



# BUDGET

OVERVIEW

10 MAY 2011

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# CONTENTS

Budget at a glance	1	Improving access to dental care: first steps to reform	25
Economic impacts of natural disasters	2	Improving regional health services ...	26
Rebuilding after natural disasters	3	... and regional education services across Australia	27
A strong economy	4	Support for families	28
Mining Boom Mark II set to drive growth	5	Support for low income earners and seniors	29
The patchwork economy	6	Advancing tax reform	30
Sharing the benefits of the boom	7	Advancing opportunities for Indigenous Australians	31
Getting back in the black	8	Supporting children with disability	32
Strict fiscal discipline	9	Making every school a great school	33
Opportunities for more Australians	10	Supporting Australian small businesses	34
Building Australia's future workforce	11	Linking our manufacturers to resource boom opportunities	35
Putting industry at the heart of the training effort	12	Climate change—moving to a clean energy future	36
A training system for the future	13	Protecting our unique environment	37
Requiring greater personal responsibility ...	14	Maintaining the integrity of Australia's borders	38
... balanced with extra services and support	15	Improving defence capability and promoting stability	39
Removing impediments to infrastructure financing	16	Appendix A Australian Government budget aggregates	40
Investing in infrastructure for the future	17	Appendix B Assessment against the fiscal target	41
Investing in our mining regions	18	Appendix C Helping households with the cost of living	42
Further investments in our regional communities	19	Appendix D Lowering the tax burdens of Australians	43
Balanced growth in our regions ...	20	Appendix E Major initiatives in the 2011-12 Budget	44
... and our urban centres	21	Appendix F Major savings in the 2011-12 Budget	45
Making mental health a national priority	22	Appendix G Australian Government taxation and spending	46
Delivering on National Mental Health Reform	23	Appendix H Detailed economic forecasts	47
Delivering the Government's broader health reforms	24	Appendix I Historical budget and net financial worth data	48

# KEY INITIATIVES OF THE 2011-12 BUDGET

## Getting the budget back in the black

- Despite the challenges posed by recent natural disasters, the Budget remains on track for a surplus in 2012-13
- To avoid compounding the pressures associated with the unprecedented mining investment boom, the Government has made the difficult decisions necessary to deliver \$22 billion in savings
- The return to surplus represents the fastest fiscal consolidation in at least forty years

## Building Australia's Future Workforce

- \$558 million to deliver tailored, quality training places through the National Workforce Development Fund
- Ambitious reform of the vocational education and training system, with a further \$1.75 billion on offer to partner with the States and Territories
- A range of measures to boost participation, by rewarding work, providing new opportunities through training, education and services, and introducing new requirements for some groups

## Infrastructure

- \$36 billion in investment in roads, rail and ports, including \$1 billion in funding for the duplication of the Pacific Highway
- Removing tax impediments to infrastructure investment

## Better hospitals and health care

- Delivering on the commitment to provide at least \$16.4 billion in additional hospital growth funding guaranteed to the states from 2014-15
- \$2.2 billion over five years delivering on national mental health reform
- \$717 million to expand access to diagnostic imaging services and make medicines more affordable
- \$53 million to improve access to public dental services, particularly for people on low incomes

## Making every school a great school

- \$425 million to reward top performing teachers
- \$200 million to support school students with disability
- \$222 million to extend the National School Chaplaincy program

## Helping families and low income earners

- Bringing forward up to \$300 per year of the Low Income Tax Offset into pay packets
- Increasing the Family Tax Benefit Part A for teenagers by up to \$4,208 per year, with more flexible access arrangements
- Maximum pensions are \$128 per fortnight higher for singles and \$116 for couples since pension reforms began in September 2009

## Investing in our regions and our businesses

- Delivering for our regions, with \$4.3 billion in investments in regional hospitals, health care, universities and roads
- Supporting small businesses, through tax relief and simplification
- Linking Australian suppliers and manufacturers to opportunities in the resources sector through the *Buy Australian at Home and Abroad* package

# Budget at a glance

This Budget will get us back in the black, get more Australians into better jobs and spread the opportunities of the mining boom.

## A strong economy

Despite the impact of natural disasters at home and abroad, Australia's economic prospects remain strong.

While these disasters have dampened growth in 2010-11, the economy is still expected to grow at above-trend rates over the next two years.

This strong outlook is supported by the highest sustained levels in the terms of trade in 140 years and an unprecedented mining investment boom.

This is generating strong jobs growth, lower unemployment and enormous opportunities, but will also put pressure on the economy's capacity.

## A strong fiscal position

The Government is taking the necessary steps to return the budget to surplus in 2012-13, despite significant challenges such as the recent natural disasters.

The strong economic outlook highlights the importance of returning the budget to surplus, to avoid compounding capacity pressures that are expected to re-emerge.

The return to surplus also strengthens the Government's balance sheet, and supports Australia's capacity to respond to unanticipated shocks, including those related to the uncertain global economic outlook.

## Investments for the future

The Government has focused attention on measures aimed at expanding the productive capacity of the economy in the medium term.

This Budget responds to Australia's workforce needs through better and more targeted skills and training and new measures to boost participation. The Budget also expands our health care system, invests in infrastructure, makes regional Australia a better place to live, and continues to assist families.

The measures taken in this Budget aim to ensure that all Australians have access to the opportunities and prosperity from the mining boom.

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

# Economic impacts of natural disasters

The natural disasters of early 2011 were first and foremost human tragedies, but they will also have a significant toll on the economy and the Budget.

## Impact of natural disasters

The recent natural disasters both at home and abroad have had a significant economic and fiscal impact.

The domestic natural disasters are expected to reduce real GDP growth in 2010-11 by ½ of a percentage point. Adding the effect of the Japanese and New Zealand earthquakes raises the total impact on GDP growth in 2010-11 to ¾ of a percentage point.

The domestic natural disasters are expected to directly reduce real production by \$9 billion.

Coal production in Queensland has suffered the largest direct impact, with losses estimated at around \$6 billion.

Agricultural production losses are estimated at \$1.9 billion, and have been accompanied by price rises for some agricultural products — adding around ½ of a percentage point to inflation over the March and June quarters of 2011.

The domestic disasters also reduced activity across a range of other sectors, including the tourism and retail sectors.

However, the disasters have not knocked the economy off course. We have strong growth prospects, falling unemployment and unprecedented levels of mining investment.

Reconstruction and the resumption of economic activity is also expected to add to GDP growth in 2011-12.

## Rebuilding communities

Infrastructure rebuilding will provide an important platform for economic recovery, helping communities return to business as usual.

The Government is providing \$5.4 billion to the States for recovery from recent disasters. The bulk of this will go to rebuilding public infrastructure like roads, bridges and public buildings.

Delaying some existing projects will make room for the rebuilding effort, and help curb emerging skills shortages.

A suite of jobs and skills measures is also helping to address skills shortages. These include relocation assistance, fast-tracked visa processing, training initiatives and wage assistance.



Estimated direct impact of the domestic natural disasters

# Rebuilding after natural disasters

Natural disasters over the last summer have affected communities across Australia. The Government is providing \$6.6 billion to support recovery and rebuilding from these disasters as quickly as possible.

## Funding recovery

The Government is providing \$6.6 billion to support recovery. The Government is funding this contribution from the \$22 billion in savings identified in the Budget including those announced on 27 January 2011.

## Helping individuals and families

Over 700,000 Australian Government Disaster Relief Payments have been made, helping people meet urgent needs such as food, clothing and shelter.

The Disaster Income Recovery Subsidy has supported more than 61,000 people who have lost income.

## Restoring communities

The Government is providing the assistance organisations need to maintain employment and kick-start regional economies.

This includes recovery grants and loans to businesses, community organisations and primary producers.

## Queensland floods

The Government is providing over \$4.7 billion to help those affected by the flooding in Queensland, including an advance payment of over \$2 billion made in 2010-11.

This includes \$206 million to help local governments restore utilities and transport infrastructure and meet the costs of labour needed for the rebuild.

## Tropical Cyclone Yasi

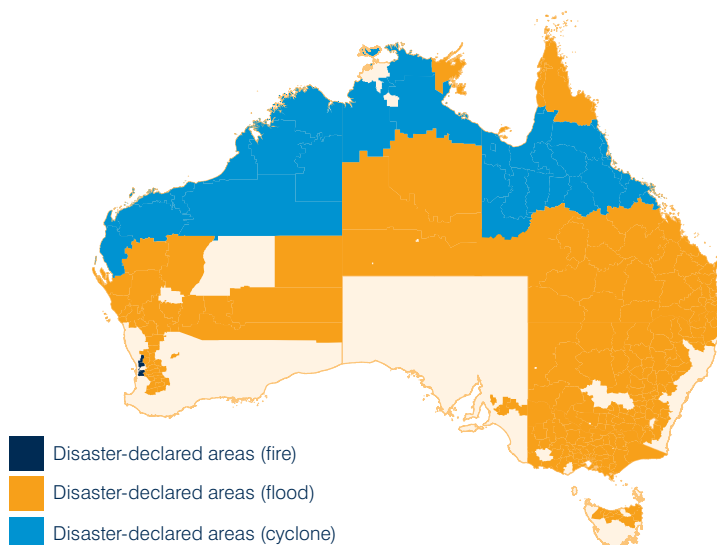
The Government is providing over \$950 million to areas affected by Tropical Cyclone Yasi.

A tailored package of assistance has been developed to address the unique challenges faced by far north Queensland in rebuilding.

## Supporting all Australians

The Government is supporting those affected by disasters across Australia.

The Government is ready to provide a \$500 million advance payment to assist Victoria. Over the next four years, \$379 million will be provided to other States for recovery from recent natural disasters.



Map of disaster-declared local government areas November 2010 – February 2011

# A strong economy

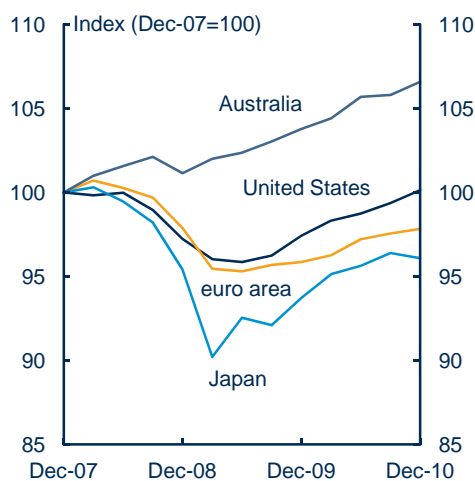
The Australian economy continues to perform better than other advanced economies and is in a strong position to confront future challenges.

## A standout performer among advanced economies

The Australian economy is in a much stronger position relative to many other advanced economies, due in part to the Government's decisive policy response to the global financial crisis (GFC).

Australia was one of the only advanced economies to avoid a recession during the GFC, and has since grown at a solid pace — having recently entered its twentieth year of consecutive economic growth.

Australia's GDP is significantly higher than its pre-GFC level, while many other advanced economies are struggling to make up lost ground.



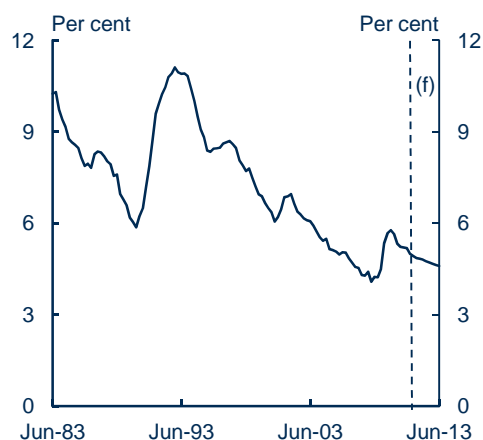
GDP levels for advanced economies

## Ready to confront future challenges

The Australian economy's fundamentals remain strong, allowing the economy to confront the temporary effects of the recent natural disasters, and future challenges, from a position of genuine strength.

A strengthening economy has supported strong employment growth. Over the past year alone, more than 300,000 jobs have been created and the unemployment rate has fallen to around 5 per cent.

At the same time, underlying inflation has moderated to around decade lows.



Unemployment rate

Our terms of trade are at their highest sustained levels in 140 years, driving an unprecedented mining investment boom.

Increased export capacity is supporting significant growth in national incomes.

However, the investment boom will give rise to some inevitable capacity pressures.

In these conditions, it is important that the Government does not compound these pressures, which is why the Government is rapidly returning the budget to surplus in 2012-13 as planned.



# Mining Boom Mark II set to drive growth

The strong outlook for the Australian economy is underpinned by the largest mining investment boom in its history.

## Growth led by the resources sector

Australia is facing the largest mining investment boom in its history, driven by ongoing strong demand for Australia's non-rural commodities from emerging Asia.

Investment in the resources sector will drive above-trend GDP growth in the period ahead, generating strong jobs growth, increasing our export capacity and supporting national incomes.

The high terms of trade are underpinning record investment intentions in the resources sector.

The mining industry is planning to invest \$76 billion in 2011-12 — around eight times the annual level before Mining Boom Mark I, which will boost Australia's export capacity.

This investment surge will ramp up further in coming years, led by very large projects in the liquefied natural gas (LNG) sector. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimates a total pipeline of resources investment of over \$380 billion.

## Broader benefits of the boom

Increased export volumes and high commodity prices will lead to increased national incomes. Over the next

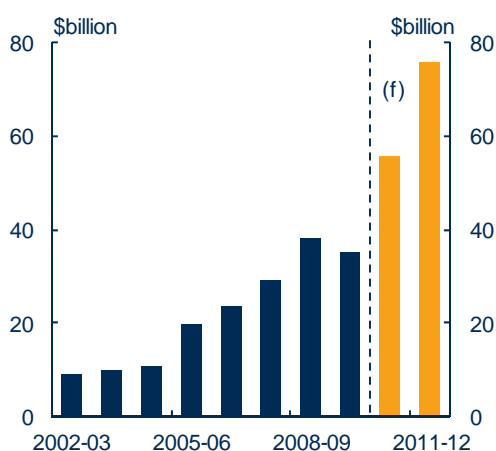
two years, income from non-rural commodity exports is forecast to increase by around 15 per cent to \$203 billion.

Increased activity will also boost employment, with the unemployment rate expected to decline further — reaching 4½ per cent by the June quarter of 2013.

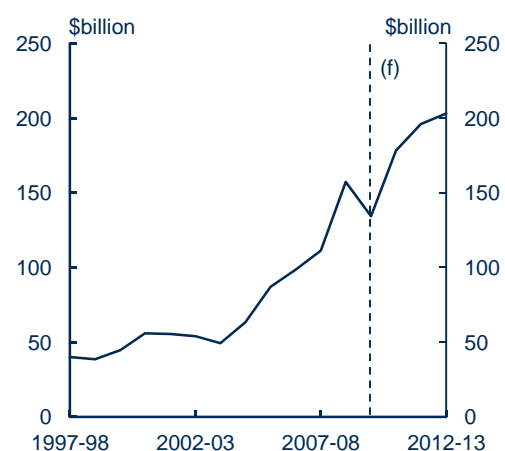
## Boom pressures

The mining boom will inevitably see the re-emergence of capacity constraints, particularly skill shortages, leading to increased wage and price pressures.

This, along with a high exchange rate, will put pressure on those sectors not directly linked to the mining boom.



Mining sector investment (nominal)



Non-rural commodity export income (nominal)

# The patchwork economy

While Mining Boom Mark II will drive economic growth, conditions remain uneven and this will pose challenges for parts of the economy.

## Conditions to remain uneven

The strength of the overall economy masks some significant divergences between industries and regions, with some sections of the Australian community not experiencing the immediate benefits of Mining Boom Mark II.

Conditions in certain industries are expected to remain challenging.

The high exchange rate is weighing on activity in some industries — particularly exporters in the tourism, education and manufacturing industries.

For many businesses, these challenges are compounded by legacies of the GFC, including a more cautious consumer and tight credit conditions for some borrowers.

## Labour market to tighten further

Labour market constraints are likely to increase as the mining boom ramps up, with businesses not linked to the boom likely to find it relatively more difficult to attract and retain workers.

Price and wage pressures are also likely to emerge in some sectors as the labour market tightens.

## Government is taking action

The Budget continues to make the investments we need to position Australia to take full advantage of the mining boom.

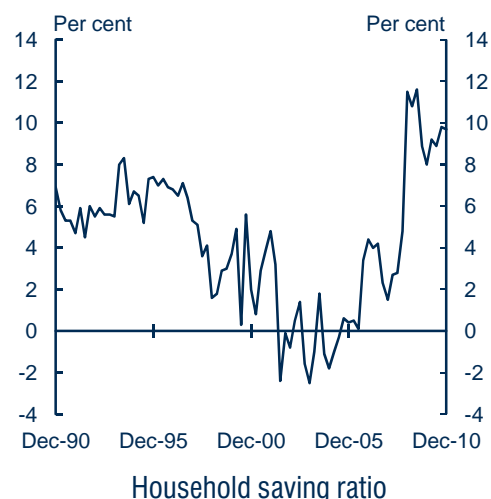
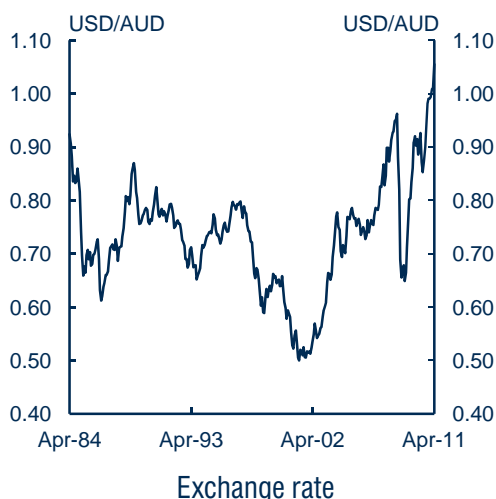
Australia's high terms of trade, strong growth outlook and tightened macroeconomic policy settings have seen the Australian dollar appreciate to post-float highs. In the current macroeconomic context, the high exchange rate and withdrawal of

fiscal and monetary policy stimulus are helping to moderate inflationary pressures as the economy returns to full employment.

The Government is dealing with the short-term costs of natural disasters, while making room for strengthening private sector activity — particularly for the resources boom that is gathering pace.

The medium-term challenges require important investments in our workforce, boosting skills and participation, while ensuring other important challenges are not ignored.

The Government is making further investments in areas such as mental health and broader health reforms, as well as supporting new priorities in education, and making sure our regions benefit from the mining boom.



# Sharing the benefits of the boom

The Budget makes important investments to address medium-term challenges and ensure all Australians benefit from the opportunities provided by the mining boom.

## Sharing the benefits

The Government is taking steps in this Budget to address these medium-term challenges by investing in our people and ensuring all Australians benefit from the opportunities presented by the mining boom.

## Investing in our people

Addressing emerging skills shortages is essential to maintain strong and sustainable economic growth.

Through the *Building Australia's Future Workforce* package, the Government is making the investments necessary to ensure Australians have the skills they need to find jobs, and support growth, both now and into the future.

The package also takes steps to encourage greater participation in the workforce, particularly from those most at risk of being left behind.

## Health and education

The Government is also addressing key priorities in health and education to ensure the benefits of the boom are shared, including: new funding for the Health and Hospitals Fund regional round; mental health; dental health; rewarding quality teaching; and supporting students with disability.

## Investing in our regions

The Budget also ensures our regions are not left behind, by making significant investments in regional

higher education, hospitals and health care, and infrastructure.

## Supporting families and older Australians

The Budget is also ensuring the benefits of a strong economy are spread to all Australians, with a range of measures to provide further assistance to families and older Australians.

## Helping businesses

The Budget also includes measures to reward small businesses that invest to grow, and to link Australian manufacturers to opportunities in the resources sector.

**Building Australia's  
Future Workforce**

**Investing in health  
and education**

**Investing in  
Australia's regions**

**Supporting families  
and small  
businesses**

Sharing the benefits of the boom: the Government's key initiatives

# Getting back in the black

This Budget delivers on our fiscal strategy and returns the budget to surplus in 2012-13, despite the impacts of recent natural disasters.

## The return to surplus

The Government is delivering on its fiscal strategy despite significant challenges posed by the recent natural disasters and the lingering effects of the global financial crisis on revenue.

The Government has maintained strict fiscal discipline to return the budget to surplus in 2012-13. This is the fastest fiscal consolidation in at least 40 years.

The fiscal consolidation has required difficult choices and we have delivered \$22 billion worth of savings and restrained government spending to help achieve this task. Two-thirds of these savings are spending reductions.

## A strong economy requires a strong budget

The budget is facing higher deficits in the early years because of slower economic growth due to recent natural disasters, spending to support the rebuilding of disaster-affected communities and legacy issues from the global financial crisis which are holding back the recovery in revenue.

Tax receipts have been revised down by a total of \$16.3 billion in 2010-11 and 2011-12.

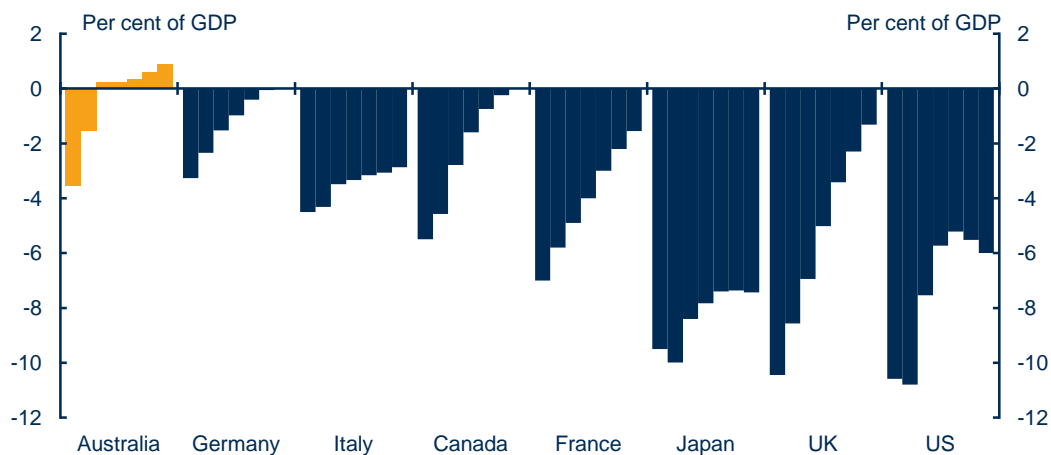
However, Australia's economic prospects remain strong, with the economy expected to grow at above-trend rates over the next two

years, supported by the highest sustained levels in the terms of trade in 140 years and an unprecedented mining investment boom.

This strong growth outlook, with already low unemployment means capacity pressures are expected to re-emerge.

This outlook highlights the importance of the Government's fiscal strategy and our return to surplus.

Delivering surpluses is an important way of ensuring that the Government does not compound the capacity and price pressures that are expected to re-emerge with the unprecedented mining investment boom.



Budget balance 2010-2016

# Strict fiscal discipline

The Government has delivered on its strict fiscal strategy through identifying significant savings to fund new priorities, meet the costs of recent natural disasters and strengthen the budget position.

## Delivering sustained surpluses

The Government has taken the tough decisions necessary to ensure the budget returns to surplus in 2012-13, while delivering on our priorities.

This return to surplus is occurring before any major advanced economy. Between 2009 and 2012, countries like the United States, the United Kingdom, France, Japan and Italy will not even halve their deficits as a share of GDP.

The fiscal consolidation required a disciplined approach to spending and identifying significant savings, which is reflected in surpluses from 2012-13.

## Major savings in the Budget

The Government has identified \$22 billion worth of savings over the forward estimates, including:

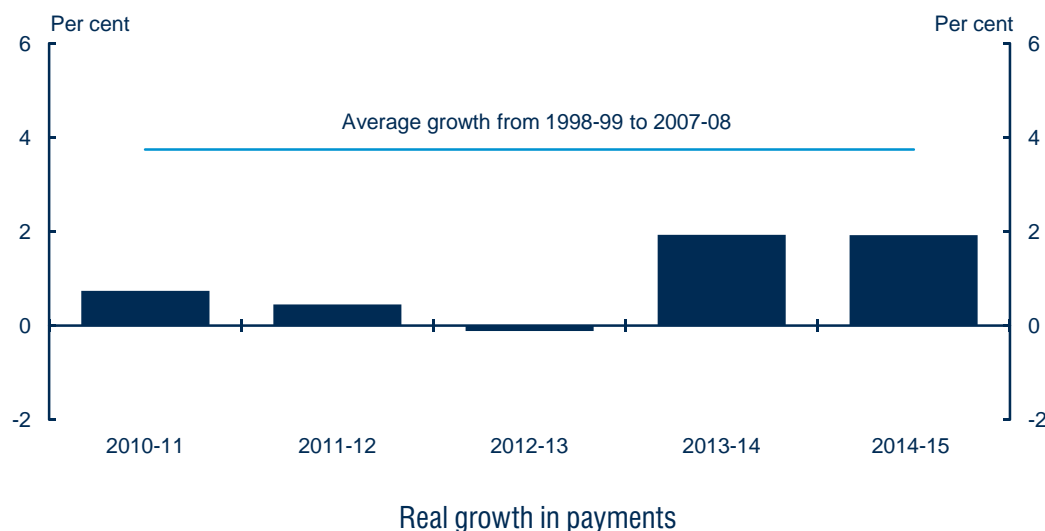
- better targeting family payments (\$2.0 billion);
- increasing the public sector efficiency dividend (\$1.1 billion);
- reforming car fringe benefits (\$954 million);
- phasing out the Dependent Spouse Tax Offset (\$755 million); and
- removing access to the Low Income Tax Offset for unearned income of minors (\$740 million).

## Restrained spending

The Government has remained committed to its strict fiscal rules. Holding real growth in spending to 2 per cent per year has placed significant restraint on Government expenditure.

Real growth in spending averages 1 per cent a year over the budget years, the lowest five year period of growth since the 1980s.

Government spending as a share of GDP is projected to fall to 23.5 per cent of GDP in 2014-15, below the average level for the ten years preceding the financial crisis.



# Opportunities for more Australians

In order to make the most of our opportunities, the Government is investing in Australia's workforce and economic infrastructure, so that the economy has the workers it needs and the benefits of the mining boom are spread across Australia.

## A strong economy is creating opportunities

The mining boom will create job opportunities and boost living standards for many Australians, but emerging capacity constraints and divergent growth prospects across sectors and regions pose challenges for policy makers.

The mining boom is creating labour demand in the mining and related sectors, but broader economic and demographic changes are also driving labour demand in health, aged care, renewable energy and services.

Last year, the Government announced a set of measures that respond to the mining boom:

- investing in infrastructure to address capacity constraints;
- cutting business tax to boost competitiveness across the economy; and
- boosting superannuation to save some of the gains.

This Budget builds on these measures with new steps to address potential capacity constraints in Australia's workforce and infrastructure.

## Training to build capacity

Economic growth means more demand for skills not just in mining and construction but across the economy.

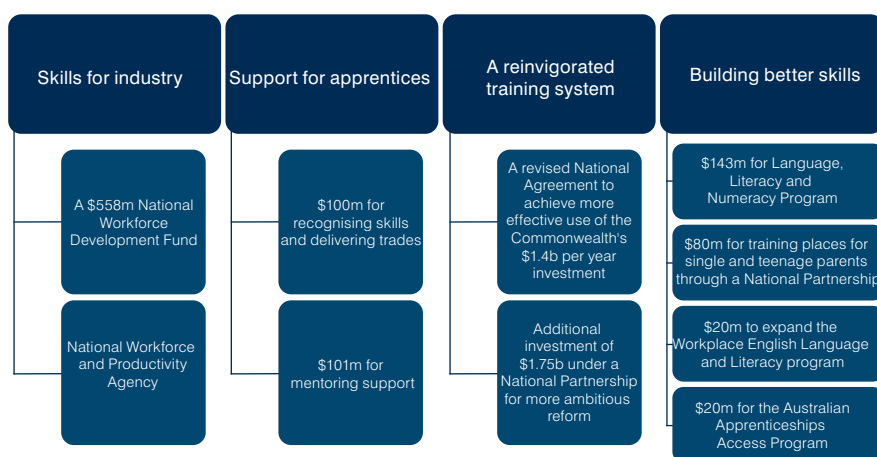
The Government is investing to help Australians get the skills they need to find jobs and meet industry needs.

This Budget puts industry at the heart of the training effort and continues longer term reform of apprenticeships and the national training system.

## Spreading opportunity

Despite strong economic growth, not all groups and regions are sharing equally in rising prosperity. Jobless families, single parents, disengaged young people and people with disability can all benefit from the opportunities provided by a strong economy.

The Government is assisting more Australians to participate through a combination of incentives, supports and responsibilities.



Improving skills

# Building Australia's future workforce

The Government's *Building Australia's Future Workforce* package provides immediate skills assistance to industry and apprentices, sets the path for meeting medium-term skills needs and provides assistance and encouragement to participate in the workforce for groups with lower participation levels.

## Partnering with industry to deliver skills in demand

The strong medium-term outlook for the economy will create further demand for skilled labour and put pressure on the economy's capacity.

At the same time, some regions and industries face challenges and some groups in the community are experiencing low rates of participation and higher unemployment.

The Government's new *Building Australia's Future Workforce* package will help industries get the skilled workers they need and encourage participation in work and the benefits that brings.

## Investing in skills

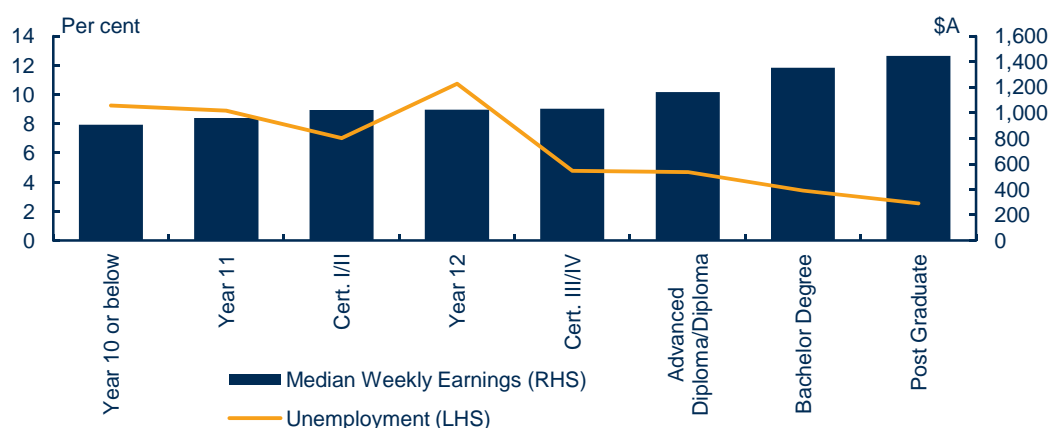
The package includes:

- \$558 million to deliver around 130,000 quality training places tailored to the needs of different industries and regions through a National Workforce Development Fund;
- continuing investments to improve the apprenticeship system with \$200 million to assist apprentices to progress and complete their training in more timely way;
- \$1.75 billion to partner with the States and Territories on ambitious reform of the vocational education and training system; and
- \$263 million to deliver core skills to open new opportunities.

## Improving incentives to work

The package includes:

- rewarding work through better income tests and employer incentives;
- providing new opportunities to get more people into work through training, education, childcare and employment services;
- new requirements for teenage parents, the long-term unemployed and Disability Support Pension recipients; and
- new approaches to address entrenched disadvantage in targeted locations.



Increased skills levels are associated with lower unemployment and increased wages (March-June 2009)

# Putting industry at the heart of the training effort

The Government is investing \$3 billion over six years in training to meet emerging skills shortages, including \$1.75 billion for reform of the training system.

## Partnering with industry to deliver skills in demand

The Government is putting industry at the heart of the training effort to help meet emerging skills shortages.

A \$558 million National Workforce Development Fund will deliver around 130,000 high quality training places directly tailored to industry skills needs.

The training will require co-investment from industry, recognising the shared responsibility for training between the Government and industry.

The new fund will focus on high need industries and critical occupations, with

the resources construction and aged care sectors identified as immediate priorities.

Grants will be provided through a competitive process that will require a commitment from employers to contribute a targeted average of 50 per cent to the cost of training.

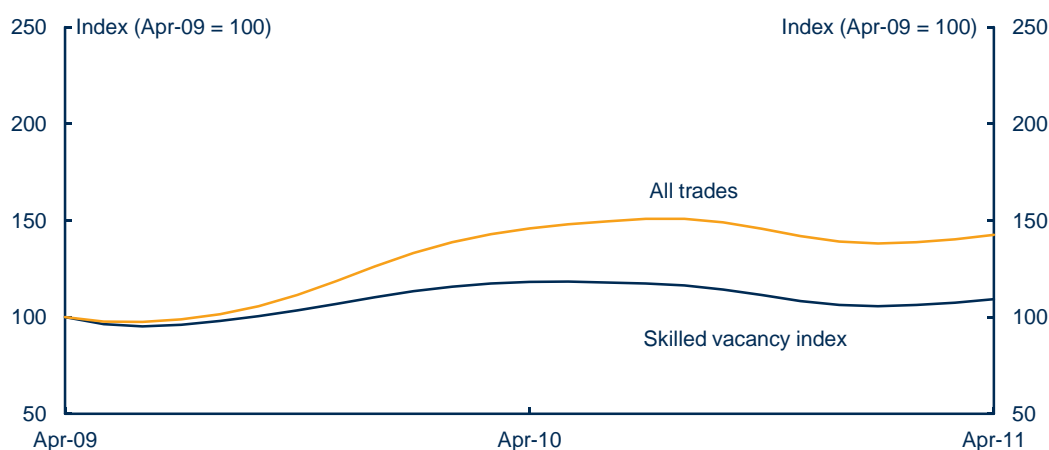
The Fund will also seek to address the diverse skills needs of regional Australia by ensuring a fair share of funding is directed at supporting regional employers, workers, apprentices and job seekers in areas of skills needs.

## Recognising skills hotspots

The Fund will be supported by the establishment of a new *National Workforce and Productivity Agency* from 1 July 2012. The Agency will work closely with industry to identify critical skills needs and build a more skilled and capable workforce.

## Basic employment skills

The Government will invest \$143 million to improve the basic employment skills of job seekers by providing 30,000 additional places in the Language, Literacy and Numeracy Program.



Strong demand for skilled trades



# A training system for the future

We are investing in a smarter apprenticeship system that works for more Australians and longer-term reform to drive productivity.

## Accelerated Australian Apprenticeships

While many Australians start an apprenticeship, less than half of those complete them. To ensure the system works for more Australians the Government is investing over \$200 million to support mentoring, progression and completions.

