

STATEMENT 1: BUDGET OVERVIEW

The Government is returning the budget to surplus in 2012-13, on time and as promised, with surpluses growing over the forward estimates. This Budget delivers on the Government's fiscal strategy while also spreading the benefits of the mining boom to help families on low and middle incomes and small business.

A return to surplus, ahead of any major advanced economy, sends a strong message to international investors on the Government's commitment to fiscal discipline, and provides a buffer in uncertain global economic times. While global financial stresses eased somewhat in the early months of 2012, after the period of acute instability in late 2011, conditions remain weak and fragile, with many advanced economies still facing a significant task of generating growth and placing public finances on a sustainable footing.

A small surplus in 2012-13 is appropriate given domestic economic conditions and will provide ongoing scope for monetary policy to respond to economic developments. Australia's economy is expected to outperform the major advanced economies over the next two years. The economy is forecast to grow around trend, with low unemployment, contained inflation, record levels of mining investment, and very low levels of Government debt.

The Australian economy continues to be affected by the dramatic structural changes underway in the global economy, as the weight of economic activity moves towards Asia. Resource prices and the Australian dollar are expected to remain elevated by historical standards. However, the high dollar, cautious consumer and ongoing global uncertainty are expected to weigh heavily on some parts of the economy outside of the resources-related sectors.

In response to these challenges, this Budget spreads the benefits of the mining boom to help low and middle-income families, through increased payments to families, and an allowance for eligible income support recipients. It also supports businesses to meet the challenges and opportunities of the mining boom through a loss carry-back reform which builds on the instant asset write-off due to start on 1 July 2012.

This Budget also launches the first stage of the historic National Disability Insurance Scheme, strengthens the aged care system, and improves dental services.

Notwithstanding a further write-down in tax receipts, the Government is delivering these priorities while still returning the budget to surplus by making \$33.6 billion in targeted and responsible savings. Following a revised underlying cash deficit of \$44.4 billion (3.0 per cent of GDP) in 2011-12, a surplus of \$1.5 billion (0.1 per cent of GDP) is expected in 2012-13, growing to \$7.5 billion (0.4 per cent of GDP) in 2015-16.

This Budget delivers on the Government's fiscal strategy, assists families and sectors of the economy in responding to current challenges, and gets the long-term settings right so that the entire Australian community can take advantage of the significant opportunities of the Asian Century from a position of strength.

CONTENTS

Introduction	1-5
Economic outlook	1-7
Fiscal strategy and outlook	1-10
Fiscal strategy	1-10
Why returning the budget to surplus is appropriate	1-11
Fiscal outlook — delivering on the Government’s fiscal strategy	1-12
A strong balance sheet	1-14
Budget priorities	1-16
Spreading the benefits of the boom	1-17
Additional support to help households with the costs of living	1-18
Supporting businesses during a time of transition	1-21
Australia’s future workforce	1-23
Delivering on our skills commitments.....	1-23
Strengthening vocational education and training	1-23
Investing in training to support growth	1-24
Assisting workers with children	1-24
First stage of the National Disability Insurance Scheme	1-25
Roll-out of the first stage	1-25
Funding for the first stage	1-25
Living Longer. Living Better: aged care reform	1-26
More aged care services, especially those delivered in the home	1-26
Addressing workforce pressures.....	1-27
Making aged care services more consumer-centred	1-27
Opportunities of an ageing population	1-28
Investing in key health services	1-29
Delivering additional dental services.....	1-29
Expanding hospitals and health services for regional Australia.....	1-30
Further improving health services	1-30
Improving the sustainability of the Health Budget.....	1-31
Transitioning to a clean energy future	1-31
Education — delivering our reform agenda	1-32
Early childhood.....	1-32
Schools.....	1-32
Higher education	1-33

Building the infrastructure we need	1-33
Duplicating the Pacific Highway	1-34
Strengthening our commitment to road safety	1-34
Improving the flow of freight to lift productivity	1-34
Advancing Australia's national security interests	1-34
Supporting global security	1-35
Enhancing defence capabilities	1-35
Enhancing law enforcement	1-36
Biosecurity	1-36
Providing assistance in our region and beyond	1-36
Commemorating the Centenary of Anzac	1-37
Stronger futures in the Northern Territory	1-37
Remote jobs and communities program	1-38

STATEMENT 1: BUDGET OVERVIEW

INTRODUCTION

The Government is returning the budget to surplus in 2012-13 and will build growing surpluses over the forward estimates, while also spreading the benefits of the mining boom to help families on low and middle incomes and small business.

A return to surplus, which will be achieved ahead of any major advanced economy, will sustain confidence in the strength of Australia's public finances, by demonstrating the Government's commitment to fiscal discipline and by providing a buffer at a time when the global economy remains fragile.

A return to surplus is appropriate given domestic economic conditions and will provide ongoing scope for monetary policy to respond to economic developments. The economy is forecast to grow around trend over the next two years, with low unemployment, contained inflation, and record levels of mining investment.

While global financial market tensions eased in the early months of 2012, after the period of acute instability in late 2011, there are still substantial downside risks to the global economic outlook. In particular, many advanced economies still face the significant task of generating growth while at the same time placing public finances on a sustainable footing.

The global economy is also undergoing dramatic structural changes, as the weight of economic activity moves towards Asia. Successfully adapting to changes in the global economy will allow Australia to convert the significant opportunities of the Asian Century into lasting prosperity over the medium and long term.

The Australian economy continues to be affected by the fragile and changing nature of the global economy. However, