

Commonwealth 2011-12 Budget Overview

10 May 2011

The Federal Budget 2010-11

The Federal Budget 2011-12 is the fourth delivered by Treasurer the Hon. Wayne Swan MP and the first of the Gillard Labor Government. The Budget brings the Budget back into surplus in 2012-13, delivers 500,000 jobs over the next 2 years, enabling people to move from welfare to work, invest in key infrastructure and builds on Labor's strong record of investing in education and health.

The Treasurer emphasised that the Budget will "put the opportunities that flow from a strong economy within reach of more Australians. To get more people into work and to train them for more rewarding jobs, so that national prosperity reaches more lives, in more corners of our patchwork economy."

The economic context

This budget reflects the Government's determination to return to surplus by 2012-13. The Treasurer emphasised that spending was required in the wake of the global economic downturn and following severe natural disasters, but that it was now necessary for the Government to find savings and avoid compounding some of the problems associated with the strong Australian dollar and our patchwork economy.

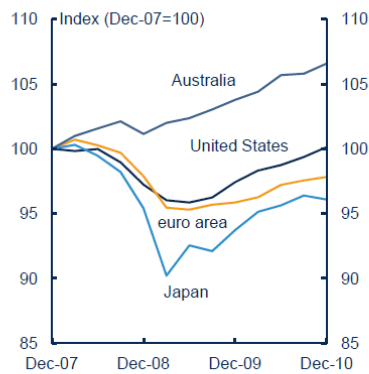
- The domestic natural disasters are expected to reduce real GDP growth in 2010-11 by 0.5 per cent.
- The domestic natural disasters are expected to reduce real production by \$9 billion.
- Australia's GDP is significantly higher than its pre-GFC level, while many other advanced economies are still struggling.
- The Government forecasts a deficit of \$22.6 billion in 2011-12, more than half the forecast deficit from 2010-11 and below pre-Budget forecasts.

	Actual	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Underlying cash balance (\$b)(a)	-54.8	-49.4	-22.6	3.5	3.7	5.8
Per cent of GDP	-4.3	-3.6	-1.5	0.2	0.2	0.3
Fiscal balance (\$b)	-52.9	-45.7	-20.3	4.0	3.2	8.5
Per cent of GDP	-4.1	-3.3	-1.4	0.3	0.2	0.5

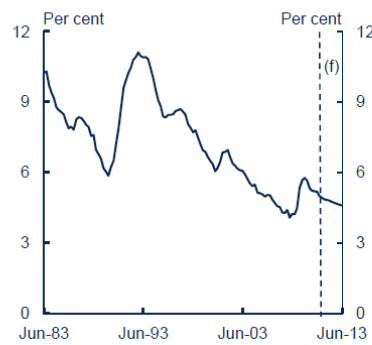
(a) Excludes expected Future Fund earnings.

	Forecasts			Projections	
	2010-11	2011-12	2012-13	2013-14	2014-15
Real GDP	2 1/4	4	3 3/4	3	3
Employment	2 3/4	1 3/4	1 3/4	1 1/2	1 1/2
Unemployment rate	5	4 3/4	4 1/2	5	5
Consumer price index	3 1/4	2 3/4	3	2 1/2	2 1/2
Nominal GDP	8	6 1/4	5 3/4	5 1/4	5 1/4

Image Source: Budget overview 2011-12

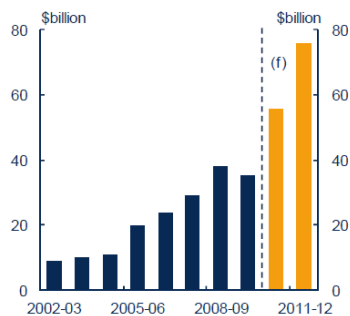


GDP levels for advanced economies



Unemployment rate

Image Source: Budget overview 2011-12



Mining sector investment (nominal)

Image Source: Budget overview 2011-12

Tax Reform

The Government has built on the *Stronger, Fairer, Simpler* package to continue the process of tax reform including by:

- Removing the distance-travelled requirement from the Fringe Benefits Tax arrangement for car leases and replacing it with a single statutory rate.
- Allowing investors in infrastructure projects of national significance to get full tax value for their investments.
- Phasing out the Dependent Spouse Tax Offset.
- Replacing the Entrepreneurs' Tax Offset with a small business tax package.

