first qualification or to lift their qualifications to the next level
- extend a training entitlement in the future to Australians looking to improve their foundation skills and those wanting to re-skill or up-skill
- drive a quality, transparency and industry engagement reform agenda for their jurisdiction—including implementation of a Unique Student Identifier number for VET.

States may wish to propose other reforms to improve the performance of their training systems.

National VET Regulator and Standards Council

\$55.0 million

The Government is committing \$55.0 million over four years to establish and operate the new National VET Regulator and Standards Council. The new approach to national regulation of VET is designed to maximise the effectiveness and efficiency of the national regulatory system. The introduction of national regulation will build on the current quality and consistency in the VET sector and support the labour market and national productivity agendas. The National VET Regulator will be established as a Commonwealth statutory authority, with referrals of powers from all jurisdictions other than Victoria and Western Australia.

Quality Skills Incentive

\$129.8 million

The Quality Skills Incentive will lift the standard and performance of vocational education.

For the first time there will be a direct Commonwealth investment in the training sector to drive specific performance benchmarks, including raising the quality of teaching, lifting student achievement and expanding access to training, particularly for disadvantaged Australians.

The Quality Skills Incentive of \$129.8 million will be open to the 100 registered training organisations (RTOs) with the largest number of enrolments, which deliver approximately 95 per cent of publicly funded training in Australia. This currently includes the 59 TAFE institutes and the larger private and non-profit RTOs.

The new national VET regulator will play a key role in the development of the incentive's benchmarking and performance structure.

Transparency in the VET system

\$4.1 million

More than 1.7 million students and thousands of Australian businesses have a stake in the effectiveness and transparency of the VET system. Yet it is perhaps the most opaque of all the education sectors in the country.

A *MySkills* web-based database, linked to the new National VET Regulator, will be established to empower unemployed people and workers to choose training options and pathways that best match their needs and circumstances.

Funding of \$4.1 million will be invested to create the website, which, commencing in 2012, will provide information about vocational institutes and colleges including student pathways, satisfaction and competencies; employer satisfaction and engagement; levels of commencements and completions; community and social engagement; and the type of training available. The initial focus will be on providing information on the training options in publicly funded RTOs.

The *MySkills* website will assist students to construct pathways to work, enable more Australians to improve their skills through the training system and will boost the broader public accountability of the training sector.

BUILDING STRONG FOUNDATIONS AND INFRASTRUCTURE

Land transport investment

Infrastructure is critical to future productivity growth and Australia's continued prosperity, driving improved living standards and greater liveability in every community. The Rudd Government inherited an infrastructure deficit as a result of years of underinvestment and is committed to repairing this deficit to ensure that Australia has the infrastructure it needs.

The Government has embarked upon an unprecedented infrastructure investment program, investing \$37.0 billion in land transport infrastructure across Australia, over the six year period from 2008–09 to 2013–14. The Government continues to roll out the most significant range of infrastructure activities in our nation's history, supporting jobs, productivity and sustainability right across the country.

This investment is vital to strengthening the national economy and enhancing the nation's capacity to access opportunities to prosper. It will benefit the nation by addressing capacity constraints, developing Australia's national road and rail network, relieving traffic congestion, improving road safety, and improving connections with major cities and ports.

Nation Building agenda

The nation building agenda will invest over \$5 billion in road, rail and port initiatives in 2010-11. This will drive Australia's long-term productivity and international competitiveness, support jobs and stimulate the economy.

This funding is part of the Australian Government's \$37.0 billion investment in Australia's land transport infrastructure. Projects will be funded across the interstate transport network as well as to freight corridors connecting regional Australia with major cities and ports.

Nation Building Plan for the Future

The Nation Building Plan for the Future allocated \$8.5 billion from the 2009-10 Budget for nationally significant transport infrastructure projects across Australia that are critical to boosting our economy's productivity.

