

BUDGET SPEECH 2012-13

**DELIVERED ON 8 MAY 2012 ON THE SECOND
READING**

OF THE APPROPRIATION BILL (NO. 1) 2012-13

BY

THE HONOURABLE WAYNE SWAN MP

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

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

STRONG ECONOMY AND FAIR AUSTRALIA

The four years of surpluses I announce tonight are a powerful endorsement of the strength of our economy, resilience of our people, and success of our policies.

In an uncertain and fast-changing world, we walk tall – as a nation confidently living within its means.

This Budget delivers a surplus this coming year, on time, as promised, and surpluses each year after that, strengthening over time.

It funds new cost of living relief for Australian families.

It helps businesses invest, compete and adapt to an economy in transition.

And it finances bold new policies to help Australians with a disability, the aged, and those who can't afford dental care.

It does these things for a core Labor purpose:

To share the tremendous benefits of the mining boom with more Australians.

To create more wealth, prosperity, and jobs; spread more opportunity; and advance the living standards of millions of families and pensioners on modest incomes.

Tonight we make a forceful statement that ours is one of the world's strongest economies and fairest communities.

Not even a sovereign debt crisis in Europe or unprecedented natural disasters here at home could deny Australia this substantial achievement.

The deficit years of the global recession are behind us. The surplus years are here.

Surpluses built on some difficult savings, which avoid vulnerable Australians and frontline services, and don't compromise our investments in productivity.

Surpluses that provide a buffer against global uncertainty, and continue to give the Reserve Bank room to cut interest rates for families like it did just last week.

This Budget is about discipline and restraint but also about priorities; ensuring precious funds are re-directed to the purposes and people that need them most.

Across the budget, by saving and redirecting \$33.6 billion, we're balancing the books.

Making room for \$5 billion in new payments to households.

Finding an extra \$714 million to help companies compete, on top of the \$3.7 billion in small business tax breaks.

Funding the historic first stage of a National Disability Insurance Scheme.

Investing in dental services for those who can least afford them.

Strengthening the aged care system.

Investing in productivity and competitiveness by building on key improvements in health, education, infrastructure and clean energy.

Staying true to our Labor ideals and to the promise of a fair go, converting economic success into real benefits for the majority of Australians.

ECONOMIC AND FISCAL STRENGTH

Madam Deputy Speaker, since this Government came to office we have stared down a global financial crisis and created over three quarters of a million jobs, while weaker economies shed millions of jobs.

Every Australian can be proud we have one of the lowest unemployment rates in the developed world; half what we see across Europe and dramatically lower than the US.

Proud that economic growth is expected to be stronger than every single major advanced economy over the coming two years.

With solid growth in real GDP of 3¼ per cent in 2012-13 and 3 per cent in 2013-14.

By mid-2014, our economy is expected to be over 16 per cent bigger than it was before the global financial crisis, again outstripping the major advanced economies.

Unemployment is forecast to remain low at 5½ per cent in the next two years; official interest rates are lower now than at any time under our predecessors; and we have an investment pipeline of over \$450 billion in the resources sector alone.

Our budget strategy is custom-built for this combination of strengths, and for an economy returning to more normal rates of growth.

A surplus provides our best defence against dramatic changes in the global economy.

A moderate recovery in the US still has a long and difficult road ahead, and Europe continues to cast a shadow over the global outlook.

We are closer than ever to the epicentre of global growth, as the weight of activity moves towards Asia.

This transformation on our doorstep brings new opportunities – not just in mining, but in services, manufacturing, and in our rural economy, where the outlook is bright.

And because of our economic success over the four difficult years just past, we face the transformations of the Asian century from a position of strength.

Of course these forces are also making for uneven conditions across our patchwork economy.

We understand that the sustained high dollar weighs heavily on parts of the economy, and global uncertainty has bred consumer caution.

This has ripped billions from our revenue base, with tax receipts as a share of GDP not expected to recover to pre-crisis levels for some years.

In the coming year tax as a proportion of the economy is just 22.1 per cent, compared to the 23.7 per cent we inherited from our predecessors – that's \$24 billion less tax.

