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2009-10 BUDGET - SUPPORTING JOBS NOW BY INVESTING IN OUR FUTURE

The 2009-10 Budget has been framed against the backdrop of the deepest global recession since the Great Depression.

The Budget supports jobs today by investing in the infrastructure we need for tomorrow.

This is a nation-building Budget focussed on roads, rail, ports, clean energy and universities.

This Budget is the third component of a stimulus strategy we know is working: first payments to support jobs; second shovel-ready schools and roads and homes; now major economic infrastructure.

The Budget will keep stimulus and investment flowing to support the economy in tough times, and lock in the savings that will get us back to surplus when the tough times have passed.

It puts in place the building blocks of our recovery from this global recession.

Through this Budget, the Rudd Government has made the hard decisions to put the Budget on a sustainable path that is expected to see a return to surplus in 2015-16.

Infrastructure

The centrepiece of the Budget is an historic $22 billion investment in the nation’s infrastructure. These investments will support jobs now, and put in place the building blocks of a more productive and competitive economy into the future.

The Government will invest $8.5 billion to expand Australia’s land transport networks – targeting roads, rail and ports. This includes:

- $4.6 billion for improvements to metropolitan rail in Melbourne, Sydney, Brisbane, Perth, Adelaide and the Gold Coast;
- $3.4 billion for improvements to the quality of Australia’s road networks, including Network 1 – Australia’s busiest freight route – stretching from Melbourne to Cairns; and
- $389 million for developing, expanding and constructing critical port infrastructure in Western Australia and the Northern Territory.

The Government will invest $4.5 billion in a Clean Energy initiative (including $1.0 billion in existing funding) to assist Australia’s transition to a low pollution economy. Together with the existing Australian Solar Institute, National Low Emissions Coal Initiative and Cooperative Research Centre for Greenhouse Gas Technologies, the Clean Energy Initiative includes:

- a $2.0 billion investment in carbon capture and storage projects under a Carbon Capture and Storage Flagships program;
- a $1.5 billion Solar Flagships program to demonstrate large-scale solar technologies; and

- $465 million seed funding for a new body – Renewables Australia – to support leading-edge renewable technology research and development.

The Government will invest $2.6 billion from the Education Investment Fund in projects focussed on universities and research. Projects include the Queensland University of Technology Science and Technology Precinct and La Trobe University's Rural Health School. This investment builds on the $14.7 billion long-term investment in Australian schools announced in February as part of the Nation Building and Jobs Plan.

The Government will invest $3.2 billion from the Health and Hospitals Fund in hospital infrastructure, translational medical research infrastructure and a national cancer statement.

Investing in Education

Building on the Education Revolution, the Rudd Government today announced a $5.7 billion package over four years to deliver unprecedented reforms across the higher education and innovation sectors.

This investment in higher education and innovation will support Australia's economic recovery and deliver the jobs of the future. These major initiatives build on long-term reforms aimed at improving the quality and delivery of education with Australia.

Pension reform

The Budget delivers a fair go for pensioners, and a sustainable retirement income system for the future.

The Government will deliver an extra $32.49 per week to full rate single pensioners and $10.14 per week combined to couple pensioners, at a cost of $14.2 billion over four years. More assistance has also been provided for carers at a total cost of $1.8 billion over five years.

This support, in conjunction with revised income test arrangements to better target the pension to those most in need, will deliver a fair go for pensioners and a sustainable pension system.

The Government has taken some tough savings decisions to support its pension reform package, ensuring that spending is focused where it is most needed and the increased cost of the pension is fully offset over the long term, despite the ageing of the population.

The age pension age will gradually be increased to 67, at a rate of 6 months every two years beginning in 2017. The Government will close the Pension Bonus Scheme to new entrants from 20 September 2009. This measure will not affect existing members. The Government will reduce the cap on concessional superannuation contributions and temporarily reduce the superannuation co-contribution matching rate. From 1 July, higher income thresholds for certain family payments will be held at their current levels for three years and Family Tax Benefit payment rates will be indexed in line with the cost of living only. The Government will also reduce the generosity of PHI rebates for higher income earners to help ensure the sustainability of this policy into the future.

Paid Parental Leave

The Budget invests $731 million over five years to implement a Paid Parental Leave scheme from 1 January 2011. This scheme will underpin higher long-run workforce participation by helping parents to combine work and family commitments. This measure is vital to meeting the major economic challenges presented by the ageing of the population.

Under this government-funded scheme, eligible primary carers earning less than $150,000 will receive taxable payments through their employer at the weekly rate of the Federal Minimum Wage – currently $543.78 – for a continuous period of up to 18 weeks.

First Home Owner's Boost

This Budget extends the highly successful First Home Owner's Boost (FHOB) for an extra six months to support more Australian jobs and help more Australians realise the dream of home ownership.

The announcement follows enormous public support for the First Home Owner's Boost, which to the end of March 2009 has helped 59,000 first home buyers to buy their first home.

The measure is part of the Rudd Government's efforts to stimulate economic activity, cushion the Australian economy from the worst impacts of the global recession and support Australian jobs.

Small Business

The Rudd Government will provide another major boost to its highly successful Small Business and General Business Tax Break, providing vital stimulus to support jobs and help small businesses doing it tough in the global recession.

Small businesses will now be able to claim a bonus tax deduction of 50 per cent – up from 30 per cent previously - of the cost of eligible assets acquired between 13 December 2008 and 31 December 2009, and installed by 31 December 2010.

Deficit exit strategy

Despite the very difficult global environment, this Budget ensures stimulus and investment continues to support the economy and jobs now, while putting in place the structural reforms necessary to return the budget to surplus over the medium-term.

The net measures in this Budget raise the level of GDP by ¾ of a per cent in 2009-10, when the economy is most heavily impacted upon by the global recession.

The deepest global recession since the Great Depression has wiped around $210 billion from budget revenues and placed considerable short-term pressure on the Budget.

These revenue downgrades are responsible for around two-thirds of the decrease in the budget position since the 2008-09 Budget.

The Government has a clear strategy that is currently expected to see the Budget return to a surplus in 2015-16.

The 2009-10 Budget begins to chart the course back to surplus by putting in place structural savings that offset key reforms. New spending is fully offset in 2012-13 - the final year of the forward estimates. And the deficit is expected to more than halve by 2012-13.

The Government's balance sheet remains amongst the strongest in the world. Net debt is expected to peak at 13.8 per cent in 2013-14. Between now and the end of 2014, average net debt levels in the major advanced economies are projected to increase to over 80 per cent of GDP.

CANBERRA
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