Projects will help to connect our regional areas with major towns and cities and with commercial and export markets. They will increase the efficiency of freight and passenger transport, and will help bring about long-term economic benefits to our regions.

Work is progressing well on the \$3.25 billion Regional Rail Link in Victoria, the largest public transport infrastructure project in Australia. This project will provide a 40 kilometre dual track link from West Werribee to Southern Cross Station. The Regional Rail Link will deliver capacity for an extra 9,000 regional and suburban passengers to and from Melbourne CBD every hour. Work has already commenced on extending Platforms 15 and 16 at Southern Cross Station. Major construction is expected to commence in 2010 and is scheduled for completion in 2014.

Rail productivity improvements

The 2010-11 Budget continues the most sweeping rail investment in the nation's history with a further \$996.0 million in funding for freight rail productivity package.

Rail productivity improvements

\$996.0 million

This Budget allocates a \$996.0 million equity investment in the Government-owned Australian Rail Track Corporation (ARTC) for a package of productivity enhancing projects across Australia that will help strengthen the interstate freight rail network and secure its competitiveness over the longer term. Work will include providing stronger steel rail, more concrete sleepers, upgrading rail bridges and culverts, new passing loops and other associated rail infrastructure works.

These projects will help improve the reliability, performance and capacity of ARTC's network to deliver significant productivity benefits and improve safety on the interstate network. The regional areas through which the network travels stand to gain significantly through the creation and support of local jobs and economic activity.

The package will deliver improvements for freight rail infrastructure on the North-South and East-West rail corridors, which are national infrastructure priorities. These works will benefit rural and regional communities in New South Wales and Victoria and along the Sydney to Perth rail corridor.

Moorebank Intermodal Freight Terminal in Sydney

\$70.7 million

This Budget allocates \$70.7 million to complete the detailed planning on the Moorebank Intermodal Freight Terminal Project in Sydney's South West, with the staged redevelopment of the site expected to start in 2013. This work will be undertaken in partnership with the site's current owner, the Department of Defence.

Once operational, the new facility will transform the movement of freight into and out of Port Botany as well as through the Sydney Basin, taking up to one million trucks a year off the M5 Motorway.

State Infrastructure Fund

\$5.6 billion

World-class infrastructure is essential to ensure Australia continues to be an attractive place to set up a business, creating new jobs for now and the future. Unless we have the right infrastructure to support the resource industry, bottlenecks will prevent us taking full advantage during times when demand for our resources is high. Investing in major infrastructure will also help improve our potential to grow the economy beyond the resources industry into the future.

The Rudd Government will build on its existing investments by establishing a new ongoing infrastructure fund for the states and territories, as part of its tax plan for the future. The fund will commence in 2012-13 with an initial contribution of \$700.0 million and will be worth more than \$5.6 billion over the decade. This will make infrastructure spending a permanent feature of Commonwealth and state budgets, and support state investment in the nation-building infrastructure necessary to support improved Australian living standards.

The fund recognises that resource-rich states also face large associated infrastructure demands. Accordingly, it will be used to invest in infrastructure, including developing Australia's natural resource wealth.

The fund will deliver resources to the states when they are needed – as projects are built. The states will not have to wait until projects are complete and production comes on line for infrastructure resourcing to flow.

Reinvesting some of our resource profits into capacity-building infrastructure will help workers to make the best use of their skills, and businesses to make the best use of their capital, building sustainable growth well into the future.

Reforming infrastructure investment

The Rudd Government has injected unprecedented levels of investment into infrastructure in Australia and has led national reform of the way infrastructure is planned, managed, funded and delivered across the country.

Infrastructure Australia was established in 2008 to drive evidence-based infrastructure planning and investment and to advise governments on infrastructure reform.

Infrastructure Australia has already undertaken a national audit of infrastructure, and identified a pipeline of projects and a national infrastructure priority list. In 2010, it will advise COAG on a national ports strategy and a national freight strategy to ensure our critical export infrastructure is well planned and coordinated.