The Government will improve apprenticeship completions through greater support for mentoring. Over 300 mentors per year will be funded to assist almost 40,000 eligible apprentices in traditional trades, as well as small and medium enterprises. In addition, 144 apprentice advisors will also assist school leavers to select

the best option when considering an apprenticeship.

An expansion of the Apprenticeship Access Program will also assist vulnerable job seekers to take on an apprenticeship.

The package also funds new approaches for apprentices to learn and progress more quickly once standards have been met, instead of progressing based on time.

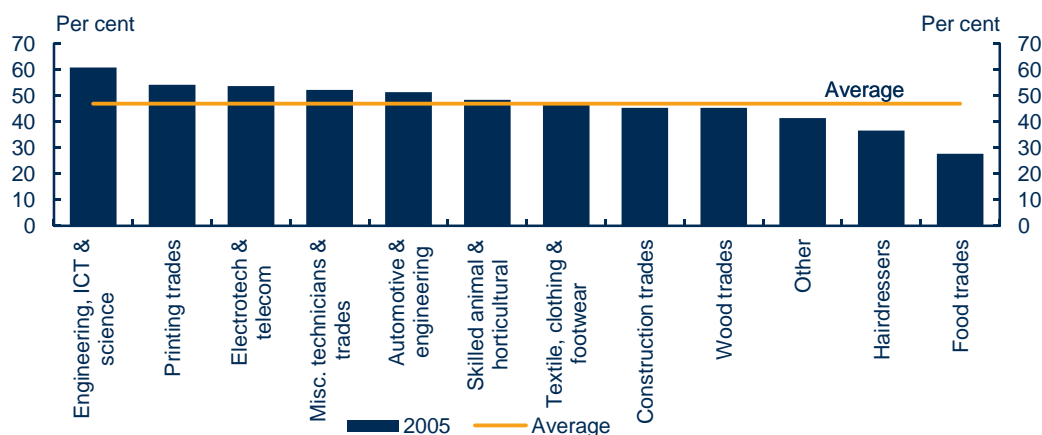
## A fresh vision for skills

A high quality and responsive training system will be key to meeting longer term labour demand needs and sustaining economic growth.

The Government will set tougher new reform standards for its \$7 billion investment over five years in the National Agreement for Skills and Workforce Development.

This will include increasing the focus on higher level training and aligning effort with economic needs.

An additional offer of up to \$1.75 billion over five years will be available to States and Territories who sign up to ambitious reforms of the training system, negotiated over coming months.



Providing help to increase apprenticeship completions

# Requiring greater personal responsibility ...

Despite solid employment growth and a falling unemployment rate, some groups of Australians are experiencing low rates of participation and higher unemployment.

## Boosting participation

The Government will introduce a range of measures to assist and encourage Australians into the workforce or to undertake activities that will improve their future employment prospects.

## Improving incentives in the tax system

The Government's change to the Low Income Tax Offset will mean more immediate rewards to work for low and middle-income earners.

Phasing out the Dependent Spouse Tax Offset for taxpayers with a dependent spouse who turns 40 on or after 1 July 2011 will reduce disincentives to work.

## Single parents

The Government will restructure income support for single parents to promote and support participation.

From 1 January 2013, single parents on Newstart Allowance will get to keep up to an extra \$3,900 per year through a more generous income test.

At the same time, grandfathering will be phased out for Parenting Payment recipients when their child turns 12 to more closely align eligibility with other recipients.

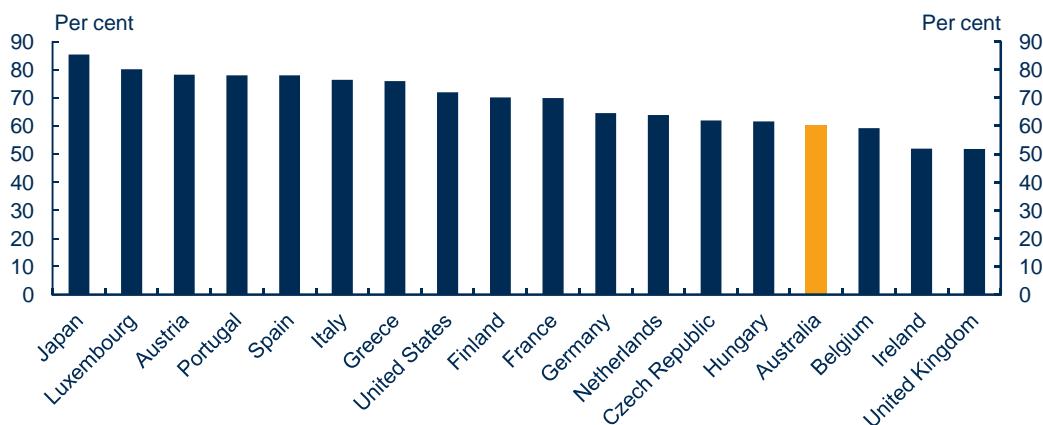
The Government will also provide up to \$103 million to support single parents through training, career advice, and other services.

## People with disability

From 1 July 2012, the Government will introduce participation requirements for Disability Support Pension (DSP) recipients aged under 35 years with an assessed work capacity of eight hours or more per week, and increase the number of hours recipients can work and remain eligible for DSP.

The Government is also making the DSP assessment process more rigorous and more accurate from September 2011.

The Government will introduce higher wage subsidies, to reward employers who hire people with disability for at least 15 hours per week.



Comparison of employment rates of single mothers in Australia and selected OECD countries

# ... balanced with extra services and support

The Government's *Building Australia's Future Workforce* package balances greater responsibility through increased participation requirements coupled with additional support such as training, child care and employment services, and greater rewards to work.

## Activating disengaged youth

The Government will extend 'Earn or Learn' requirements to those aged 21. This is part of broader changes to Youth Allowance (other), which will delay eligibility for Newstart Allowance by one year and reward young workers with a more generous income test.

The Government will also provide \$68 million to fund activities for Early School Leavers to help them develop basic employability skills.

The Government will provide \$772 million to increase Family Tax Benefit Part A for dependent 16 to 19 year olds in full-time secondary study, to help families meet costs and support their teenagers to stay in school.

The new Indigenous Youth Career Pathways Program will provide School Based Traineeships to assist the transition from school into further education and/or work.

## Very long-term unemployed

The Government will provide \$95 million for wage assistance to reward employers who give a very long-term unemployed person a job, and \$133 million to fund increased work experience requirements from 6 months to 11 months in a year.

## New approach to disadvantaged locations

The benefits of economic growth are uneven and entrenched disadvantage is concentrated in some areas.

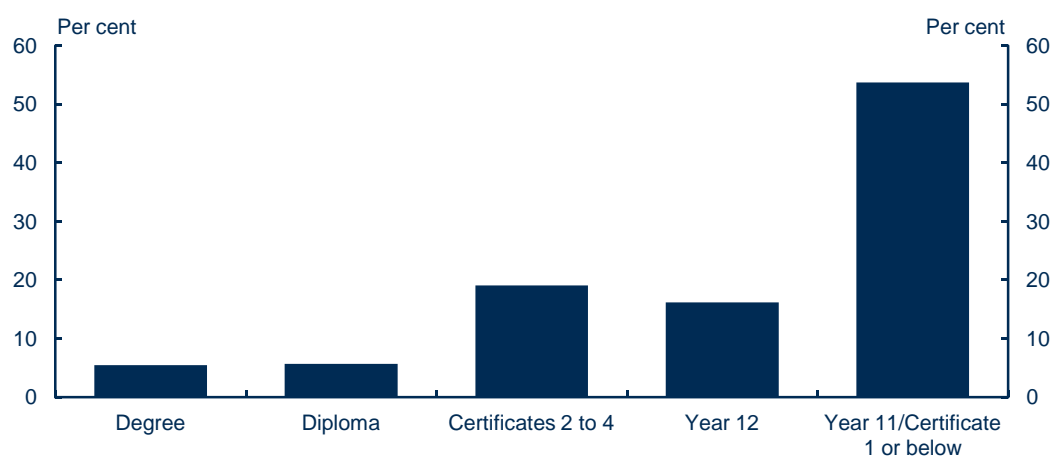
From 1 January 2012, teenage parents on income support in 10 locations will have to agree a participation plan focused on the parent attaining Year 12 and school readiness for their children.

Jobless families in these locations with young children will be required to participate in interviews and workshops to improve school and employment readiness commencing on 1 July 2012.

The Government will also extend income management to five more sites and trial innovative service delivery.

## Improving employment services

Following extensive consultation, the Government will introduce important enhancements that build on the current employment services arrangements.



Highest educational attainment of the very long-term unemployed

# Removing impediments to infrastructure financing

The Budget recognises the important role of the private sector in financing and constructing nationally significant infrastructure, complementing the Australian Government's significant public investments.

## Infrastructure Investment Incentive Package

The Budget includes measures to improve the way we plan, develop and finance infrastructure by:

- enhancing the role of Infrastructure Australia (IA);
- establishing special tax provisions to improve certainty for private sector investment in nationally significant projects; and
- enhancing the transparency of planning, implementation and evaluation of infrastructure projects.

## Improving governance

The Budget provides \$36 million over the four years to 2014-15 to enhance the role of IA.

IA will work closely with States and Territories and the private sector to promote better targeted investments in infrastructure linked to the National Priority List which IA provides to the Council of Australian Governments.

## Removing impediments

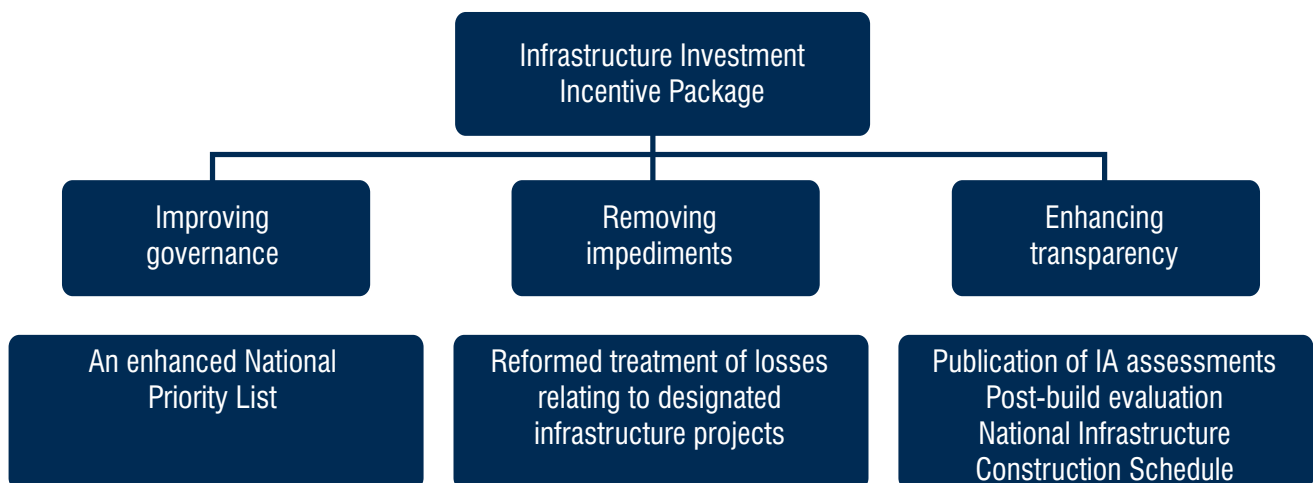
The Government will amend the tax law to ensure that access to losses generated by infrastructure projects designated to be nationally significant is unaffected by changes in ownership or business structure and the value of losses is maintained over time.

The Government will continue to lengthen the Commonwealth Government Securities yield curve incrementally, when prudent to do so. This could help the financing of long-term infrastructure projects.

## Enhancing transparency

IA will publish cost-benefit analyses. The Government will evaluate Commonwealth funded projects after completion to ensure value for money.

The Government will also create a National Infrastructure Construction Schedule which lists large economic and social infrastructure projects to help build the pipeline for industry to invest in.



Infrastructure Investment Incentive Package — key elements

# Investing in infrastructure for the future

The Budget continues the Government's strong record of infrastructure investment, including under the flagship Nation Building program.

## Nation Building

The Government is investing \$36.2 billion in roads, rail and ports over six years from 2008-09.

The Nation Building program of construction and maintenance for Australia's land transport network targets those projects that deliver the highest benefits to the nation. Nation Building also includes the Roads to Recovery and Black Spots programs.

## Improving commuter rail

The Government is bringing forward \$133 million of the Commonwealth's contribution to the \$1.2 billion Moreton Bay Rail Link.

The Link will improve public transport to the Moreton Bay region reducing reliance on the road network. Moreton Bay is the third largest local government area in Australia.

## Bruce Highway

The Government is continuing to invest in multiple upgrade works along the length of the Bruce Highway between Brisbane and Cairns. This includes proceeding with five projects which were previously deferred to assist with flood reconstruction efforts.

## National Broadband Network

In Tasmania, the NBN has already been rolled out past 4,000 premises, with another 11,150 premises expected to be covered by the second half of

2012. Early release sites in New South Wales, Victoria, Queensland and South Australia are near completion, with construction expected to begin on further sites across mainland Australia this year.

## Investing an additional \$1 billion in the Pacific Highway

The Budget provides \$1.0 billion over the four years to 2014-15 for planning, route assessment, design and other work for the duplication of the Pacific Highway in New South Wales. This builds on the Government's previous \$3.1 billion commitment to the Pacific Highway.

The Pacific Highway is a key travel route for the eight million Australians that live in the Sydney to Brisbane corridor.

The Government has almost doubled road spending and quadrupled rail spending while at the same time has started rolling out the NBN. Some recent major land transport infrastructure projects include:

- **Upgrading the Bruce Highway** between Brisbane and Cairns (Qld)
- **Duplication of the Pacific Highway** commuter and freight route between Sydney and Brisbane (NSW)
- **Upgrade the road network around Perth Airport** through the Gateway WA project (WA)
- **Building the Regional Rail Link** which will provide a 40-kilometre dual-track link from West Werribee to the Southern Cross Station in central Melbourne via Sunshine (Vic)
- **Investing in the South Road Superway**, the only continuous link between the northern and southern suburbs of Adelaide (SA)
- **Upgrading the Midland Highway** by building the Brighton Bypass (Tas)
- **Upgrading Tiger Brennan Drive** to improve traffic flow to East Arm Port and Palmerston (NT)
- **Redevelopment of Constitution Avenue** to mark the centenary of the National Capital (ACT)

# Investing in our mining regions

The Budget provides almost \$1.0 billion to commence work on the first infrastructure projects funded from the \$6.0 billion Regional Infrastructure Fund.

## Reinvesting the proceeds of the resources boom in mining communities

The Budget provides \$916 million for the first eight infrastructure projects to be funded from the Regional Infrastructure Fund (RIF). The RIF will provide \$6.0 billion over the 11 years to 2020-21 for investment in infrastructure in regional Australia.

The RIF allows the Government to invest the proceeds of the mining boom to address urgent infrastructure needs.

\$5.6 billion of the RIF will be funded through the Minerals Resource Rent Tax (MRRT).

The RIF funding allocations will promote development and job creation in mining communities and communities which support the mining sector.

Funding from the RIF will go to projects including rail, road, ports, airports, energy, communications, water and other critical economic infrastructure.

It will also provide a clear benefit to Australia's economic development, and to investment in Australia's resource and export capacity.

Infrastructure Australia will review existing regional infrastructure plans to ensure that RIF funds are allocated to

projects like Gateway WA that will be of lasting benefit to regional communities.

## Delivering a fair return to resource communities

The Government has committed to allocate at least \$2.0 billion from the RIF to projects in each of the resource states of Queensland and Western Australia.

Allocations to the other States and Territories will have regard to the level of MRRT raised within those jurisdictions.

This means more rail, roads, ports and other crucial infrastructure to support the workforce in critical mining regions and in communities that support mining regions.

### RIF Projects, totalling \$916 million, include:

Gateway WA (WA) — \$480 million
Townsville Ring Road (QLD) — \$160 million
Peak Downs Highway (QLD) — \$120 million
Blacksoil Interchange (QLD) — \$54 million
Gladstone Port Access Road (QLD) — \$50 million
Upgrade of the intersection of the Bruce and Capricorn Highways (QLD) — \$40 million
Mackay Ring Road study (QLD) — \$10 million
Scone Level Crossing Study (NSW) — \$2 million

The RIF will reinvest the proceeds of the resources boom back into regional Australia.

Initial Regional Infrastructure Fund projects

# Further investments in our regional communities

All Australians, including those living in regional communities, can share in the long-term prosperity that comes from a more productive and stronger economy.

## Investing in infrastructure

The \$1 billion Regional Development Australia Fund is a significant investment in the economic and community infrastructure of our regions. This includes bridges, child care centres and sporting facilities.

These projects will align with the regional plans developed by Australia's 55 Regional Development Australia (RDA) committees to ensure they best fit the priorities of the region.

The first round will contribute up to \$100 million of funding with another round to be held in late 2011.

## Strengthening consultation with the regions

The Australian Government is working with regional communities to develop long-term, creative solutions to local issues, including through the RDA committees.

RDA committees are about engaging local people to develop local solutions to community issues.

The Budget provides \$20 million to strengthen the RDA committees' role in assisting the Government to advance local solutions to economic, social and environmental issues.

## Supporting jobs and new opportunities

The Government is developing a more strategic approach to combating high unemployment in the regions.

We will invest \$19 million over two years to fund 34 strategists to develop Regional Education, Skills and Jobs Plans. Funding of \$45 million will also be provided to extend the Priority Employment Areas initiative, including Local Employment Coordinators.

