

Federal Budget 2010-2011

The 2010-11 Federal Budget was handed down on 11 May 2010 by the Federal Treasurer, Wayne Swan MP.

Budget Forecast

- World GDP growth of 4.25% is expected for 2010.
- In Australia real GDP is forecast to grow strongly over the next two years, by 3.25% in 2010-11 and 4% in 2011-12.
- The Unemployment rate is expected to fall from 5.3% at present to 5% in 2010-11, then 4.75% in 2011-12.
- Australia's Terms of trade will rise by 25% by mid-2010.
- An underlying cash deficit of \$57.1 billion (4.4% of GDP) in 2009-10; a 2010-11 estimated deficit of \$40.8 billion (2.9% of GDP); and an estimated deficit of \$13.0 billion (0.9%) of GDP in 2011-12.
- The Government's fiscal strategy is to achieve a budget surplus by 2012-13.

Budget Key Features

A new \$5.6 billion *State Infrastructure Fund* for the states and territories over the next ten years, to commence with \$700m in 2012-13. Resource-rich states will receive a greater share of the funding, however the details are yet to be negotiated with the states.

A new \$996 million equity investment in the Government-owned Australian Rail Track Corporation for a package of rail productivity enhancements along the Brisbane to Melbourne, Melbourne to Adelaide, and Sydney to Perth rail corridors.

A new \$661 million *Skills for Sustainable Growth* strategy over four years delivering:

- Up to 39,000 additional training places in sectors facing high skills demands through a \$200 million investment in a new *Critical Skills Investment fund*;
- Support for around 22,500 new apprenticeship commencements through an \$79.4 million extension of the *Apprentice Kickstart* aimed at small to medium businesses;
- An offer to the States and Territories to provide a guaranteed entitlement to a training place for all Australians under the age of 25 years to assist young people in gaining a qualification;
- Numeracy, literacy and language courses for up to 140,000 Australians; and
- Improved training for the 1.7 million Australians studying in the vocational training system.

Changes to business taxes and regulation including:

- A Resources Super Profits Tax which comes into effect on 1 July 2012.
- The Company tax rate will be cut to 29% in 2013-14 and then 28% from 2014-15 – the company tax rate for small businesses will be reduced to 28% in 2012-13.

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- Instant asset write off for small business assets under \$5,000 from 1 July 2012.
- Small businesses allowed to write off all other assets except buildings in a single depreciation pool at a rate of 30% from 2012-13.
- \$125.2 million over five years to continue implementation of an online registration system for Australian Business Numbers and national business names - small businesses need only register a business name only once and pay only one fee.

Changes to the Superannuation Guarantee including:

- Increasing the Superannuation Guarantee to 12% in increments, from 1 July 2013 to 1 July 2019.
- Increasing the maximum age for the Superannuation Guarantee contributions from 70 to 75 on 1 July 2013.
- Contributing up to \$500 for those on income up to \$37,000 from 1 July 2012.
- Allow catch-up contributions by older workers up to \$50,000 from 1 July 2012.

An additional \$2.2 billion in health expenditure over four years including:

- \$355 million for 23 new GP Super Clinics and 425 facility upgrades.
- \$417 million to enhance after hours services.
- \$523 million to train nurses.
- \$467 million to introduce individual electronic health records.

A \$652 million *Renewable Energy Future Fund* over four years for the deployment of large and small scale renewable energy projects including wind, solar and biomass. It will involve partnerships with the private sector to make early stage investments to leverage private funds.

ACT-specific initiatives include:

- \$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.
- \$26m to assist the ACT to maintain and upgrade local roads
- \$4.5 million in 2011 to address OH&S safety issues in the High Court.
- Additional funding for the Lanyon Drive Extension Stage2



Comment

Cautious Budget Overly Dependent on Resource Boom MkII

Canberra Business Council welcomes the Federal Government's measures to bring the budget into surplus much sooner than expected but notes that the return to surplus is heavily dependent on a tax on the resource sector and very optimistic assumptions about future terms of trade.

The initiatives we support include 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 are undoubtedly good for the nation, as are 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.

The Council recognises the productivity benefits of the Government's \$1 billion investment in rail infrastructure, although none of the projects identified relate to the ACT. It is also disappointing that the Government did not take a leadership role by investing a relatively small amount to undertake the detailed concept study into High Speed Rail as recommended by the Cooperative Research Centre (CRC) for Rail Innovation.

The Council notes that the Budget will provide funding in several areas of specific interest to the ACT including:

- \$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.
- \$26m to assist the ACT to maintain and upgrade local roads
- Additional funding for the Lanyon Drive Extension Stage2.

Interestingly, the Federal Government has provided \$2.3 million to plan the commemoration activities to mark the centenary of ANZAC in 2015, however there is no allocation in the Budget 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 surprising.

Canberra Business Council expresses concern that this Budget is a delicately balanced combination of expenditure measures offset by specific savings - the Resource Super Profits Tax funds the company tax cuts, Superannuation Guarantee increase and the State Infrastructure Fund; health expenditure increases are achieved through a rise in cigarette and tobacco taxes; and the deferral of the Carbon Pollution Reduction Scheme allows the establishment of the Renewable Energy Future Fund. The savings involved are based on the Government's ability to secure passage of the relevant legislation, and 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 see a disproportionately large impact on the region given the ACT's dependence on Federal Government grants, employment and procurement expenditure.

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