The Rudd Government is removing impediments to national transport efficiency by establishing national regulators for heavy vehicles, rail safety and investigation and

maritime safety. These national regulators will reduce business' costs, improve safety and enhance our national competitiveness.

National transport regulation

\$8.3 million

The Government will provide \$8.3 million in 2010–11 to establish national regulators for heavy vehicles, rail safety and maritime safety, and for an expanded rail and national maritime safety investigatory function.

Of this funding, \$2.3 million will be provided for the Commonwealth's contribution to set up project implementation teams in the host jurisdictions to establish the national heavy vehicle regulator in Queensland and the national rail safety regulator in South Australia. State and territory governments will also contribute to this activity according to the National Transport Commission formula. The Australian Maritime Safety Authority will receive \$5.1 million to take on maritime safety regulation responsibilities for all commercial vessels, and the Australian Transport Safety Bureau will receive \$0.8 million to establish a national investigation framework for rail and maritime safety.

National transport regulation reform is part of the national partnership agreement reached by COAG to deliver a seamless national economy.

Further information about the agreement to implement national transport regulation reforms can be found in the COAG Communiqués of 2 July 2009 and 7 December 2009.

Securing the future of Australia's aviation industry

In December 2009, the Australian Government released the *National Aviation Policy White Paper* (the White Paper). This represents the first ever comprehensive aviation policy statement issued by an Australian government, bringing together all strands of aviation policy into a single, forward-looking document providing planning, regulatory and investment certainty for the aviation industry out to 2020 and beyond.

The White Paper sets out the Government's commitment to a continuation of Australia's excellent aviation safety record and to strengthen aviation security systems, while providing a policy framework for the development of the aviation industry at all levels—international, domestic, regional and general aviation including through skills and productivity improvements. It sets out initiatives to ensure better planning and integrated development on and around airports and to lessen the adverse effects of aviation activity on the environment and communities.

More than any other country, Australia relies on aviation to overcome the tyranny of distance. Our vast country separates Australians from each other and from the rest of the world. Despite our increasing reliance on electronic communications today, when we need to connect physically with business associates or with friends and family in

distant places, or to simply receive freight, medical services and the mail, we will continue, perhaps more than ever, to rely on air services.

Consolidation of existing remote aviation programs into a single program

Through the White Paper, the Australian Government announced that it will improve the effectiveness of its remote aviation programs by integrating infrastructure and service delivery components through the consolidation of remote aviation support programs into the Regional Aviation Access program. This will result in a single program with a 2010–11 Budget allocation of \$25.1 million.

The Government has already acted to bring these programs together administratively. Integrating the programs will help ensure that support for remote air services and aerodromes is better coordinated and will provide greater flexibility in allocating funding, based on the greatest need.

The following programs will be consolidated under the Regional Aviation Access program.

Remote Aerodrome Inspection program

The Australian Government's Remote Aerodrome Inspection program provides an aerodrome inspection service for 59 designated Indigenous communities. Normally, aerodrome inspections of this type would be the responsibility of the aerodrome owner/operator. However, they require specialised technical expertise not readily available in remote communities.

This service is seen as a practical way of assisting remote communities heavily reliant on air services. The program also facilitates training of aerodrome reporting officers as required for compliance with aviation safety regulations.

Remote Air Services Subsidy scheme

The Remote Air Services Subsidy (RASS) scheme subsidises weekly passenger and freight air transportation to communities which would otherwise have no regular access to transport. In 2008–09, the scheme carried over 3,500 passengers and over 265,000 kg in freight and mail to 244 remote communities (including 78 Indigenous communities) in 10 remote regions across the Northern Territory, Western Australia, South Australia, Queensland and Tasmania.