The Government will provide \$46 million over four years to establish the Carbon Farming Initiative to create a new income stream worth hundreds of millions of dollars for farmers and landholders at the same time as reducing our carbon emissions.

## Regional Development Australia Fund

**Economic infrastructure, such as bridges, transport hubs, and water**

**Community infrastructure, such as sporting facilities, parks and child care**

# Balanced growth in our regions ...

Promoting balanced growth across our regions and major cities is a key objective of the Government. This means regional Australians will not have to compromise on first class education and training for their kids, or quality health care for their loved ones.

## Sustainable Australia

Australia is a diverse country. Over eight million people live outside our major capital cities. Some regional areas are struggling with pressure on their existing infrastructure, while others are having difficulty attracting enough workers with the right skills.

## Investments in regional Australia

The Government is investing \$4.3 billion in regional hospitals, health care, universities and roads outside the big capitals to lift living standards, provide the best services and help communities reach their potential.

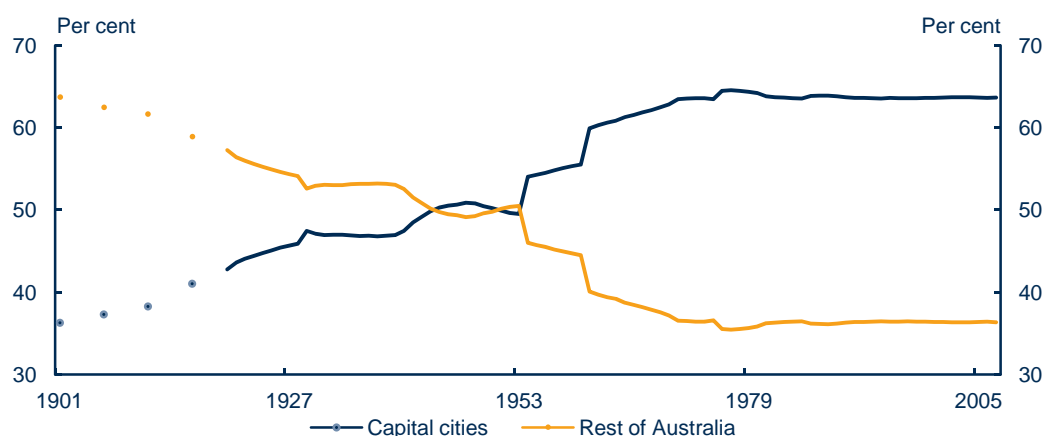
These investments will improve the liveability of regional cities and towns,

making our regions more attractive places to live, work and raise a family. The NBN will connect our regions with the cities at the same wholesale price for comparable products Australia-wide.

The Government is introducing a number of new initiatives to encourage increased skilled migration to regional areas, including specifying for the first time 16,000 Regional Sponsored Migration Scheme places, fast-tracking permanent residency for 457 visa holders who have spent two years in regional Australia, introducing Regional Migration Agreements and providing priority processing for regional visa categories.

The Budget provides new funding to support the sustainability of growing regional centres including:

- \$29 million to improve strategic planning for regional and coastal high growth centres, reducing red tape for businesses and provide certainty for investment;
- \$11 million to support regional cities to promote the benefits and opportunities of living and working there; and
- \$10 million to develop a set of sustainability indicators to help improve decision making as it relates to sustainability issues.



Australian population distribution, 1901-2006



# ... and our urban centres

The Government's National Urban Policy, together with our investments in regional Australia, will help take the pressure off suburbs by ensuring our cities promote innovation and become more productive, sustainable and liveable.

## National Urban Policy

Long-term strategic planning of Australia's capital cities and investment in urban infrastructure is critical to boost the productive capacity and living standards in our capital cities.

To assist this, the Government is currently funding projects in every capital city, including the duplication of the F5 in Sydney, and the Regional Rail Link and Western Ring Road in Melbourne. In total, we are investing over \$13 billion in our cities.

Under the National Urban Policy, the Government will build on these investments with new initiatives focusing on the sustainability of our outer suburbs.

## Investing in suburban areas

The Government will invest \$100 million in a new Suburban Jobs program to promote local jobs closer to residential areas. This program will provide infrastructure support in the outer suburbs to attract employers to areas with the highest travel times, like Liverpool in Sydney and Dandenong in Melbourne.

## Reducing congestion

The Government will invest \$61 million in the development of National Smart Managed Motorways to reduce congestion and workers' travel times.

Examples of projects include variable speed limits on the Gateway Motorway in Queensland and upgrading the

intelligent transport system on the Victorian M1 West Gate Freeway.

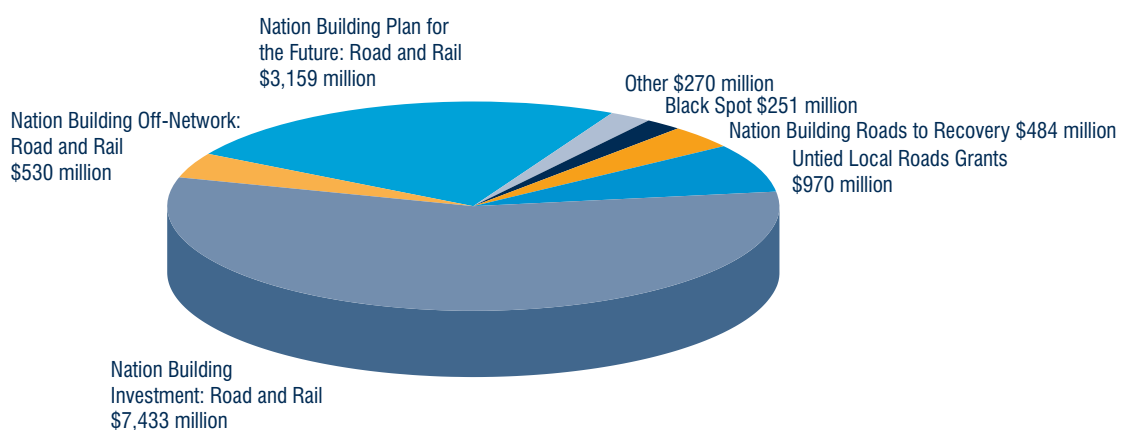
All projects will be jointly funded with the relevant state government.

## Urban renewal

The \$20 million Urban Renewal Fund will help improve the planning and design of urban areas to promote productive, sustainable and liveable communities.

## COAG's reform process

The Prime Minister will also begin a rigorous COAG process that asks state premiers to lead the development of Commonwealth-State reforms that address sustainability issues of relevance to their jurisdictions.



Land transport infrastructure investment in capital cities: 2008-09 to 2013-14

# Making mental health a national priority

The Government is making mental health a national priority by delivering a significant investment of \$2.2 billion in mental health reform and committing to ongoing action by developing a Ten Year Roadmap for Reform.

## Mental health affects nearly all Australians

Nearly one-third of Australians will experience a mental illness at some stage in their lives, with impacts on their families and communities.

Despite investment at all levels of government, the system can be too crisis-driven, instead of focusing on early intervention and prevention to help people stay well.

Many people also experience difficulty in accessing services and navigating a fragmented and complex system.

## A first step towards reform

The Government is providing funding of \$2.2 billion over five years from

2011-12 in its *National Mental Health Reform* package to deliver additional services, a greater focus on prevention and early intervention, and a better integrated system.

The Budget includes new initiatives of \$1.5 billion over five years and builds on recent measures being rolled out including:

- \$443 million to tackle suicide; and
- \$181 million in mental health investments in the 2010-11 Budget.

These investments represent a first instalment in longer-term reform, which will require sustained focus.

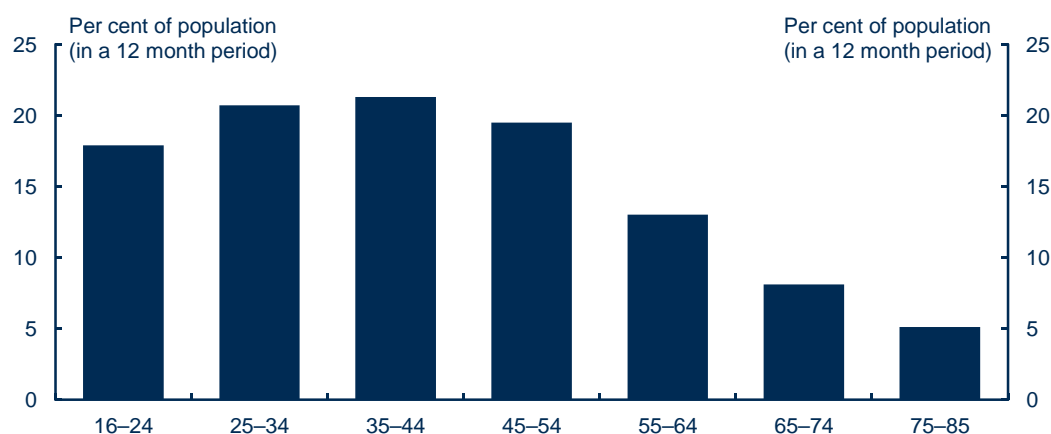
It will also require collaboration across all levels of government, non-government organisations, individuals and providers.

## A Ten Year Roadmap for Reform

That is why the Government is committing to ongoing mental health reform by developing a Ten Year Roadmap.

The Roadmap signposts a high-level vision for the system.

The Government has, and will continue to, engage with expert stakeholders and States and Territories to inform development of the full Roadmap, which will be finalised in 2011.



Prevalence of mental health disorders by age group (in a 12 month period)

# Delivering on National Mental Health Reform

This Budget places a greater focus on prevention and early intervention and delivers a more integrated mental health care system, as an important first step towards longer term reform.

## Priorities for investment

The Government's *National Mental Health Reform* package includes the following key Budget initiatives over five years:

- \$571 million to expand services and provide a single point of contact for people with severe mental illness to coordinate clinical and social support services;
- \$492 million for prevention and early intervention mental health services for children and young people;
- \$220 million to improve access to the primary health care system for people with mental illness; and

- \$201 million for a new National Partnership to help guide reform at a State level.

## Expanding effective programs

The mental health package will direct new funding towards expanding effective programs, such as:

- 30 new *headspace* sites, to achieve national coverage of 90 sites across the country; and
- building on 2010-11 Budget funding to establish up to a total of 16 Early Psychosis Prevention and Intervention Centres (EPPIC).

It will also direct funding to achieve more coordinated services, such as ensuring that, for the first time, patients with severe and debilitating mental

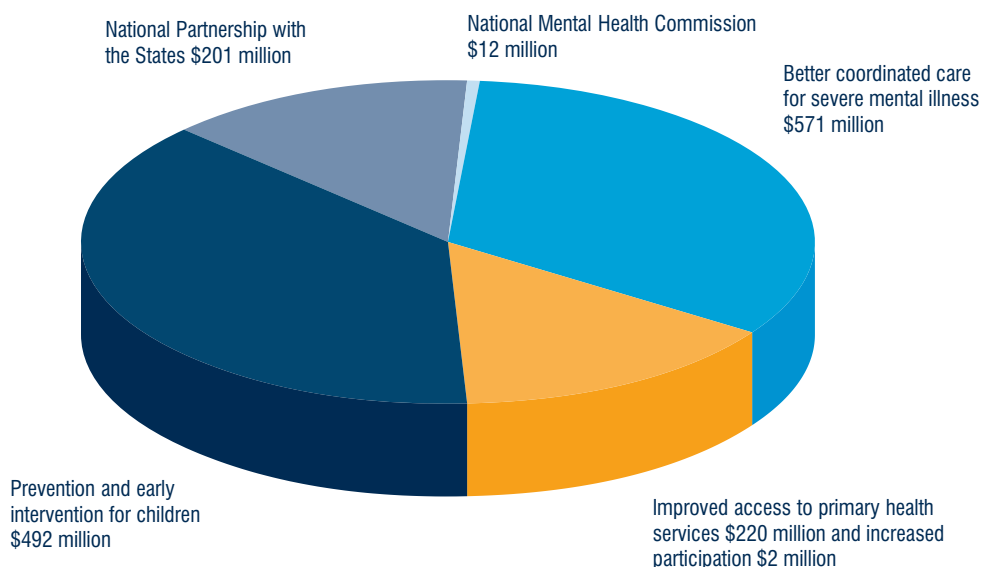
illness have one contact point for all of their clinical and social care needs.

## A National Mental Health Commission

The Government has also allocated \$32 million over five years, including \$12 million in new funding, to establish a new, independent National Mental Health Commission that will report in the Prime Minister's portfolio.

This Commission's core function will be to independently monitor, assess and report on how the system is performing.

This will increase accountability and transparency in the mental health system and give national prominence to mental health issues.



\$1.5 billion in new Australian Government initiatives in mental health

# Delivering the Government's broader health reforms

The Government will invest an extra \$20 billion in public hospitals — matched by new national standards to provide better information on the health system and make sure that money goes straight to hospitals and straight to patients.

## Delivering on health reform

In February 2011 the Commonwealth, and all States and Territories signed a new deal on National Health Reform.

The Government will pay 50 cents in every new dollar of hospital spending under activity-based funding, with guaranteed funding of \$16.4 billion from 2014-15 to 2019-20.

The States and Territories are also receiving \$3.4 billion over four years to improve emergency departments, elective surgery, and provide an extra 1,300 sub-acute hospital beds.

## Reforming primary health care

A strong primary health care system is key to providing patients with the health care they need when and where they need it.

The new agreement will lead to a more integrated primary health care system including by bringing forward the establishment of more Medicare Locals.

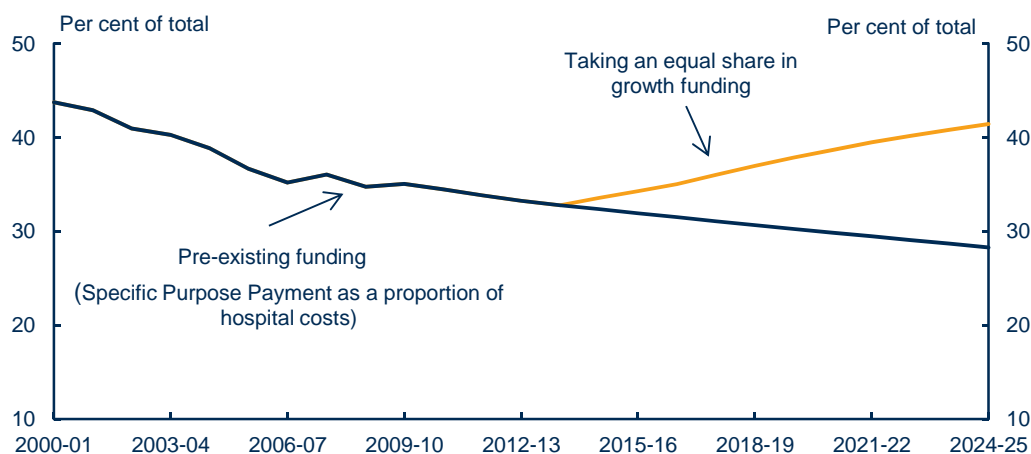
It also fast tracks reforms to after-hours GP care to enable Medicare Locals to plan, and support, local face-to-face GP after-hours services.

## A well managed health system

The benefits of increased growth funding will be enhanced by a national funding pool to improve transparency and accountability of funding flows.

This means that hospitals will be paid the same way, delivering unprecedented transparency in hospital funding arrangements.

Better health system reporting will be achieved through a National Health Performance Authority.



The Government is taking on a greater share of public hospital costs

# Improving access to dental care: first steps to reform

The Government is determined to tackle the long-term challenges in dental health, by taking action to address the capacity of the dental workforce now, as well as strengthening Australia's dental system for the future.

## Supporting the dental workforce

Many Australians are able to access good dental care; however, there are some who are unable to access this in a timely manner.

The Government is investing \$53 million over four years to introduce a voluntary dental internship year. The internship scheme will offer greater opportunities for graduates to gain experience in the public dental system.

This will help to increase the capacity of Australia's public dental workforce to provide additional dental care services

to the community, particularly for those on low incomes.

The scheme will provide support for up to 150 internship places, as well as mentoring roles, targeted at the public dental system. This means more dentists in the public system.

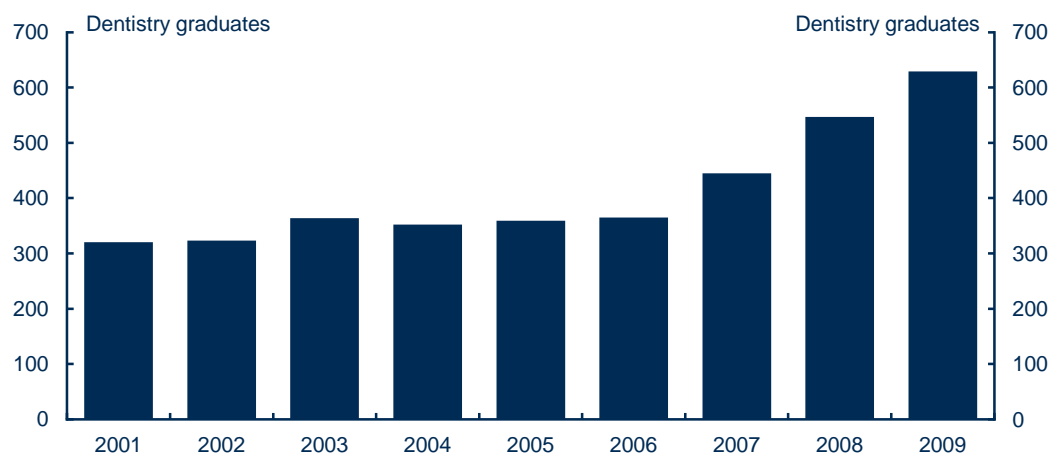
Funding will also be used to establish infrastructure to support the internship places and to cover the costs associated with the development of the curriculum for the scheme, to ensure participants receive clinically appropriate training.

This new investment will help to ensure that the dental workforce is well placed to support significant reform next year.

## Prioritising areas for future investment

The Government will establish a National Advisory Council on Dental Health to provide advice to government on dental health, including prioritising areas for future investment.

The 12 member Council will include representatives from a range of stakeholder groups and organisations.



Dentistry graduates per year, 2001-2009

# Improving regional health services ...

The Government is investing \$1.5 billion in regional health infrastructure in this Budget which brings the Government's commitment to regional health infrastructure to \$2.9 billion over the last three years.

## Health and Hospitals Fund (HHF) — regional priority round

The Government is investing an unprecedented \$1.8 billion over six years in critical regional health infrastructure under the HHF regional priority round.

This includes \$1.33 billion for 63 projects across Australia and \$475 million for a further regional priority round.

This record investment provides a much needed boost to regional hospitals.

It builds on the \$1.1 billion allocated in the 2009-10 Budget to upgrade regional hospital infrastructure and invest in regional cancer centres and training infrastructure.

## Investing in health areas of national priority

These investments are consistent with the Government's health reform priorities and will improve acute care facilities and primary health infrastructure by:

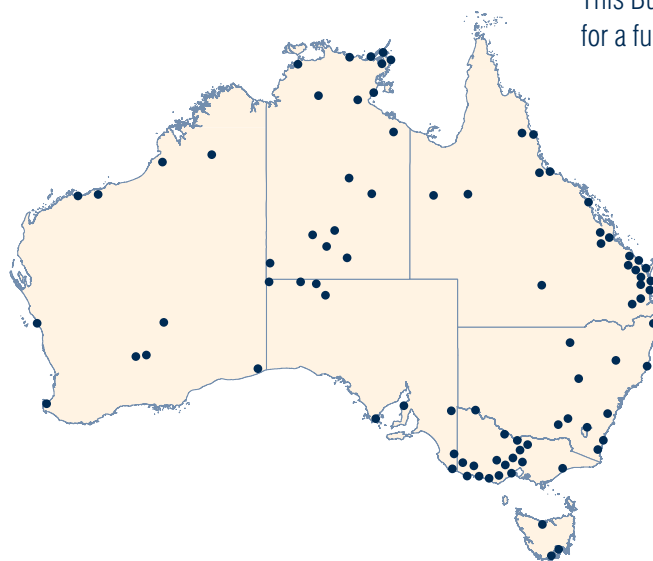
- expanding new facilities and patient accommodation services so that patients can access care closer to home;
- improving acute care and primary health facilities at local health centres to better treat chronic diseases; and
- directing funding toward infrastructure catering for mental and dental health.

## Over 60 major regional projects

The HHF regional priority round funds 63 major projects across Australia including:

- the Bega Valley Health Service Development (NSW);
- the Palmerston Hospital (NT)
- the Bringing Renal Dialysis and Support Services Closer to Home program (WA);
- Regional Mental Health Community Care Units (QLD);
- the Port Lincoln Health Service Redevelopment (SA); and
- the Integrated Regional Cancer Service, Geelong (VIC).

This Budget also includes \$475 million for a further regional priority round.



New regional health infrastructure — major projects across Australia

# ... and regional education services across Australia

More funding for regional higher education will be delivered through a regional priorities round of the Education Investment Fund and higher payments to regional universities.

## Investing in regional education

The Government has committed to improving outcomes for regional Australians now and into the future.

In this Budget the Government is investing in skills and participation to keep our economy moving forward, including regional skills initiatives.

The Government is making significant investments in both our higher education institutions and in our schools to support regional students.

This Budget continues to build on the higher education reform package *Universities, Innovation and Education Revolution* announced in the 2009-10 Budget.

## Regional priorities round of the Education Investment Fund (EIF)

The Government is providing \$500 million for a dedicated regional priorities funding round of the EIF for priority capital development projects in regional higher education and vocational institutions.

It is expected that the round will commence this year, and that funds will be fully committed by the end of 2012-13.

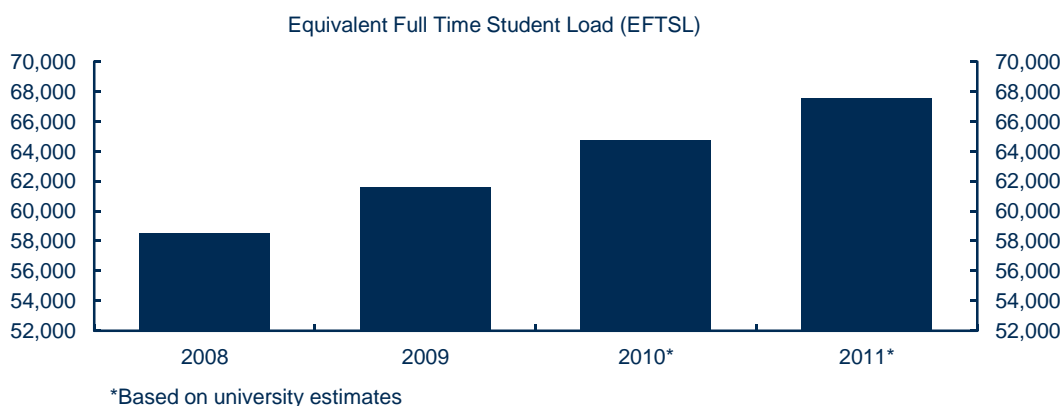
The Government has already committed over \$690 million to regional Australia from the EIF. Combined, these investments total over \$1.1 billion.

## Funding for regional universities

Funding for universities with regional campuses will be increased by \$110 million over the next four years through an increase in regional loading payments.

Changes to the regional loading allocation formula will ensure that this funding is targeted to campuses that most need support.

These changes recognise the additional challenges of delivering higher education in regional areas by providing regional universities with additional funding support.



Growth in Undergraduate Commonwealth Supported Places (EFTSL) in regional public universities

# Support for families

This Budget makes assistance for families more flexible. It builds on a range of initiatives introduced since 2007, including personal income tax cuts, the increase in the Child Care Rebate, the introduction of the Education Tax Refund and Paid Parental Leave.

## Supporting families with teenagers

The Government will increase the annual rate of Family Tax Benefit (FTB) Part A for families with dependants aged 16 to 19 years who are enrolled in full time secondary school study by up to \$4,208 to equal the rate for 13 to 15 year olds. This will help families meet the extra costs of raising teenagers and support families to keep their children at school.

## Flexible family payments

The Government will help families through more flexible access to their FTB Part A, to meet unexpected expenses, such as a repair bill.

From 1 July 2011, eligible families can request an advance on their annual entitlement of up to 7.5 per cent (to a maximum of \$1,000) at any time throughout the year.

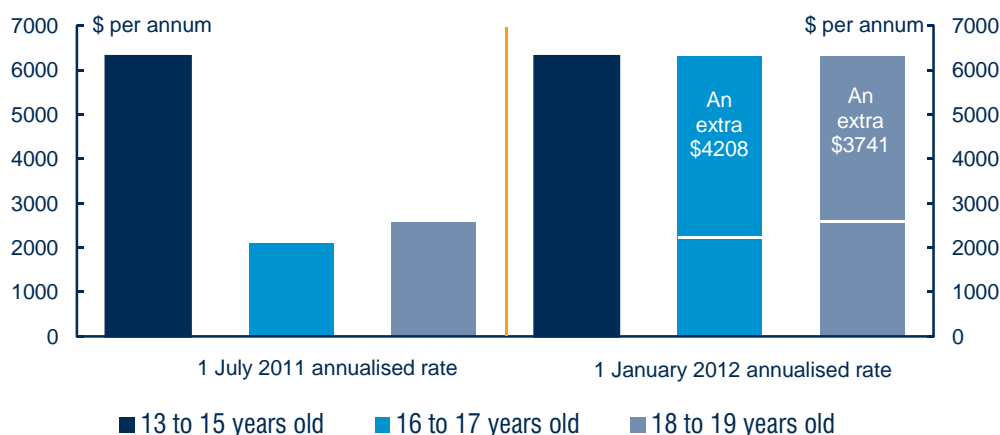
## More choices for child care payments

The Government is giving parents greater choice about when and how they receive their Child Care Rebate payments. To assist in managing household budgets, families will be able to choose to have their Child Care Rebate paid at the time they incur their child care costs, usually fortnightly or weekly.

Parents will also have the option of having this payment made directly to their child care provider as a reduction on their bills.

## Expanding the Education Tax Refund (ETR)

The ETR assists parents and carers with expenses such as computers, stationery and textbooks which can place pressure on the family budget. The Government is extending the ETR, at an estimated cost of \$460 million over four years, to cover school uniforms, including optional uniforms and sports uniforms.



Increase in FTB Part A for families with teenagers enrolled in full time secondary study



# Support for low income earners and seniors

The Government is supporting low income earners through more timely assistance, and improving the quality of life of seniors by increasing pensions and rewards for work.

## Support for low income earners

Payment of the Low Income Tax Offset (LITO) will be brought forward to deliver more timely assistance to households during the year, improving the immediate rewards for work and helping with cost of living pressures.

Currently, half of the LITO is delivered to workers during the year through pay as you go (PAYG) withholding, with the rest delivered later in their tax return. From 1 July 2011, 70 per cent of LITO will be paid when workers need it — reducing the tax workers pay through the year.

The LITO benefits low and middle income earners. Workers with income of \$30,000 will get an extra \$300

during the year in their regular pay. Workers with income of \$50,000 will get an extra \$140 during the year.

## Increasing pensions

The Government's historic reforms to pension arrangements have increased support for age pensioners.

Since the reforms began in September 2009, the maximum pension rate has increased by \$128 per fortnight for singles and \$116 for couples.

## A new payment for POWs

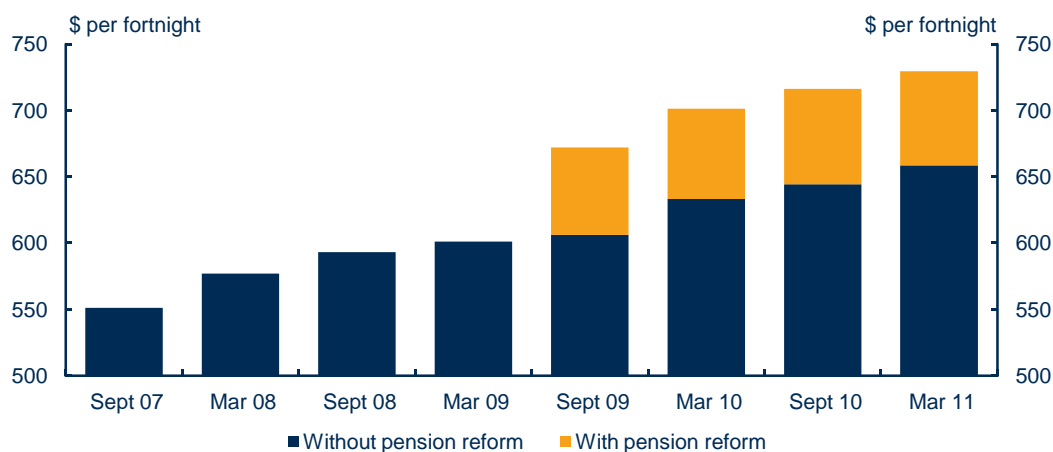
Acknowledging their service, former Prisoners of War from World War II and the Korean War will receive a \$500 per fortnight recognition payment from 20 September 2011.

## Rewarding working seniors

From 1 July 2011, age pensioners will benefit from an improved Work Bonus which rewards older Australians who continue to participate in the workforce.

Age pensioners who work will be able to earn up to \$250 per fortnight above the income test threshold before their pension is affected, providing an extra \$25 million to age pensioners in 2011-12.

In addition, the Government has established the Advisory Panel on the Economic Potential of Senior Australians, to examine how Australia can best harness the broad life experience and intellectual capital that seniors contribute.



Maximum fortnightly single pension rate

# Advancing tax reform

The Government is taking further steps along the tax reform road — with a focus on better incentives and integrity in the system.

## Improved incentives

The Budget includes a substantial set of tax reforms to improve incentives for investment and workforce participation.

To promote investment, designated infrastructure projects will be able to carry forward losses with an uplift factor to maintain their value.

To improve workforce incentives, the Dependent Spouse Tax Offset will be phased out for people under 40 years of age. Taxpayers with invalid dependent spouses and selected other groups will not be affected.

To provide more cash in low-income earners' regular pay, a greater proportion of the Low Income Tax Offset (LITO), up to an additional \$300, will be provided during the year.

## Fairness and integrity

It is important that everyone pays their fair share of tax so that others do not have to shoulder an unfair burden. The Budget contains a number of measures that support the integrity of the tax system, with that revenue then available for other priorities.

The fringe benefits tax (FBT) valuation of car benefits will be reformed by removing the incentive for people to drive their car further in order to obtain a larger tax concession, and in the process burn more fuel.

To reduce access to income splitting by high-income earners, the LITO will no longer be available for the unearned income of minors.

The Entrepreneurs' Tax Offset has not achieved all its objectives but has generated high compliance costs. From 2012-13, assistance to small business will be delivered instead through a company tax rate cut, instant write-off of all assets costing less than \$5,000, and a new measure allowing an immediate deduction for the first \$5,000 of a motor vehicle.

Tax compliance measures will help deliver fairness in the tax system. These include improved reporting of taxable payments made to some contractors and stronger action against fraudulent 'phoenix' activity, fraudulent tax refund claims, and non-payment of tax on government payments.

The Tax Forum, to be held in October, will consider further tax reform.

### Stronger, Fairer, Simpler, 2010

- Minerals Resource Rent Tax
- Company tax cut
- Simpler depreciation for small business
- Increased super for all, especially low income earners
- 50 per cent interest discount
- Standard deduction

### In this Budget

- Higher Family Tax Benefit for older children
- Better FBT treatment of car benefits
- Phasing out the Dependent Spouse Tax Offset
- Smarter regulation of the not-for-profit sector
- Preventing income splitting using LITO
- Stronger action against fraud in the tax system

Steps along the tax reform road — a further 12 measures

# Advancing opportunities for Indigenous Australians

Indigenous Australians, particularly youth, will benefit from targeted measures in the 2011-12 Budget, as well as from the Government's investment in mental health and in participation and skills. Sustained effort over the long term will be critical to achieving tangible results in reducing Indigenous disadvantage.

## Maintaining the momentum

After major reform and unprecedented investment (around \$9 billion over ten years, as agreed by COAG in 2008) there are signs of progress against Closing the Gap targets.

## A focus on Indigenous youth

Indigenous youth comprise around half of all Indigenous people. Ensuring this group reaches their economic potential will be critical to closing the gap.

The \$51 million *Indigenous Youth Career Pathways Program* will provide for school-based traineeships and other support to assist Indigenous students to complete high school and move into work or further education.

## Bolstering services

The Government is also providing:

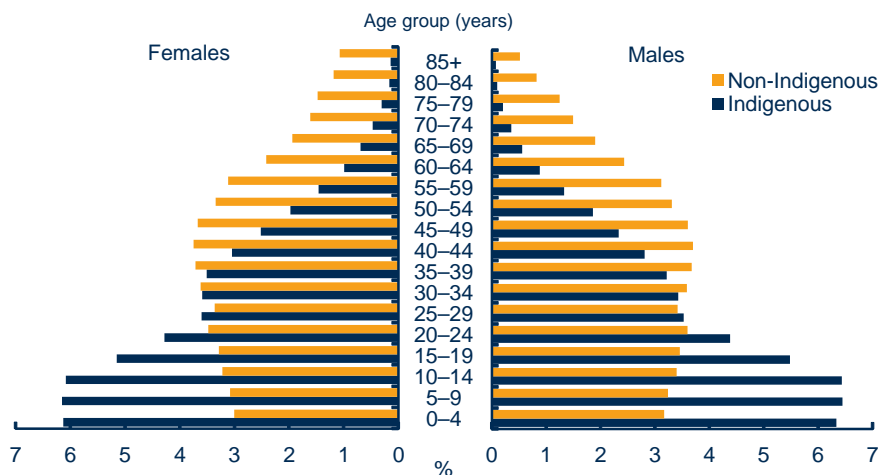
- \$35 million to assist Indigenous health organisations to establish best practice management and quality care standards;
- \$28 million to upgrade airstrips in remote areas, enabling better access to transport, medical and essential services in those areas; and
- support for 18,250 Indigenous Australians over five years as part of a \$206 million expansion to the Access to Allied Psychological Services program, as well as other initiatives in the *National Mental Health Reform* package.

## Resetting the relationship

Constitutional recognition of Indigenous Australians is an important element of reconciliation, and work is on track to progress options for reform by the end of 2011.

Reunion, family tracing and counselling services for members of the Stolen Generation will continue under the *Link Up* and *Bringing Them Home* programs (\$39 million over four years). Program reform from July 2011 will enable better geographic coverage and more flexible delivery of these services.

The Government will also provide \$15 million to support National Indigenous Television in 2011-12.



Indigenous and non-Indigenous age profiles — as at 30 June 2006

# Supporting children with disability

The Government is investing in a range of measures in this Budget to assist children with disability so that all Australian children are supported to achieve their best.