In total, this year and next, taxes are down a further \$12 billion since the last update, taking the total write-down since the crisis to around \$150 billion.

This has contributed to a deficit in 2011-12 of \$44 billion, and means net debt will now peak at 9.6 per cent of GDP, just a tenth of the level of the major advanced economies.

Delivering surpluses when we have less tax revenue means we need to make substantial savings to pay for new initiatives.

It is these responsible decisions which return the Budget to a \$1.5 billion surplus in 2012-13, and growing every year after that.

This delivers on our commitment to the Australian people on time, as promised, and ahead of every major advanced economy.

SPREADING THE BENEFITS OF THE BOOM

Madam Deputy Speaker, this Labor Government knows that for too many Australians this feels like someone else's mining boom.

Someone else's prosperity.

So tonight, from the firm foundations of a surplus budget, we announce new policies to spread the benefits of this boom.

These new measures are good for low and middle income families because they will help them make ends meet and get ahead.

And good for our economy because they will help struggling manufacturers, retailers and other businesses that risk being left behind because of the high dollar.

Cost of living

We understand the pressures Australians face, paying for electricity, housing, groceries, petrol or even a simple family outing.

That's why we've gone into bat for working families, by providing help with the cost of raising children through our Paid Parental Leave Scheme and Child Care Rebate.

It's why we've delivered \$47 billion in personal income tax cuts and why we are tripling the tax free threshold to benefit low and middle income earners so that all taxpayers with incomes of up to \$80,000 will get a further modest tax cut this year.

It's why we have provided an annual increase of up to \$4,208 per child in Family Tax Benefit Part A for parents of schoolchildren aged 16 to 19 from the start of the year.

It's why we increased the maximum rate of the pension by a record \$154 per fortnight for singles and \$156 for couples since September 2009.

And why families and pensioners are receiving further assistance through higher payments and tax cuts to help transition to a clean energy future.

And tonight we go further.

I am proud to announce a new Spreading the Benefits of the Boom package; \$3.6 billion to share the proceeds of the mining tax with families and small businesses.

The Government has always been committed to sharing fairly the benefits of the resources boom. And every step of the way we have been opposed by the Coalition.

For example, our company tax cut has been rejected in full by the Liberals and Nationals, and in part by the Greens.

We will not allow this parliamentary gridlock to deny Australians the benefits they deserve. So in this Budget the funds for company tax cuts have been redirected to families in a way that also helps the economy, including small businesses.

At the core of this package is \$1.8 billion in extra support for families through more generous payments from July next year.

More than 1.5 million families will benefit from increases to Family Tax Benefit Part A, with nearly half taking home an extra \$600 a year.

We will also invest \$1.1 billion in a supplement of up to \$210 a year for students, jobseekers and parents with young children and on income support.

On top of the new measures funded from the mining tax, we are also giving parents more help with the cost of schooling their kids.

From next year we will deliver a new Schoolkids Bonus.

This will replace the Education Tax Refund and will provide an extra \$2.1 billion in more timely relief to 1.3 million families.

They will no longer need to keep receipts and wait until tax time to claim the refund.

By making it automatic, we ensure families get the full assistance they deserve, and we reach out to the parents of half a million children currently missing out.

All eligible families will receive a lump sum payment next month, then \$820 for secondary school students and \$410 for primary school students next year.

Superannuation

Madam Deputy Speaker, the super reforms funded by the mining tax will help more Australians secure a better retirement, and give those on low incomes a better deal.

By raising the superannuation guarantee rate to 12 per cent, we will boost the retirement savings of 8.4 million workers and increase our pool of national savings.

As a result of this reform, a 30-year old worker on average full-time earnings will retire at age 67 with an additional \$118,000 in super.

We're providing a higher concessional contributions cap for older Australians with balances below \$500,000, with a revised start date of 1 July 2014.

We're improving the fairness of concessions for contributing to superannuation, by ensuring around 3.6 million low income Australians effectively pay no tax on their super guarantee contributions.