Remote Aviation Infrastructure Fund

The Government has provided an additional \$5.9 million over two years to the Remote Aviation Infrastructure Fund to upgrade remote airstrips in Indigenous communities that receive a RASS service and are identified as requiring priority work. These upgrades will make them safer and more accessible. The airstrips are a vital lifeline, allowing those living in these areas to be supplied with essential items such as medical and business supplies, fresh food and long-distance educational materials.

Remote Aerodrome Safety program

The Remote Aerodrome Safety program assists in funding upgrades to airstrips in remote and isolated communities across Australia. Projects funded under the program help improve the safety and accessibility of airstrips and facilitate the provision of non-commercial essential community air services including delivery of food supplies, community mail, passenger transport services, medical supplies and medical care.

Investment in Australia’s aviation safety, security and capacity

The 2010–11 Budget exemplifies the Government’s commitment to the continuation of Australia's excellent aviation safety record, to strengthening aviation security systems, and to the identification of additional aviation capacity. These new initiatives will boost the strength of the Australian aviation industry, a major economic driver, supporting more than 50,000 jobs directly and half a million jobs indirectly and injecting nearly \$6.3 billion into the economy.

Australia’s aviation security regime

\$200.0 million

The Australian Government has committed to a package of measures to strengthen Australia's international and domestic aviation security regime against emerging threats. Australia has a world-class aviation security regime, which will be further strengthened through a range of strategic and practical measures.

Over four years, the Government will invest \$200.0 million on new and improved security technologies, increased policing at airports, enhanced security procedures, as well as strengthened international cooperation.

Civil Aviation Safety Authority

\$89.9 million

Additional funding of \$89.9 million will be provided to the Civil Aviation Safety Authority (CASA) over four years. This measure will be funded by a commensurate increase in excise and excise-equivalent customs duty on aviation fuels and will strengthen CASA’s future capacity to maintain and enhance aviation safety in Australia.

Responsible for overseeing a growing aviation industry experiencing significant technological innovation—including the increased use of satellite-based technology—CASA is facing increasingly complex safety regulatory demands. By providing funding stability over the next four years, the Government will allow CASA to further enhance and increase its skilled workforce through strengthening the authority’s technical capacity and regulatory oversight ability.

Aviation strategic plan for the Sydney region

\$8.5 million

Funding of \$8.5 million has been allocated to jointly develop an Aviation Strategic plan for the Sydney region with the NSW Government. The study will integrate with the NSW Government's strategic long-term land use and transport planning.

This study is part of the Australian Government's commitment in the Aviation White Paper to identify additional aviation capacity in the Sydney region. It will also consider future planning, zoning and release of land at the Commonwealth's Badgerys Creek site to facilitate further economic development in south western Sydney. It is anticipated the study will be completed by mid-2011.

Building community infrastructure

The Government's funding of critical community infrastructure needs, through a range of initiatives, is playing a key role in contributing to improving social inclusion, and the liveability and sustainability of communities. This investment is also playing a key role in maintaining economic growth and activity, and supporting employment to reduce the impact of the global recession within local communities.

The Government has now invested over a billion dollars in community infrastructure projects across the nation. This investment was through a portfolio of initiatives that include:

- The Regional and Local Community Infrastructure program that provided \$1.0 billion to local government authorities to support jobs and continue the process of building and modernising infrastructure that revitalises communities and promotes long-term economic, social and environmental sustainability across the nation.
- The Better Regions program that will provide \$110.9 million in 2010-11 to assist regions build on their strengths, improve liveability and create jobs. The program is designed to fund projects that have been identified as priority investments by local communities.
- National Bike Path projects—a \$40.0 million initiative, that will provide \$14.5 million in 2010-11. The program will provide employment and training opportunities through providing cycling infrastructure for Australia.
- Infrastructure employment projects provide funding for one-off capital projects. Funding may be provided for infrastructure projects where there is an identified community need, to help address the impact of economic downturn, or for projects in areas suffering from other external shocks such as large scale fire or flood events.

This complements related measures such as the Local Government Reform Fund and the Local Government Financial Assistance Grants.