## A commitment to all children

The Government wants to ensure all children have the skills and opportunities to participate in society. This means investing in measures that improve educational outcomes and promote inclusion for all children, particularly those with disability.

## A better start for children with disability

Delivering on its election commitment, the Government will provide \$147 million to help families with early intervention services for eligible children with disability through grants of up to \$12,000 per family, capped at \$6,000 a year. A one-off payment of \$2,000 will also be available to children

living in rural and remote areas to help meet the additional costs of accessing services.

The Government will provide an additional \$29 million for the Helping Children with Autism program to meet increased demand for early intervention services provided through the initiative, bringing funding to \$131 million over four years.

## Immediate support for students

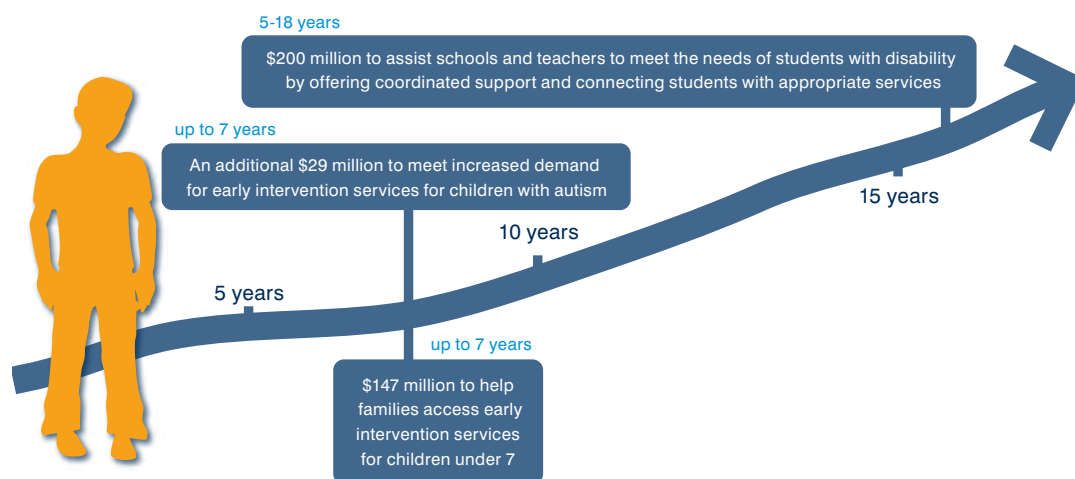
The Government is also providing \$200 million over three years to support students with disability. The measure will assist schools and teachers to meet student needs by offering coordinated support and connecting students with services.

This measure will provide an opportunity to identify the strategies which most improve the learning experiences of these students.

## Ensuring appropriate assistance for the future

The Government is currently reviewing the funding arrangements for schooling, including investigating how to best meet the needs of different students, including those with disability.

To improve consistency and service delivery, the Disability Standards for Education are also currently under review and work is underway to develop a nationally consistent definition of students with disability.



Measures to support children with disability being delivered in this Budget

# Making every school a great school

The Government believes that every student in every school deserves a great education and is investing \$60 billion over the next four years to achieve this.

## Promoting high performance in teaching

Research shows that quality teaching is the single most important school based contributor to student achievement. This Budget invests \$872 million in our schools and delivers on two election commitments to continue the Government's support for high quality teaching.

## Rewarding our great teachers

The *National Rewards for Great Teachers* program will provide \$425 million over the next four years, with \$125 million each semester from 2014, to reward top performing teachers with a bonus of up to 10 per cent of their salary.

## New pathways into teaching

The Teach Next initiative will invest \$18.1 million to provide a new pathway into a teaching career for professionals with specialist qualifications or relevant experience to enhance the diversity of the teaching workforce and to promote 'real-world' links in the classroom.

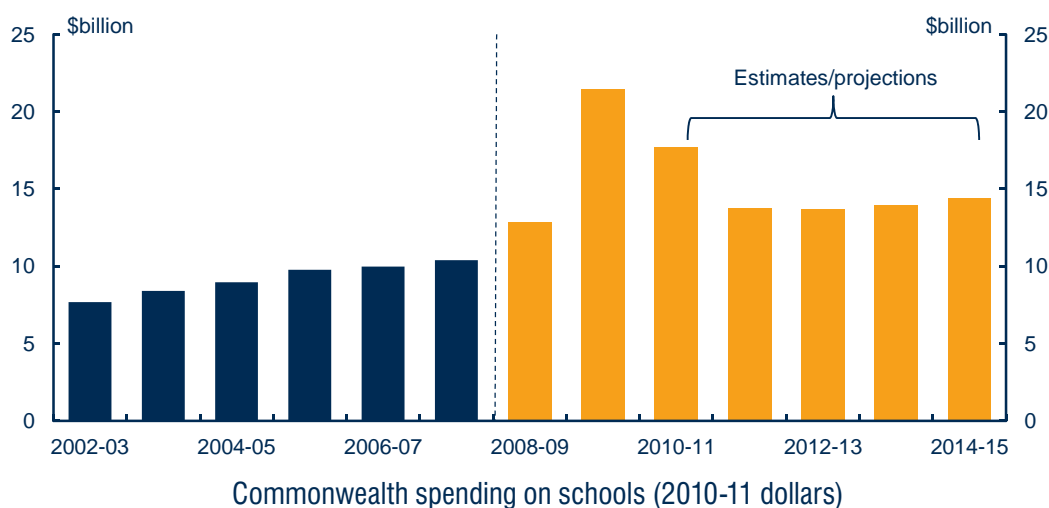
## Investing in our children's future

These measures build on the Government's ambitious reform agenda for Australia's schools.

We have almost doubled school investment, providing \$64.9 billion over four years compared to \$32.9 billion provided by the previous government.

The Government is delivering substantial investments in modernising infrastructure, enhancing school autonomy and rewarding high performing schools. It is also driving significant reforms in transparency and consistency through the *My School* website and national curriculum.

The Government is also investing \$222 million to extend and expand the National School Chaplaincy program to provide chaplaincy and wellbeing support to students and school communities in over 3,500 Australian schools.



# Supporting Australian small businesses

The Government recognises the vital contribution made by small businesses to the Australian economy and is providing an environment in which small businesses can grow and prosper.

## Supporting small business

Despite the current resources boom, the uneven nature of growth in our patchwork economy means that not all small businesses are prospering.

The Government recognises this and is already introducing lower and simpler small business taxes by allowing instant write off for all assets costing less than \$5,000 from 2012-13. Simpler depreciation will apply to long-life assets as well.

The Government is also introducing, from 2012-13, an early reduction in the company tax rate to 29 per cent to allow small business companies to reinvest and grow.

## Additional taxation benefits

The Government will allow small businesses to claim up to \$5,000 as an immediate deduction for motor vehicles acquired from 2012-13. The remaining cost is depreciated at 30 per cent (15 per cent in the purchase year), which was the previous treatment for the entire cost of the motor vehicle.

Cars and vans are often a small business's main asset, so an immediate write-off on motor vehicle purchases will assist with this significant cost.

The Government will also reduce Pay As You Go instalments for 2011-12 for the majority of small businesses providing a \$700 million cash flow benefit.

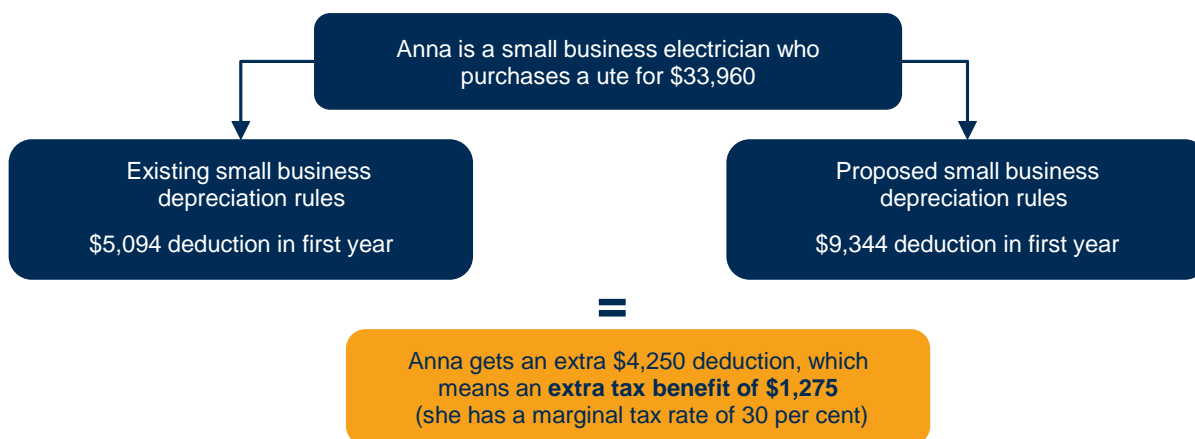
These measures will reduce tax payable or improve cash flow for up to 2.7 million small businesses.

## Advice and support

Through the recently launched Adviser Finder tool, the Government is improving small business access to the \$50 million a year Enterprise Connect Centres and the \$42.5 million Business Enterprise Centres.

## Small Business Support Line

The Government is providing \$7.1 million to continue its highly successful Small Business Support Line. The Support Line has received over 27,000 calls and over 3,000 emails, with strong regional interest.



Example of how depreciation will work for motor vehicles

# Linking our manufacturers to resource boom opportunities

Through the new \$34.4 million *Buy Australian at Home and Abroad* package, the Government is linking Australian suppliers and manufacturers to opportunities in the resources sector and ensuring that they share in the returns from our current resources boom.

## The importance of manufacturing

Manufacturing is an important and integral part of the Australian economy. The mining boom creates both opportunities and challenges for all industries, including manufacturing.

The *Building Australia's Future Workforce* package will assist in meeting skills and training needs across the manufacturing sector.

## Supporting our manufacturers

The Government is working to ensure the manufacturing industry benefits from the mining boom with a \$34.4 million package to assist Australian manufacturers.

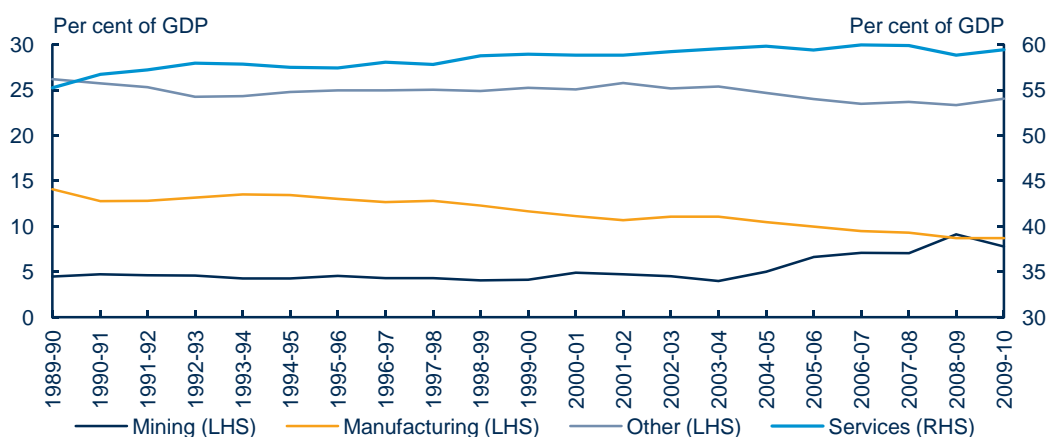
This package responds to the challenges and opportunities emerging from the current patchwork economy and the high Australian dollar by assisting manufacturers to take advantage of new growth prospects.

This package will help manufacturers to build on existing skills and identify new supply opportunities in the resources sector.

Key initiatives include:

- new Supplier Advocates in critical industry sectors who will help manufacturers in these sectors identify opportunities for Australian industry to develop a competitive advantage;

- leveraging off the nationwide Enterprise Connect network to give small and medium enterprises (SMEs) in the manufacturing sector the skills and knowledge needed to integrate into global supply chains;
- embedding an industry capability specialist within major projects in the resources sector to ensure that Australian manufacturers are being considered in the design and procurement of these projects; and
- establishing a Resources Sector Supplier Advisory Forum and Resources Sector Supplier Envoy to champion Australian industry participation in the resources sector.



Manufacturing's share of gross domestic product has declined

# Climate change — moving to a clean energy future

The Government will put a price on carbon to drive investment in clean energy, transforming our economy and securing future competitiveness.

## Tackling climate change

Australia is one of the world's top 20 polluters, releasing more pollution per person than any other country in the developed world — including the United States.

Many other countries are already cutting their pollution levels. For example, 32 countries and 10 US States already have emissions trading schemes.

The carbon price will work by putting a price on every tonne of pollution produced. Less than 1,000 companies — the largest polluters in our economy — will be required to pay.

The Government will use every cent raised from the carbon price to assist households, support jobs in the most affected industries, and to encourage the transition to a clean energy future.

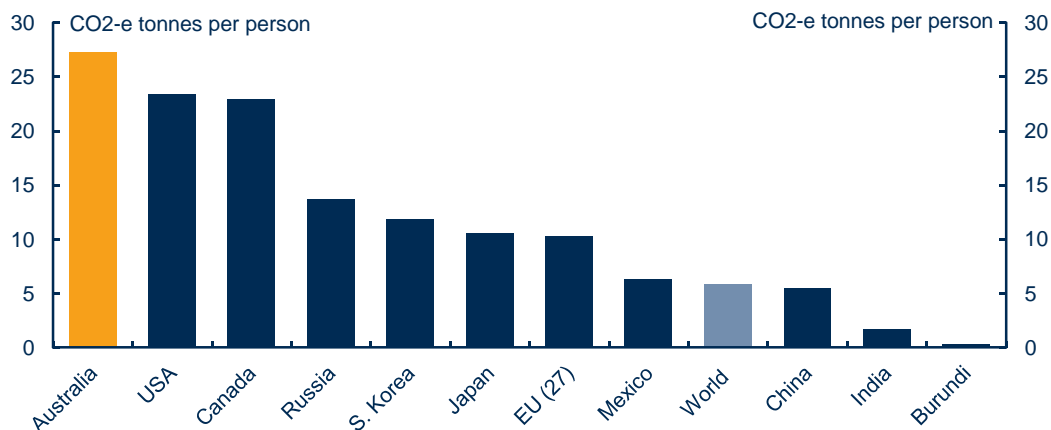
Households will receive generous assistance to meet the costs that may be passed on — more than 50 per cent of the revenue will be used to assist households. Pensioners and low-income households will be a priority, with millions of households expected to be better off. The assistance will be permanent.

As all revenue raised will be used to assist households and businesses and fund climate programs, the scheme will be broadly budget neutral.

The Government is considering the details of the carbon pricing mechanism. The impact on the budget will be reported in the next budgetary update after the scheme's design has been finalised.

## Reforming the valuation of car fringe benefits

The Government will also reform the fringe benefits tax valuation of car benefits. This will remove the unintended tax incentive for people to drive their vehicle further than they otherwise would in order to obtain a larger tax concession, and in the process burn more fuel.



Total greenhouse gas emissions (2005) - Australia is one of the biggest per capita carbon polluters in the world



# Protecting our unique environment

The Government is providing additional support for the environment through the continuation and expansion of the *Environmental Stewardship Program* and a new Wildlife Corridor Planning initiative.

## Environmental Stewardship

The Government will provide \$84.2 million over four years for the continuation and expansion of the *Environmental Stewardship Program* to continue to protect Australia's unique biodiversity.

As part of the \$2 billion *Caring for our Country* initiative, the *Environmental Stewardship Program* recognises the important role that landholders play in protecting our environment. The program involves partnerships with private landowners through contracts (of up to 15 years) to manage and protect nationally significant habitats which are home to threatened species.

The funding will support conservation of up to an additional 34,000 hectares of habitat through new contracts initiated over the next four years.

## Wildlife Corridor Planning

As part of its commitment to taking a strategic landscape-scale approach to biodiversity, the Government will invest \$10.0 million over three years in the National Wildlife Corridors Plan.

The Plan will develop and pilot a national framework for Wildlife Corridor Planning to ensure effective migration of species and guide landscape-scale conservation planning and investment across governments, private investors and regional community groups.

## Towards a better environment

The Government is progressing other important environmental initiatives.

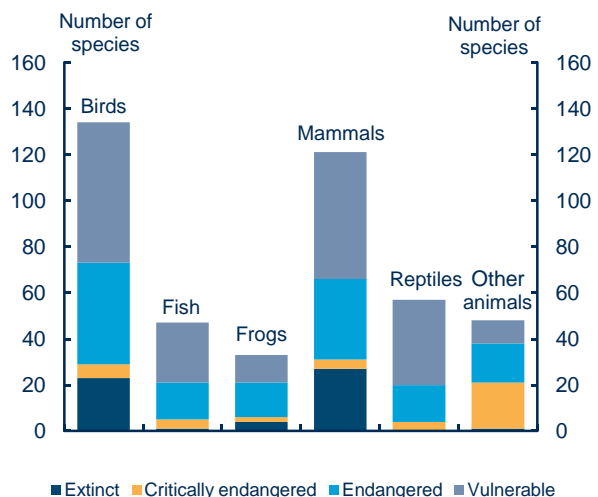
Through its marine bioregional planning process, the Government is working towards sustainable use of our marine resources and establishing a network of marine protected areas, consistent with its election commitment.

The Government will improve EPBC Act assessment processes to better manage the cumulative impacts of development.