And we're reducing the tax break on concessional contributions for the top one per cent of earners, to bring it more into line with the concession for average wage earners.

Businesses

Madam Deputy Speaker, our multi-speed economy is putting pressure on businesses that aren't in the fast lanes.

Our \$714 million loss carry-back scheme will support businesses in need, to help them compete.

We'll encourage companies to invest and innovate by offsetting a current year tax loss of up to \$1 million against tax paid in previous years; a refund of up to \$300,000.

This will support businesses when they need it – providing an injection of funds to invest in new ideas, equipment and markets.

So a café on a tourist strip can get the funds they need to refurbish or keep on valuable staff, so they're ready for when conditions pick up.

Or a small manufacturer can get the funds they need to retool, so they can get through the tough times and make the most of opportunities sitting just over the horizon.

We estimate this will help around 110,000 businesses over the first four years, providing cash flow when it is needed most, rather than down the track.

As well, from 1 July this year all small businesses can immediately write off every eligible asset they buy for less than \$6,500, and up to \$5,000 for cars or utes.

These new measures will drive investment, improve productivity, and make life easier for up to 2.7 million small businesses.

We wanted to do more for business with a company tax cut but the Opposition's negative tactics have prevented that tax cut flowing.

So my message tonight to businesses large and small is we are providing help now through the measures I have just described.

And we will keep working with you to seek consensus on proposals from the Business Tax Working Group later this year.

BUILDING FOR THE FUTURE

Madam Deputy Speaker, this Budget redirects and prioritises spending to convert a more productive economy into a fairer community as well.

NDIS

Tonight I am proud to announce funding for the historic first stage of a National Disability Insurance Scheme – the most fundamental social policy reform since Medicare.

An NDIS will ensure people with disabilities get the individual care and support they need.

Over 400,000 Australians live with a significant and permanent disability and are among the most deserving of our support.

Under this Government, they will start to receive it.

This Budget commits \$1 billion over 4 years to roll out the first stage of an NDIS, which is expected to cover 10,000 people from 2013-14 and 20,000 people from 2014-15.

This will inform our discussions with the states on how and when we roll out the full scheme.

Dental care

This Budget also provides \$515 million in funding to address immediate dental care needs.

We know that many low income earners face long waiting lists for public dental services.

\$346 million over three years will fund a blitz on public dental waiting lists and get care to people who need it most but can least afford it.

We're also boosting the public system with \$78 million to help dentists relocate to regional, rural and remote areas; \$81 million to boost training for graduate dentists and therapists; and \$10.5 million to promote better oral health.

Aged care

Madam Deputy Speaker, those who built modern Australia after the Second World War deserve a twenty-first-century aged care system that honours their contribution.

With smarter use of public and private funding, this Budget delivers a \$3.7 billion package to address pressing areas of need, and lays the foundations for future reform.

We know older Australians want to remain in their own homes as long as possible, so we'll provide 40,000 more home care packages over the next five years.

We are providing \$660 million over five years for incentives to invest in quality services for those who do need to enter residential care.

And \$1.2 billion over five years to build a better trained and better paid aged care workforce.

Health and hospitals

We are making vital new investments right across the health system and right across the country.

Our historic National Health Reforms will provide an additional \$19.8 billion in Commonwealth funding for public hospitals by 2019-20.

This Budget delivers 76 new health infrastructure projects to upgrade regional hospitals and support training where doctors are needed most, costing \$475 million.

This is part of \$5 billion from the Health and Hospitals Fund with new hospitals and clinics creating better services in regions where previously they had little coverage.

We're also spending \$50 million over four years to fund a phased expansion of the National Bowel Cancer Screening Program.

And our national e-Health agenda gets a boost of \$234 million, so people can have digital, accessible, and consistent health records for their whole lives.

Education and training

Madam Deputy Speaker, we know that the best way for Australians to make ends meet is to ensure they can seize opportunities to work.

This Government's job-creation record and workforce-building initiatives are among our proudest achievements.

Removing barriers to work and lifting skills boosts productivity and creates wealth.