The Government will continue to invest in local community infrastructure and ensure that it supports longer term economic development and social and environmental sustainability of local governments and their communities.

Supporting development in north-western Australia

The Rudd Government is investing in infrastructure in the remote northern parts of the country to help address key deficiencies in health, housing, education and community infrastructure. Many projects will be underway in 2010 and all projects will be completed by mid 2012.

The East Kimberley region in Western Australia, including its Indigenous communities, is benefitting from a significant injection of funds from the Australian Government. Through the East Kimberley development package and the Office of Northern Australia, the Government is contributing \$203.2 million over 2008–09 to 2011–12 to support economic development and reinvigorate essential community infrastructure in Kununurra and the surrounding region.

Local Government

The Australian Government is providing funding of \$25.0 million under the Local Government Reform Fund in 2009–10 and 2010–11, with \$24.0 million to be delivered to the states and territories under a National Partnership Agreement covering a range of innovative and collaborative reform projects. The balance of funding of \$1.0 million will be used to support the collection and analysis of nationally consistent local government data. Improved national data capabilities will bolster local government's workforce planning ability and support states and territories reforms to increase business, asset and financial planning capacity.

The Rudd Government is providing a record \$2.0 billion in local government financial assistance grants in 2010–11, including an estimated \$1.35 billion for rural and regional councils and shires to deliver basic services, maintain roads and upgrade community facilities.

To assist local councils with planning for the recovery and to ensure local government has maximum certainty to begin planning their 2010–11 works programs, the first instalment of 2010–11 payments will be paid early, with some \$511.6 million going to councils before the end of 2009–10.

Local Government Financial Assistance Grants are provided under the *Local Government (Financial Assistance) Act 1995*. They have a general purpose and an identified local road component, both of which are untied to enable councils to fund local infrastructure and service priorities.

South Australian councils will also receive \$15.5 million in supplementary local road funding in 2010–11 to address the relative disadvantage of South Australian councils in the local road component of the Financial Assistance Grants.

ATTORNEY-GENERAL'S

The Rudd Government continues its commitment to Australia's Indian Ocean Territories by providing economic stimulus over four years and opportunities for local small businesses to further contribute to the sustainable growth of the Christmas and Cocos (Keeling) Islands' economies.

This package is in addition to the \$50.0 million provided in December 2009 to improve power and waste water infrastructure on Christmas Island and to fund additional health and education professionals. The new funding will ensure the continuation of these vital services as well as provide new housing, improved waste management and additional support for services to the island.

Looking after Australia's Indian Ocean Territories

\$82.8 million

\$47.3 million will be provided to upgrade and provide new facilities on Christmas Island and \$35.5 million to fund the refurbishment of the Cocos (Keeling) Islands runway. This refurbishment will maintain the vital air link with the Australian mainland and support the delivery of essential services to the local community.

BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY

National Broadband Network

In April 2009, the Government established a new company (NBN Co. Limited) to build and operate the National Broadband Network. The company will invest up to \$43.0 billion to build the network over eight years, which will initially be publicly owned. With this funding the Government aims to:

- connect 90 per cent of all homes, schools and workplaces with optical fibre, fibre-to-the-premises or 'FTTP', providing broadband services to Australians with speeds of up to 100 megabits per second (50 times faster than most people experience today)
- connect all other premises in Australia with next generation wireless and satellite technologies that will deliver 12 megabits per second or more.

NBN Co. Limited announced on 2 March 2010 the five first release sites to receive high-speed fibre-to-the-premises broadband on mainland Australia, as part of live trials of its network design and construction methods. These are:

- part of the suburb of Brunswick in Melbourne

Skills and Infrastructure – Building a Stronger and Fairer Australia

- an area of Townsville covering parts of the suburbs of Aitkenvale and Mundingburra
- the coastal communities of Minnamurra and Kiama Downs south of Wollongong
- an area of west Armidale, NSW, including the University of New England
- the rural town of Willunga in South Australia.

