



CANBERRA
BUSINESS COUNCIL

MEDIA RELEASE

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Cautious Budget Overly Dependent on Resource Boom MkII

Canberra Business Council tonight labelled the Federal Budget as cautious but overly dependent on a sustained second resources boom.

“The Council welcomes the Federal Government’s intention to bring the Budget into surplus much sooner than expected”, Chris Faulks, CEO, Canberra Business Council said. “However the return to surplus is heavily reliant on a tax on the resource sector and a very optimistic assumption about our future terms of trade.”

Reforms to business taxation and regulation such as the cut to the company tax rate eventually bringing it down to 28%, improved asset write offs, and simplification of registering a business name are also steps in the right direction for business”, Chris Faulks said. “And we are supportive of a number of other initiatives in the Budget such as the \$661 million Skills for Sustainable Growth strategy, the \$5.6 billion State Infrastructure Fund, the \$652 million Renewable Energy Future Fund and the \$2.2 billion in new health programs. These programs will be good for the nation.”

“However, while the Council recognises the productivity benefits of the Government’s \$1 billion investment in rail infrastructure, it is disappointing that the Federal Government did not take a leadership role by investing a relatively small amount towards the detailed concept study into a High Speed Rail network from Melbourne to Brisbane via Canberra and Sydney as recommended by the Cooperative Research Centre for Rail Innovation.”

Ms Faulks said the Budget included specific funding for the ACT:

- \$112.9 million over four years plus \$2 million per year from 2014-15 to establish and maintain the Australian National Institute for Public Policy at the ANU.
- \$62 million for the Australian Institute of Sport.
- \$7 million over four years from 2011 to extend the National Museum of Australia’s administration building.
- \$4.5 million in 2011 to address OH&S safety issues in the High Court.
- Additional funding for the Lanyon Drive Extension Stage 2
- \$26m to assist the ACT to maintain and upgrade local roads

Ms Faulks commented that it is interesting that the Federal Government provided \$2.3 million in the Budget to plan the commemoration activities to mark the centenary of ANZAC in 2015, but provided no allocation at all for planning the Centenary of Canberra celebrations two years earlier in 2013. Given the Federal Government has Constitutional responsibility for the National Capital, this is very disappointing.

“The Council is concerned that this Budget is a delicately balanced combination of expenditure measures offset by specific savings”, Ms Faulks said. “The Resource Super Profits Tax funds the company tax cuts, the SGC increase and the State Infrastructure Fund; health expenditure increases are funded through a rise in cigarette and tobacco taxes; and the deferral of the Carbon Pollution Reduction Scheme funds the establishment of the Renewable Energy Future Fund. The savings measures rely on the Government’s ability to secure passage of the relevant legislation and are predicated upon optimistic forecasts of maintaining the resource boom across several years, despite the imposition of a significant resource tax.”

“This is a risky strategy which promises much now but may not be able to deliver later. The risk is amplified for the ACT because, if the Government fails to meet expected savings targets, any additional saving measures will have a disproportionately large impact on the ACT given its dependence on Federal Government grants, employment and procurement expenditure.”

Canberra Business Council

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