The Prime Minister's recently-secured \$1.75 billion National Partnership on Skills Reform delivers greater access to quality training.

The Budget provides another \$101 million to support the Government's skills agenda.

Building on the jobs bonus to encourage employment of older workers, this Budget provides \$61 million to improve their training and employment services.

It provides an additional \$225 million for the highly successful Jobs, Education and Training Child Care Fee Assistance program, which helps remove barriers for people with young children who want to get back into study or work.

And we're investing \$1.5 billion over 5 years on a new Remote Jobs and Community program that will provide new employment services for remote Australia.

This Labor Government has also almost doubled investment in our schools since coming to office.

And following the Review of Funding for Schooling Final Report, the Government is working with stakeholders on future arrangements, starting from 2014.

We're also delivering in this Budget \$54 million to encourage maths and science studies at school and university.

And over the next four years we will be investing \$38.8 billion in higher education, with extra support for students from poorer backgrounds.

Infrastructure

As well as investments in education and training, building a stronger, more competitive and more productive economy requires investments in critical infrastructure.

The National Broadband Network is transforming our economy, and our \$36 billion Nation Building programs are improving our road, rail and port networks.

Like \$3.6 billion to duplicate the Pacific Highway, meeting our commitment to fund half the project, provided the New South Wales Government also contributes its half.

Or joining with the private sector to develop the Moorebank Intermodal Terminal, to help freight flow in Sydney and take the equivalent of 3,300 trucks off busy roads.

And \$232 million towards the Torrens and Goodwood rail project to help ease congestion on Adelaide's suburban and east-west freight rail networks.

Clean Energy Future

Madam Deputy Speaker, in coming years no first-world, first-rate economy will succeed without cleaner sources of energy.

So part of the broader transformation of our economy involves moving to a clean energy future, and helping Australian businesses and households make the change.

The price on carbon pollution that begins this year will only be paid by Australia's biggest emitters. It will not be levied on families.

But to help with any price increases, we're cutting income tax and increasing payments to pensioners, families and recipients of allowances beginning this month.

BALANCED BUDGET

Madam Deputy Speaker, as well as spreading the benefits of the boom, this Budget makes targeted savings to get back to surplus and make room for our priorities.

Of \$33.6 billion of savings, about half are reductions in spending:

- like targeting Family Tax Benefit Part A to children under 18 or in secondary school;
- or decreasing Pharmaceutical Benefits Scheme spending by negotiating lower prices;
- or deferring some defence expenditure while prioritising support for current overseas operations;
- or meeting our commitment to lift spending on foreign aid to 0.5 per cent of Gross National Income a year later.

We're also taking further steps to improve the fairness and sustainability of the tax system while keeping tax as a share of the economy lower than what we inherited:

- For example, limiting tax concessions for golden handshakes and living away from home benefits, which typically accrue to high income earners.
- And not proceeding with the standard deduction because our reforms to the tax-free threshold will free over 1 million taxpayers from needing to lodge a return.

Making the tax system more sustainable not only achieves savings now, but benefits the budget bottom line for decades to come.

It's this fiscal discipline that has earned us a AAA-rating from all three major ratings agencies for the very first time in our history.

THE FAIR GO

Madam Deputy Speaker, this Labor Government believes the tremendous opportunities of the mining boom should be shared fairly with all Australians.

Ours is a country where people who work hard should get fairly rewarded, where there's an optimism that comes with economic and social mobility.

In a global economy marked by anxiety and uncertainty, our nation is a beacon of resilience, stability and success.

Not just for the strengthening surpluses we will build years ahead of our peers.

Not just for growth rates outpacing the major advanced economies over coming years.

But for the resilience of our people, and the value we attach to the fair go.

And now, amidst great change, new challenges lie ahead.

That's why this Budget supports workers and parents and helps businesses prosper.

It's why we are boosting super and skills; aged care and dental care; and building an insurance scheme for the most vulnerable.

All good Labor policies – with one purpose:

To create more wealth, and turn our remarkable economic success into a stronger, fairer community as well.

I commend the Bill to the House.