These sites are in addition to the three communities in Tasmania (Scottsdale, Smithton and Midway Point) where the National Broadband Network is being rolled out and will be offering services from July 2010.

As part of the National Broadband Network initiative, the Government has entered into a \$250.0 million agreement with Nextgen Networks to rollout approximately 6,000 km of regional backbone fibre links benefiting more than 100 regional locations on route to six priority locations. The new competitive backbone links will assist service providers to deliver higher quality and lower cost broadband and phone services to regional consumers.

Construction is underway and all routes are expected to be completed by mid-2011, although shorter links are expected to be delivering services much earlier. This investment in competitive backbone is expected to create more than 1,000 full-time equivalent jobs and will provide economic stimulus to regional locations during the construction and operation phases.

This is a major nation-building project that will support 25,000 jobs every year, on average, over the eight-year life of the project. Given the productivity gains associated with this investment, the full benefits will continue to flow for decades beyond the completion of the project.

The Government has released the Implementation Study into the National Broadband Network. The comprehensive report was prepared by McKinsey & Company and KPMG and has 84 recommendations for the Government about the National Broadband Network. These cover the technology, financing, ownership, policy framework, and market structure of this important infrastructure project. The study confirms that high-speed broadband for all Australians is achievable, and can be built on a financially viable basis with affordable prices for consumers. The Government will carefully consider the recommendations in the Implementation Study, and the feedback received from public consultation, before it makes final decisions relevant to the National Broadband Network rollout and operation.

DEFENCE

Relocation business case

\$35.2 million

Funding of \$35.2 million has been provided to Defence over the next two years (\$13.7 million in 2010–11 and \$21.5 million in 2011–12) for the development of a detailed business case for the relocation of Defence units from Moorebank to Holsworthy Barracks as part of the proposed development of the Moorebank Intermodal Terminal.

EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

Early childhood education and care

The Government continues its commitment to quality early learning and child care for all Australian children, commenced through the \$293.0 million National Partnership Agreement on Indigenous Early Childhood Development. This provides for the establishment of at least 35 Children and Family Centres across the country by 2014. This funding covers both the construction and operations of the centres. The Children and Family Centres are targeted at addressing the needs of Indigenous families and their young children and will also provide services to all families in the community.

The Australian Government is also progressing with its commitment to establish 38 Early Learning and Care Centres. It allocated \$114.5 million over four years in the 2008–09 Budget to establish the centres in priority locations (including six Autism-specific centres). The funding includes both the capital costs and the ongoing costs of establishing additional child care places, including Child Care Benefit and the Child Care Rebate. These centres will provide integrated early learning and care in a long day care setting that takes into account the specific requirements of the local community. Where possible, these centres are being located on school grounds, TAFE, university or other community land.

Infrastructure improvements to early childhood services in rural and regional areas

\$59.4 million

Funding of around \$59.4 million will be available from 2010–11 to support centre based Budget Based Funded early childhood services to meet the National Quality Standards agreed by COAG in December 2009 and to be introduced from January 2012. Budget Based Funded early childhood services are funded by the Australian Government to provide child care and early learning opportunities where the market would otherwise fail to deliver child care. These services predominately operate in rural, remote and Indigenous communities.

More than two thirds of this funding (\$40.6 million over four years) will be targeted at improving the facilities that centre based Budget Based Funded services operate from, where these facilities will not meet the new National Quality Standards. The remainder of the funding will be directed at improving the qualifications of staff working in these services and their governance.

ENVIRONMENT, WATER, HERITAGE AND THE ARTS

Ensuring resilience in our Reef—Great Barrier Reef Marine Park Authority

\$12.0 million

Funding of \$12.0 million over two years from 2010–11 has been provided to the Great Barrier Reef Marine Park Authority to support the long-term protection and conservation of the world heritage listed Great Barrier Reef. This funding includes \$4.0 million for the Reef HQ Aquarium.