The Government will also progress national product stewardship legislation and introduce a scheme for recycling computer and television waste as part of the National Waste Policy.



Environmental Stewardship Program



Threatened and extinct fauna (2011)

# Maintaining the integrity of Australia's borders

The protection of our borders remains a priority for the Government, with continuing investment in measures to prevent, deter and disrupt people smuggling as well as initiatives to implement a breakthrough Regional Cooperation Framework.

## Regional Cooperation Framework

The Government will provide \$292 million to support a Regional Cooperation Framework agreed at the recent Bali Process Ministerial Conference through:

- a cooperative transfer agreement to transfer 800 irregular maritime arrivals (IMAs) to Malaysia; and
- accepting 4,000 genuine refugees currently in Malaysia through an increase in the Humanitarian Program.

These measures along with other Government border security initiatives will deter people smuggling.

## Prevention and deterrence

The Government is investing \$95 million to work with governments of regional source and transit countries to:

- strengthen migration and border management capacity;
- establish processes for the return and resettlement of IMAs; and
- prevent and disrupt people smuggling ventures by liaising and cooperating with key government law enforcement agencies.

## Surveillance and detection

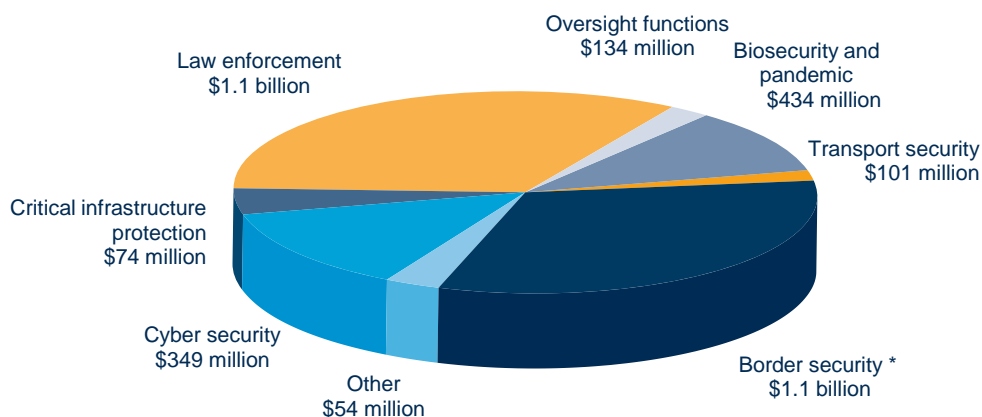
The Government is maintaining a strong surveillance presence in Australia's northern waters by:

- extending the lease of the *ACV Triton* maritime patrol vessel at a cost of \$62 million; and
- continuing extra aerial surveillance in support of the interception of people smuggling ventures.

## Assessment and prosecution

An additional \$108 million will be provided to maintain the Government's rigorous but fair asylum seeker processing system, including for scrutiny of refugee claims.

To complement the new offences and increased penalties for criminal groups involved in people smuggling, this Budget also provides funding for the prosecution of people smugglers.



\* Excludes detention accommodation

Homeland and border security expenditure 2011-12

# Improving defence capability and promoting stability

The 2011-12 Budget invests in new defence capabilities and supports Australia's continued international contribution to global and regional security.

## Capability building to support future force structure

The Government is continuing to upgrade Australian Defence Force (ADF) capabilities to ensure Australia remains well-equipped to meet our military commitments. This includes:

- investing \$177 million in a Bay Class amphibious ship, *Largs Bay*, to significantly enhance the ADF's capacity to provide operational and humanitarian support in our region.
- acquiring a new C-17 Globemaster aircraft at a cost of \$252 million to strengthen Australia's military long-range heavy airlift capability, including to support Australian forces in Afghanistan.

## International security efforts

The 2011-12 Budget is providing \$1.5 billion to support our troops in their stabilisation and capacity building efforts overseas. This includes:

- contributing to international efforts to deny terrorists a safe haven and training ground in Afghanistan.
- supporting regional security through our operations in East Timor and the Solomon Islands.

The Government is also continuing to commit Australian Federal Police in capacity building roles as part of the United Nations Mission in Sudan.

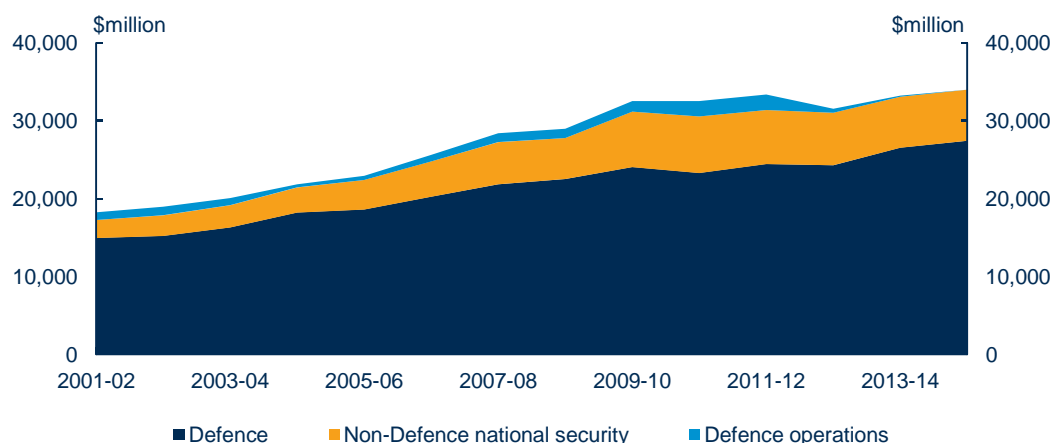
This Budget is also establishing an Australian Civilian Corps Rapid

Deployment Fund with funding of \$32 million to support the quick deployment of civilian specialists as part of Australian responses to post conflict and post disaster efforts.

## Ongoing Defence reform

As part of ongoing reforms, \$1.2 billion in new Defence efficiencies have been found. These savings will add to those already identified under the existing Defence Strategic Reform Program.

The Defence capital budget will also be reprogrammed to match funding with the development of capability projects. These decisions will not adversely affect the future force structure set out in the 2009 Defence White Paper.



Total national security expenditure 2001-02 to 2014-15

# Australian Government budget aggregates

The table below shows the main cash and accrual budget aggregates for the Australian Government general government sector over the period 2009-10 to 2014-15. The underlying cash deficit is estimated to be \$22.6 billion in 2011-12. In accrual terms, a fiscal deficit of \$20.3 billion is expected.

	Actual	Estimates			Projections	
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Receipts (\$b)(a)</b>	<b>284.7</b>	<b>303.7</b>	<b>342.4</b>	<b>378.5</b>	<b>395.9</b>	<b>415.5</b>
Per cent of GDP	22.2	21.9	23.2	24.3	24.1	24.0
<b>Payments (\$b)(b)</b>	<b>336.9</b>	<b>349.7</b>	<b>362.1</b>	<b>372.1</b>	<b>389.2</b>	<b>406.5</b>
Per cent of GDP	26.2	25.2	24.5	23.9	23.7	23.5
Future Fund earnings	2.5	3.4	2.9	2.9	3.0	3.2
<b>Underlying cash balance (\$b)(c)</b>	<b>-54.8</b>	<b>-49.4</b>	<b>-22.6</b>	<b>3.5</b>	<b>3.7</b>	<b>5.8</b>
Per cent of GDP	-4.3	-3.6	-1.5	0.2	0.2	0.3
<b>Revenue (\$b)(a)</b>	<b>292.8</b>	<b>310.8</b>	<b>350.0</b>	<b>383.1</b>	<b>405.2</b>	<b>425.8</b>
Per cent of GDP	22.8	22.4	23.7	24.6	24.7	24.6
<b>Expenses (\$b)</b>	<b>339.2</b>	<b>350.8</b>	<b>365.8</b>	<b>380.5</b>	<b>399.0</b>	<b>414.1</b>
Per cent of GDP	26.4	25.3	24.8	24.4	24.3	23.9
Net operating balance (\$b)	-46.5	-40.0	-15.9	2.6	6.2	11.7
Net capital investment (\$b)	6.4	5.7	4.4	-1.4	3.0	3.2
<b>Fiscal balance (\$b)</b>	<b>-52.9</b>	<b>-45.7</b>	<b>-20.3</b>	<b>4.0</b>	<b>3.2</b>	<b>8.5</b>
Per cent of GDP	-4.1	-3.3	-1.4	0.3	0.2	0.5
<i>Memorandum item:</i>						
Headline cash balance (\$b)	-56.5	-54.1	-31.9	0.8	0.3	3.8

(a) Includes expected Future Fund earnings.

(b) Equivalent to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(c) Excludes expected Future Fund earnings.

# Assessment against the fiscal target

In this Budget, the Government is delivering on its fiscal strategy despite significant challenges posed by the recent natural disasters.

The table shows the net savings achieved since the *Mid-Year Economic and Fiscal Outlook 2010-11*. The net effect of policy decisions takes into account amounts that have previously been provided for in the Contingency Reserve (and as a result have no net impact on the budget position) and which principally relate to Official Development Assistance.

The savings in the Budget more than cover the \$4.4 billion in variations in payments related to the natural disasters, primarily from payments under the Natural Disaster Relief and Recovery Arrangements (NDRRA).

	Estimates			Projections		Total \$m
	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	
<b>Effect of policy decisions since MYEFO</b>						
Spends	-2,368	-6,292	-3,050	-3,998	-3,248	-18,956
Saves	460	3,733	5,000	5,343	7,145	21,681
<b>Total effect of policy decisions since MYEFO</b>	<b>-1,908</b>	<b>-2,559</b>	<b>1,950</b>	<b>1,345</b>	<b>3,897</b>	<b>2,725</b>
Add Savings from not proceeding with the Cleaner Car Rebate(b)(c)	0	157	119	85	69	430
Add Contingency reserve offsets to policy decisions	66	142	288	601	937	2,033
<b>Net budget impact of policy decisions</b>	<b>-1,841</b>	<b>-2,260</b>	<b>2,357</b>	<b>2,031</b>	<b>4,903</b>	<b>5,189</b>
Add spending variations related to natural disasters	-2,550	-504	-147	-233	-988	-4,421
<b>Net budget impact of policy decisions and natural disaster variations</b>	<b>-4,391</b>	<b>-2,764</b>	<b>2,210</b>	<b>1,798</b>	<b>3,915</b>	<b>768</b>

(a) On an underlying cash balance basis

(b) The Cleaner Car Rebate save is an estimates variation, but is included in this table because it is a decision not to proceed with an election commitment.

(c) On 27 January 2011, the Government also announced reductions in spending of \$244 million, which are reflected in estimates variations which improve the budget position.

# Helping households with the cost of living

The spending power of Australian households has increased over the term of this Government, thanks to three years of tax cuts and other benefits which help families to make ends meet. In addition, from 1 July 2011 the Education Tax Refund will be extended to include expenditure on school uniforms and an improved pension work bonus will mean that age pensioners can keep more of their income from work. The maximum rate of Family Tax Benefit Part A will also be raised by up to \$4,208 per annum for secondary school students, from 1 January 2012.

Projected improvement in the real disposable incomes and the net tax thresholds of different household types from 2007-08 to 2011-12

Family type and wage as percentages of AWOTE (a)	Real disposable income (b)			Real net tax threshold (c)		
	(\$2010-11)			(\$2010-11)		
	2007-08	2011-12	% change	2007-08	2011-12	% change
Single person (67%)	\$35,286	\$38,033	7.8%	\$19,993	\$20,625	3.2%
Single person (100%)	\$49,136	\$52,378	6.6%	\$19,993	\$20,625	3.2%
Single person (167%)	\$75,730	\$80,584	6.4%	\$19,993	\$20,625	3.2%
Sole parent (0%)	\$29,052	\$30,427	4.7%	\$55,252	\$57,380	3.9%
Sole parent (67%)	\$49,483	\$52,510	6.1%	\$55,252	\$57,380	3.9%
Single income couple (133%) (d)	\$65,451	\$68,954	5.4%	\$34,806	\$35,822	2.9%
Single income couple (167%) (d)	\$78,014	\$82,868	6.2%	\$34,806	\$35,822	2.9%
Dual income couple (100 & 33%)	\$68,444	\$73,297	7.1%	\$37,178	\$37,625	1.2%
Dual income couple (100 & 67%)	\$84,422	\$90,411	7.1%	\$37,303	\$38,601	3.5%
Single income couple with children (100%) (e)	\$59,087	\$61,898	4.8%	\$55,252	\$57,380	3.9%
Single income couple with children (133%)	\$71,177	\$75,023	5.4%	\$55,252	\$57,380	3.9%
Single income couple with children (167%)	\$83,150	\$84,468	1.6%	\$55,252	\$57,380	3.9%
Dual income couple with children (100 & 33%) (f)	\$76,706	\$82,752	7.9%	\$65,640	\$70,287	7.1%
Dual income couple with children (100 & 67%) (g)	\$93,401	\$98,526	5.5%	\$69,648	\$77,712	11.6%
Dual income couple with children (167 & 100%) (h)	\$130,430	\$140,238	7.5%	\$68,889	\$76,547	11.1%
Single pensioner (0%) (i)	\$15,706	\$18,820	19.8%	\$29,919	\$31,719	6.0%
Pensioner couple (0 & 0%) (i)	\$25,741	\$28,373	10.2%	\$48,794	\$55,022	12.8%

(a) AWOTE is average weekly ordinary time earnings for full-time employees.

(b) Disposable income is the sum of private income and government cash transfers less net tax paid. Tax estimates in 2011-12 include the Temporary Flood and Cyclone Reconstruction Levy.

(c) The net tax threshold is the private income at which taxes paid exceed cash benefits received.

(d) The spouses of couples without children are aged 40 years old or more. As such their partners may be eligible for Dependant Spouse Tax Offset.

(e) Families with children have two, aged 3 and 8 years. Families spend enough on eligible education expenses to claim the maximum Education Tax Refund in respect of the 8 year old, where eligible.

(f) For the calculation of real disposable incomes, younger child is in long day care, two days per week at \$5.70 per hour in 2007-08 and \$7.20 per hour in 2011-12; older child is not in paid care. For the calculation of net tax thresholds, the hours of care are consistent with the income of the second earner.

(g) For the calculation of real disposable incomes, younger child is in long day care, four days per week at \$5.70 per hour in 2007-08 and \$7.20 per hour in 2011-12; older child is not in paid care. For the calculation of net tax thresholds, the hours of care are consistent with the income of the second earner.

(h) For the calculation of real disposable incomes, younger child is in long day care, five days per week at \$5.70 per hour in 2007-08 and \$7.20 per hour in 2011-12; older child is not in paid care. For the calculation of net tax thresholds, the hours of care are consistent with the income of the second earner.

(i) For the calculation of net tax thresholds, income is assumed to be from investments which earns a rate of return equal to the current deeming rates.

# Lowering the tax burdens of Australians

Between 2008-09 and 2011-12, the Government will have delivered \$46.7 billion of tax cuts to help with cost of living pressures and to reward hard work. These tax cuts mean a person earning \$80,000 now has an extra \$1,550 in their pocket each year compared to in 2007-08. At the same time, the recent natural disasters that have hit communities around Australia have left a massive rebuilding task. The cost of this rebuilding task warrants introducing a temporary and progressive flood and cyclone reconstruction levy to ensure the burden is spread in a fair and equitable way. The levy will cost a person earning \$80,000 just \$150 in 2011-12, meaning they will still be \$1,400 better off than they were in 2007-08.

Taxable Income (\$)	2008-09	2009-10	2010-11	2011-12	Total annual income tax benefit compared to 2007-08 (\$)	Total income tax benefit as % of tax paid (including ML) in 2007-08
	Income Tax Cuts (\$)	Income Tax Cuts (\$)	Income Tax Cuts (\$)	Temporary Flood and Cyclone Reconstruction Levy (\$)		
15,000	450	150	-	0	600	100%
20,000	450	150	150	0	750	46%
25,000	450	150	150	0	750	30%
30,000	450	150	150	0	750	23%
35,000	1,050	300	150	0	1,500	30%
40,000	1,050	300	450	0	1,800	26%
45,000	1,050	300	450	0	1,800	21%
50,000	1,000	300	450	0	1,750	17%
55,000	800	300	450	-25	1,525	13%
60,000	600	300	450	-50	1,300	10%
65,000	600	150	400	-75	1,075	7%
70,000	600	150	300	-100	950	6%
75,000	600	150	300	-125	925	5%
80,000	1,100	150	300	-150	1,400	7%
85,000	1,100	250	350	-175	1,525	7%
90,000	1,100	350	400	-200	1,650	7%
95,000	1,100	450	450	-225	1,775	7%
100,000	1,100	550	500	-250	1,900	7%
110,000	1,100	750	600	-350	2,100	6%
120,000	1,100	950	700	-450	2,300	6%
130,000	1,100	1,150	800	-550	2,500	6%
140,000	1,100	1,350	900	-650	2,700	6%
150,000	1,100	1,550	1,000	-750	2,900	6%
160,000	1,600	1,750	1,100	-850	3,600	7%
170,000	2,100	1,950	1,200	-950	4,300	7%
180,000	2,600	2,150	1,300	-1,050	5,000	8%
190,000	2,600	2,150	1,300	-1,150	4,900	7%
200,000	2,600	2,150	1,300	-1,250	4,800	7%
250,000	2,600	2,150	1,300	-1,750	4,300	4%

Note: the temporary flood and cyclone reconstruction levy is included when calculating total changes in income tax payable since 2007-08.