Since the 2010-11 Budget, the Government has announced a further 12 measures that deliver on reform directions identified in the Henry Tax Review.

Some key spending and saving areas of the Budget

Workforce Participation and Jobs

- \$558 million to deliver tailored, quality training places through the National Workforce Development Fund
- Significant reform of the vocational education and training system, with a further \$1.75 billion offer for State and Territory partnerships
- A renewed emphasis on improved participation by rewarding work, providing new opportunities through training and education

Infrastructure

- \$36 billion invested in roads, rail and ports
- Removing tax impediments to infrastructure investment

Health

National Mental Health Reform Package

\$2.2 billion over five years delivering on national mental health reform, including:

- \$571.3 million towards improving outcomes for people with severe mental illness.
- \$491.7 million towards meeting the mental health care needs of children, families and young people.
- \$220.3 million for strengthening primary mental health care services.
- \$201.3 million towards the National Partnership Agreement on Mental Health.

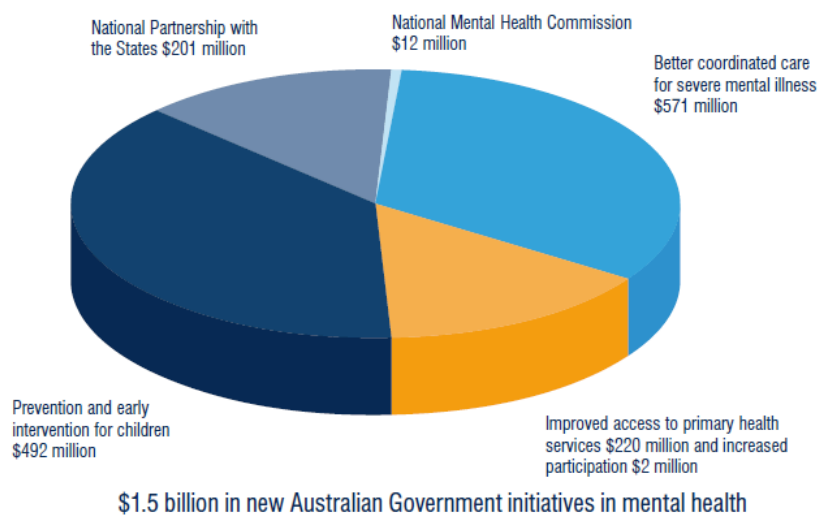


Image Source: Budget overview 2011-12

Dental Health

- \$53 million over 4 years for the introduction of a voluntary dental internship year.

Regional Health Care

- \$1.8 billion over 6 years to deliver on the regional priority round of the Health and Hospitals Fund.

More Commonwealth Investment in Hospitals

- The Commonwealth will increase its contribution to the efficient growth funding of hospitals to 45% in 2014-15 and 50% in 2017-18
- This equates to \$16.4 billion earmarked for additional hospital growth funding to states from 2014-2015
- \$3.4 billion over 4 years to improve emergency health departments and an additional 1,300 sub-acute hospital beds

Access to Medicines and Technology

- \$613 million over 5 years on new medicines on the Pharmaceutical Benefits Scheme
- \$104 million over 4 years on amendments to the Medicare Benefits Schedule
- \$717 million to expand access to diagnostic imaging services to make medicines more affordable

Cancer Prevention and Treatment

- \$148.7 million for prevention, protection and treatment of bowel, prostate and gynaecological cancers

Education

- A further \$1.2 billion over the next four years to fund growth in university enrolments following a move to uncap university places.
- \$425 million for the National Rewards for Great Teachers program.
- \$200 million to support school students with a disability.
- \$32.4 million to further the early childhood reform agenda.
- \$222 million boost to the National School Chaplaincy Program.

Regions

- \$4.3 billion to be invested in regional hospitals, schools, roads and universities.