The Reef HQ Aquarium is a popular tourist destination and an educational facility that aims to increase awareness of the challenges facing the Great Barrier Reef, while allowing visitors to experience the Reef's natural values. Additional funding will contribute to the repair and upgrade of critical infrastructure to ensure the facility's ongoing operational effectiveness and longevity.

FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS

Social housing

The Government recognises the important role public and community housing plays in providing safe, secure and affordable housing for Australians and their families.

The Government is investing \$5.6 billion over four years from 2008–09 for the construction of more than 19,300 new social housing dwellings and repair and maintenance works that will benefit some 70,000 existing dwellings.

The new homes will be owned by public housing authorities and not-for-profit housing organisations and rented to people on priority waiting lists. It will be a priority to provide accommodation to people who have been homeless and those on low incomes who are struggling in the private rental market.

Remote Indigenous housing

The Government is providing \$5.5 billion over 10 years from 2008-09 to lay the foundations for major reforms to Indigenous housing in remote Australia.

The funding is provided under the Remote Indigenous Housing National Partnership with all states and the Northern Territory and will mean up to 4,200 new houses are built and 4,800 major upgrades are made to existing houses over a 10 year period to ease the housing shortage and improve living conditions for over 9,000 Indigenous families living in remote communities.

Governments are working together to improve housing delivery in remote Indigenous communities by developing better ways of managing new construction and by improving property and tenancy management practices.

Local people will be provided with training and real job opportunities, learning trades through construction work, and working on property management, such as ongoing repairs to, and maintenance of, the houses.

This package will also ensure land tenure arrangements are in place where new houses are being built and upgraded and is a critical first step for housing reform and for fostering economic development in Indigenous communities. Without long-term tenure, ownership and responsibility for ongoing maintenance is uncertain and residents and tenants have no security or certainty.

The Australian Government, the states and the Northern Territory will also work towards clearer roles and responsibilities with respect to the provision of municipal services and essential services in Indigenous communities.

Housing investment for the benefit of Indigenous people in remote Indigenous communities is a central plank in achieving the targets for closing the gap on Indigenous disadvantage.

Remote service delivery flexible funding pool

\$46.0 million

In the 2010–11 Budget the Australian Government has committed \$46.0 million to establish a funding pool that will respond flexibly and quickly to high-priority needs identified in the 29 Remote Service Delivery National Partnership priority locations.

This measure is a significant first step towards more effective collaboration across Australian Government agencies that will reduce red tape and ensure regional and remote Indigenous communities are able to access the services they need.

This investment builds on the success of the Local Priorities Fund, which was established under the Closing the Gap initiative in the Northern Territory to address local priorities such as environmental health and safety, community information technology equipment and essential maintenance and repairs for community facilities.

Additional maintenance funding for Aboriginal Hostels Limited

Aboriginal Hostels Limited (AHL) is the largest provider of temporary accommodation for Indigenous Australians in remote and regional areas and plays a significant role in ensuring that Indigenous people have access to safe and healthy accommodation and services across Australia, including in regional and remote areas.

The Government has invested \$6.9 million for Aboriginal Hostels Limited to undertake necessary repairs and refurbishments to a number of its hostels. AHL provides 3,000 beds and 9,000 meals every day to Indigenous people staying at the hostels that it operates or funds through its community grants program.

Housing Affordability Fund

The Rudd Government’s Housing Affordability Fund (HAF) is designed to increase housing supply, particularly for Australians on the lowest incomes, and is vital to improving housing affordability. With an investment of \$512.0 million, HAF helps to reduce the costs incurred by homebuyers as a result of planning delays and infrastructure costs, by contributing to development costs such as water sewerage, transport and the provision of open space.