## Appendix E

# Major initiatives in the 2011-12 Budget

The table below provides a summary of major initiatives in the 2011-12 Budget and their impact on the fiscal balance. More comprehensive information is provided in Budget Paper No. 2, *Budget Measures 2011-12*.

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	Total \$m
<b>Building Australia's Future Workforce</b>						
National Workforce Development Fund	0.0	-77.5	-77.5	-77.7	-126.6	-359.3
Improve Access to the Language, Literacy and Numeracy Program	0.0	-10.2	-23.0	-47.2	-62.8	-143.1
Wage subsidy for the very long-term unemployed	0.0	-13.1	-26.6	-27.2	-27.8	-94.6
<b>Making mental health a national priority</b>						
Coordinated care and flexible funding for people with severe and persistent mental illness	0.0	25.4	-35.5	-69.1	-117.6	-196.8
Expanding community mental health services – additional personal helpers and mentors and respite services	0.0	-7.3	-29.6	-51.9	-59.4	-148.1
Early Psychosis Prevention and Intervention Centre model – further expansion	0.0	-2.9	-23.0	-44.9	-70.8	-141.6
Expansion of youth mental health	0.0	-13.5	-22.5	-34.9	-61.4	-132.3
Expansion of Access to Allied Psychological Services	0.0	-16.1	-31.1	-43.7	-53.1	-144.0
National Partnership Agreement on Mental Health	0.0	-22.3	-43.6	-44.4	-45.1	-155.3
<b>Making every school a great school</b>						
National rewards for great teachers	0.0	-50.0	0.0	-125.0	-250.0	-425.0
National School Chaplaincy Program – extension and expansion	0.0	-74.0	-74.0	-74.0	0.0	-222.0
Support for improving learning experiences and educational outcomes for school students with disability	0.0	-80.0	-80.0	-40.0	0.0	-200.0
<b>Supporting families</b>						
Low Income Tax Offset - bring forward	0.0	-1,370.0	65.0	25.0	30.0	-1,250.0
Supporting families with teenagers	-1.4	-89.5	-199.4	-237.6	-244.0	-771.9
A better start for children with disability	-1.7	-42.4	-44.9	-38.0	-19.5	-146.5
<b>Supporting small business</b>						
Small business depreciation – accelerated initial deduction for motor vehicles	0.0	0.0	0.0	-200.0	-150.0	-350.0
Pay As You Go (PAYG) instalment taxpayers	0.0	-700.0	700.0	0.0	0.0	0.0
<b>Rebuilding after natural disasters</b>						
Assistance to individuals affected by the floods in Queensland and other states	-718.1	0.0	0.0	0.0	0.0	-718.1
Assistance to individuals affected by Cyclone Yasi	-320.5	0.0	0.0	0.0	0.0	-320.5
Assistance to Queensland local governments	-213.6	0.0	0.0	0.0	0.0	-213.6
<b>Investing in regions</b>						
Health and Hospitals Fund - Regional Priorities Rounds <sup>a)</sup>	0.0	-110.0	-200.0	-308.2	-350.8	-969.0
Education Investment Fund - Regional Priorities Round <sup>b)</sup>	0.0	-50.0	-100.0	-125.0	-125.0	-400.0
Higher Education Regional Loading – increased funding	0.0	-15.0	-30.5	-31.6	-32.8	-109.9
Defence operations	-119.8	-1,165.4	-131.2	-96.9	0.0	-1,513.2

(a) The total commitment for Health and Hospital Fund - Regional Priorities Rounds is \$1.8 billion over six years.

(b) The total commitment for the Education Investment Fund - Regional Priorities Round is \$500 million over five years.

(c) Overseas Development Assistance (ODA) spending of \$1.9 billion has no net budget impact as this was already provisioned for in the forward estimates.



# Major savings in the 2011-12 Budget

The table below provides a summary of major savings in the 2011-12 Budget and their impact on the fiscal balance. More comprehensive information is provided in Budget Paper No. 2, *Budget Measures 2011-12*.

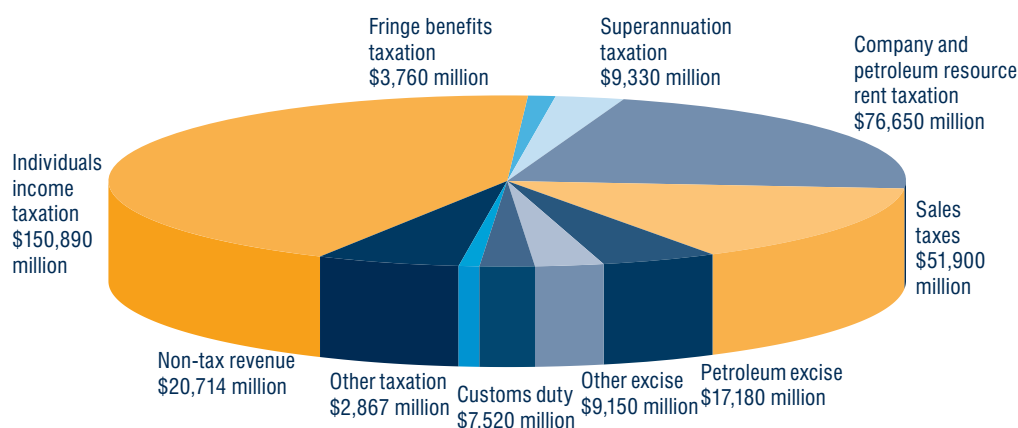
	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	Total \$m
<b>Natural disaster recovery and rebuilding</b>						
Temporary flood and cyclone reconstruction levy	-3.8	1,492.6	218.1	-2.9	0.0	1,704.0
Deferral of infrastructure projects	122.5	400.3	644.2	104.7	-326.3	945.4
Cessation of the Green Car Innovation Fund	40.9	7.5	102.3	102.9	180.6	434.2
Priority Regional Infrastructure Program – reallocation	0.0	50.0	125.0	125.0	50.0	350.0
National Rental Affordability Scheme	11.6	60.9	70.2	89.1	113.3	345.1
Capital Development Pool – cessation	0.0	55.0	78.0	81.0	84.0	298.0
Reduction and deferral of funding for the Carbon Capture and Storage Flagships program	0.0	109.6	18.2	0.0	122.2	250.0
<b>Tax reform and integrity</b>						
Fringe benefits tax — reform of the car fringe benefit rules	5.0	26.4	135.4	331.2	455.9	953.9
Dependent Spouse Tax Offset - phase out	0.0	60.0	220.0	230.0	245.0	755.0
Removing minors' eligibility for low income tax offset on unearned income	0.0	0.0	240.0	250.0	250.0	740.0
Tax compliance — reporting taxable payments	0.0	-3.6	-10.3	183.3	255.5	425.0
Abolish the Entrepreneurs' Tax Offset	0.0	0.0	0.0	180.0	185.0	365.0
<b>Sustainability of family payments</b>						
Pause indexation of upper limits and thresholds for a further two years	0.0	-0.1	231.4	475.1	495.5	1,201.9
Pause indexation of Family Tax Benefit supplements for three years	-0.2	76.8	179.1	268.1	279.3	803.2
<b>Reprioritising spending</b>						
Defence - Capital Investment Reprogramming	0.0	-69.8	158.9	323.8	868.0	1,280.8
Defence - Increased efficiencies	0.0	226.6	320.7	318.7	319.1	1,185.0
Efficiency dividend – temporary increase in the rate	0.0	126.0	250.4	309.0	371.1	1,056.5
Building Australia's Future Workforce — Productivity Places Program — redirection of funding	0.0	83.8	255.7	257.0	257.4	853.9
Carbon Capture and Storage Flagships – reduction and deferral of funding	100.0	17.1	97.1	90.7	116.0	420.9
Medicare Benefits Schedule – pathology services	0.0	64.0	90.5	109.3	142.1	405.9
National Mental Health Reform – Better Access Initiative – rationalisation of GP mental health services	0.0	50.1	80.5	85.4	90.9	306.9
Green Start program – cessation	121.2	41.2	0.6	0.0	0.0	163.0
Other	71.0	973.6	1,680.7	1,631.1	2,622.3	6,978.7
<b>Total saves<sup>(a)</sup></b>	<b>468.2</b>	<b>3,847.9</b>	<b>5,186.8</b>	<b>5,542.5</b>	<b>7,176.9</b>	<b>22,222.4</b>

(a) In underlying cash terms, the Budget delivers savings of \$21.7 billion over five years.

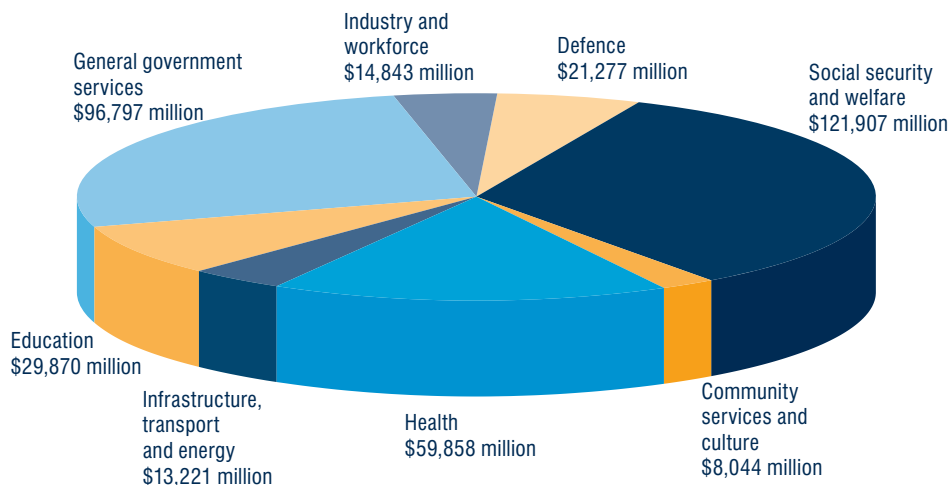
# Australian Government taxation and spending

The charts below summarise Australian Government revenues and expenses for 2011-12 on an accrual basis. Total revenue for 2011-12 is expected to be \$350.0 billion, a decrease of 1.5 per cent on estimated revenue since the *Mid-Year Economic and Fiscal Outlook 2010-11*. Total expenses for 2011-12 are expected to be \$365.8 billion, an increase of 1.0 per cent on estimated expenses since the *Mid-Year Economic and Fiscal Outlook 2010-11*.

Where revenue comes from



Where taxpayer's money is spent



# Detailed economic forecasts

The table below shows the Government's macroeconomic forecasts. The Australian economy is expected to grow by 4 per cent in 2011-12 and 3¾ per cent in 2012-13. More comprehensive information is provided in Budget Paper No. 1, *Budget Strategy and Outlook 2011-12*, Statement 2.

	Outcomes(b)	Forecasts		
	2009-10	2010-11	2011-12	2012-13
<b>Panel A - Demand and output(c)</b>				
Household consumption	2.1	3	3 1/2	3 1/2
Private investment				
Dwellings	2.1	2 1/2	1 1/2	3
Total business investment(d)	-4.9	4 1/2	16	14 1/2
Non-dwelling construction(d)	-8.2	8	18 1/2	17 1/2
Machinery and equipment(d)	-4.8	2	17 1/2	14
Private final demand(d)	0.7	3	6	6
Public final demand(d)	7.0	3 1/2	1 1/4	-1 1/4
Total final demand	2.1	3	4 3/4	4 1/2
Change in inventories(e)	0.3	0	0	0
Gross national expenditure	2.4	3 1/4	4 3/4	4 1/4
Exports of goods and services	5.2	4	6 1/2	5 1/2
Imports of goods and services	4.9	9	10 1/2	8 1/2
Net exports(e)	0.1	-1	-1	- 3/4
<b>Real gross domestic product</b>	<b>2.3</b>	<b>2 1/4</b>	<b>4</b>	<b>3 3/4</b>
Non-farm product	2.3	2	4	3 3/4
Farm product	1.5	13	1	-3
Nominal gross domestic product	2.3	8	6 1/4	5 3/4
<b>Panel B - Other selected economic measures</b>				
External accounts				
Terms of trade	-4.4	19 1/4	- 1/4	-3
Current account balance (per cent of GDP)	-4.1	-2	-4	-5 1/4
Labour market				
Employment (labour force survey basis)(f)	2.4	2 3/4	1 3/4	1 3/4
Unemployment rate (per cent)(g)	5.2	5	4 3/4	4 1/2
Participation rate (per cent)(g)	65.3	66	66	66
Prices and wages				
Consumer price index(h)	3.1	3 1/4	2 3/4	3
Gross non-farm product deflator	0.2	6	2 1/4	2
Wage price index(f)	3.0	4	4	4 1/4

(a) Percentage change on preceding year unless otherwise indicated.

(b) Calculated using original data unless otherwise indicated.

(c) Chain volume measures except for nominal gross domestic product which is in current prices.

(d) Excluding second hand asset sales from the public sector to the private sector.

(e) Percentage point contribution to growth in GDP.

(f) Seasonally adjusted, through-the-year growth rate to the June quarter.

(g) Seasonally adjusted rate in the June quarter.

(h) Through-the-year growth rate to the June quarter.

Note: The forecasts for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade-weighted index of around 78 and a US\$ exchange rate of around 107 US cents. Interest rates are assumed to move broadly in line with market expectations. World oil prices (Malaysian Tapis) are assumed to remain around US\$132 per barrel. The farm sector forecasts are based on average seasonal conditions in 2012-13.

# Historical budget and net financial worth data

The table below provides historical data and forward estimates for Australian Government general government sector cash receipts, cash payments, the underlying cash balance and net financial worth. More comprehensive information is provided in Budget Paper No. 1, *Budget Strategy and Outlook 2011-12*, Statement 10.

	Receipts		Payments		Underlying cash balance(a)		Net financial worth	
	\$m	Per cent	\$m	Per cent	\$m	Per cent	\$m	Per cent
		of GDP		of GDP		of GDP		of GDP
1978-79	26,129	21.8	28,272	23.6	-2,142	-1.8	na	na
1979-80	30,321	22.3	31,642	23.3	-1,322	-1.0	na	na
1980-81	35,993	23.4	36,176	23.5	-184	-0.1	na	na
1981-82	41,499	23.4	41,151	23.2	348	0.2	na	na
1982-83	45,463	23.8	48,810	25.6	-3,348	-1.8	na	na
1983-84	49,981	23.2	56,990	26.5	-7,008	-3.3	na	na
1984-85	58,817	24.8	64,853	27.3	-6,037	-2.5	na	na
1985-86	66,206	25.2	71,328	27.2	-5,122	-2.0	na	na
1986-87	74,724	26.0	77,158	26.8	-2,434	-0.8	na	na
1987-88	83,491	25.5	82,039	25.0	1,452	0.4	na	na
1988-89	90,748	24.4	85,326	23.0	5,421	1.5	na	na
1989-90	98,625	24.2	92,684	22.7	5,942	1.5	na	na
1990-91	100,227	23.9	100,665	24.0	-438	-0.1	na	na
1991-92	95,840	22.4	108,472	25.4	-12,631	-3.0	na	na
1992-93	97,633	21.8	115,751	25.8	-18,118	-4.0	na	na
1993-94	103,824	22.0	122,009	25.9	-18,185	-3.9	na	na
1994-95	113,458	22.7	127,619	25.5	-14,160	-2.8	na	na
1995-96	124,429	23.4	135,538	25.5	-11,109	-2.1	na	na
1996-97	133,592	23.9	139,689	25.0	-6,099	-1.1	na	na
1997-98	140,736	23.8	140,587	23.8	149	0.0	na	na
1998-99	152,063	24.4	148,175	23.8	3,889	0.6	na	na
1999-00	166,199	25.0	153,192	23.1	13,007	2.0	-67,956	-10.2
2000-01	182,996	25.8	177,123	25.0	5,872	0.8	-72,808	-10.3
2001-02	187,588	24.7	188,655	24.9	-1,067	-0.1	-78,642	-10.4
2002-03	204,613	25.4	197,243	24.5	7,370	0.9	-84,314	-10.5
2003-04	217,775	25.2	209,785	24.2	7,990	0.9	-73,845	-8.5
2004-05	235,984	25.5	222,407	24.0	13,577	1.5	-59,941	-6.5
2005-06	255,943	25.6	240,136	24.0	15,756	1.6	-63,129	-6.3
2006-07	272,637	25.0	253,321	23.2	17,182	1.6	-39,668	-3.6
2007-08	294,917	24.9	271,843	22.9	19,704	1.7	-17,765	-1.5
2008-09	292,600	23.3	316,046	25.2	-27,079	-2.2	-73,800	-5.9
2009-10	284,662	22.2	336,900	26.2	-54,750	-4.3	-146,079	-11.4
2010-11(e)	303,690	21.9	349,685	25.2	-49,369	-3.6	-176,648	-12.7
<b>2011-12(e)</b>	<b>342,390</b>	<b>23.2</b>	<b>362,078</b>	<b>24.5</b>	<b>-22,618</b>	<b>-1.5</b>	<b>-200,613</b>	<b>-13.6</b>
2012-13(e)	378,520	24.3	372,125	23.9	3,498	0.2	-198,452	-12.7
2013-14(p)	395,935	24.1	389,249	23.7	3,672	0.2	-195,375	-11.9
2014-15(p)	415,453	24.0	406,464	23.5	5,795	0.3	-188,459	-10.9

(a) Excludes expected Future Fund earnings from 2005-06 onwards.

(b) Estimates.

(c) Projections.

na Data not available