Defence

- \$1.3 billion to support the defence force presence in Afghanistan.
- \$184.8 million to maintain ADF operations in East Timor and the Solomon Islands.
- \$292.3 million to develop the Regional Cooperation Framework.

Rebuilding Communities Affected by Natural Disasters

- \$6.6 billion over 6 years for relief assistance.

Building Australia's Future Workforce

The Government has allocated \$3 billion over 6 years to building the Australian workforce.

- A National Workforce Development Fund will be established to work with industry in delivering the training outcomes required for the growing economy.
- Apprenticeship mentoring to help support apprentices through to the completion of their training.
- A National Partnership for Vocational Education and Training to help meet the long-term skills needs of the economy.
- An additional 30,000 places for job seekers in the Language, Literacy and Numeracy Program.
- Additional support for families with dependent 16-19 year olds to help them remain at school through increased access to Family Tax Benefit Part A.
- Increased obligations for the very long-term unemployed, including the requirement to undertake two days of work experience per week for 11 months in the year, which will be supported by the Job Services Australia Employment Pathway Fund.

Regions

Australia's patchwork economy presents diverse problems and challenges for regions experience skills shortages or higher than average unemployment.

- \$1.8 billion through the Health and Hospitals Fund to improve access to health services in regional areas. This includes funding for 63 major health infrastructure projects in regional areas.
- 16,000 skilled migration places are being allocated to attract skilled migrants to regional areas.
- The Regional Australia Development Fund will invest around \$1 billion over 5 years to fund economic and community infrastructure projects (\$573 million of this funding in contingent upon the passage of the MRRT).
- The Regional Infrastructure Fund will target \$5.6 billion to resource-rich states facing infrastructure challenges.
- \$1.3 billion over four years to improve government service delivery to regional areas by improving remote access to services; co-locating Medicare, Centrelink and Child Support Agency services; and expanding mobile services to areas without a local Human Services presence.

Major Budget savings

A total of \$22 billion worth of savings including:

- Changed targeting of payments to families (\$2 billion).
- Increasing the public sector efficiency dividend (\$1.1 billion).
- Removal of the Dependent Spouse Tax Offset (\$755 million).
- Removal of the Low income Tax Offset for minors (\$740 million).
- Changes to Fringe Benefits Tax treatment of motor vehicles (\$970 million).

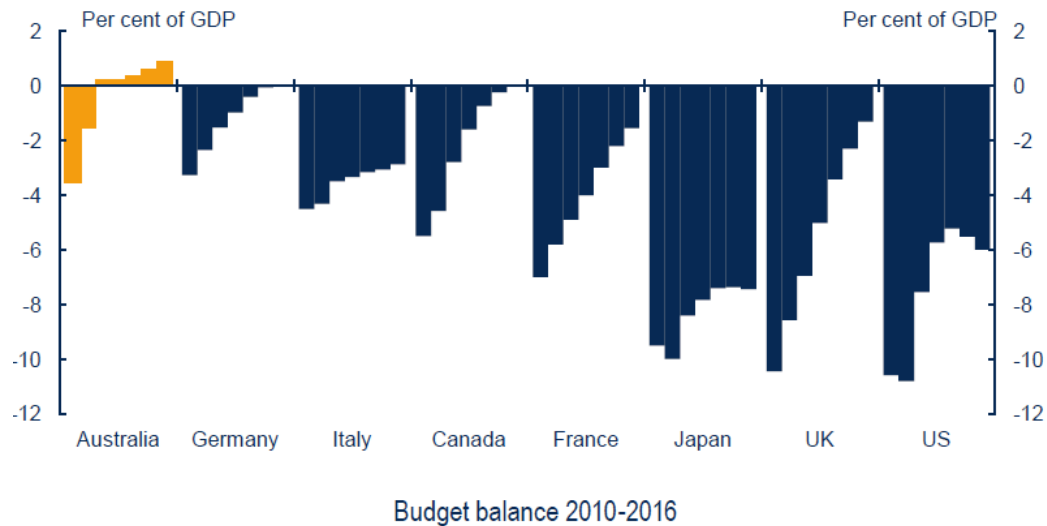


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