HAF investments produce great outcomes for new home buyers in rapidly growing urban areas across Australia. Savings to the developer resulting from HAF funding must be passed on to the homebuyer as a condition of the funding, with many homebuyers in surrounding areas benefitting from planning reform—getting approvals faster and avoiding unnecessary holding costs.

Thirty-seven projects shared in around \$120.0 million under Round One of the Housing Affordability Fund and the savings generated are already being passed onto

homebuyers. Under Round Two, as at 7 May 2010, the Government has announced a further \$90.0 million in funding for 19 separate projects. This includes 10 projects – worth \$30.0 million – in Western Australia.

FOREIGN AFFAIRS AND TRADE

Improved passport integrity and strengthened issuance systems

The Australian Government, through the Department of Foreign Affairs and Trade, is responsible for delivery of the Australian passport.

Passports are necessary for the travel of Australians for business and private purposes. Overseas and in Australia, passports are used to prove identity to secure services, including financial services. The Australian passport system is thus a critical part of our national infrastructure.

Improved passport integrity and strengthened issuance systems

\$100.8 million

Funding of \$100.8 million over six years through the Improved Passport Integrity and Strengthened Issuance Systems will provide new and updated infrastructure and improved business processes to enable the Australian Passport Office to accommodate growth in passport demand over the next 10 years, during which time demand is anticipated to rise by between 70 and 100 per cent.

This measure will assist officials to better combat identity theft, ensure international border control authorities continue to regard Australian passports highly, facilitate improved services to clients and improve the efficiency of passport processing.

HEALTH AND AGEING

Penrith Valley Sports Hub

The Australian Government will contribute a total \$5.0 million to the Penrith City Council for the Penrith Valley Sports Hub Project. The project will deliver improved grandstand facilities and public amenities at Penrith Stadium; an expanded cricket facility at Howell Oval including new change rooms, public amenities, umpire and medical treatment rooms and enhanced indoor cricket training and administration areas. The redevelopment of the Penrith Valley Sports Hub will create a high quality community sports hub which is capable of hosting future major sporting events as well as supporting the needs of a growing community. The \$1.0 million commitment in 2010–11 fulfils the Government's \$5.0 million election commitment to the project.

Enhancing the supply of and uptake of Opal fuel

\$38.5 million

The Government will be working with the petroleum industry to establish new storage facilities for Opal fuel in Darwin and northern Queensland. This is part of a \$38.5 million funding package over four years to continue to expand the voluntary roll out of Opal fuel. The new fuel storage facilities will enable the Government to meet community demand for Opal fuel in northern Australia, in particular the Top End of the Northern Territory, the Gulf of Carpentaria and Cape York regions of Queensland and the East Kimberley in Western Australia. The new storage facilities are planned to be operational in the 2012–13 financial year.

More zero real interest loans for aged-care beds in areas of high need

The Australian Government will provide an additional \$300.0 million in zero real interest loans to support and encourage construction and investment in the residential aged care sector in areas of high need. These loans will support the construction of an additional 2,500 aged care places in areas of high need. The allocation of zero real interest loans will be done in two equal rounds of \$150.0 million and 1,250 places each, in conjunction with the 2010–11 and 2011–12 Aged Care Approvals Rounds. Proposals will be sought from suitable aged care providers to build new facilities or expand existing facilities in identified priority areas. The net impact of this measure will be \$145.0 million over four years.

Capital investment in multipurpose services

\$122.0 million

The Government will provide funding of \$122.0 million over four years to build more than 280 new sub-acute beds in multi-purpose services to improve care for people in rural and remote areas and provide more sub-acute care for older Australians. These additional beds will support up to 5,400 people a year when fully implemented.

INNOVATION, INDUSTRY, SCIENCE AND RESEARCH

**Commonwealth—Australian National University Strategic Relationship
—\$37.9 million**

The Australian Government is funding the construction of dedicated premises for the Australian National Institute for Public Policy, the National Security College and the Australian Centre for China in the World which have all been created as part of the reinvigorated strategic relationship with the Australian National University.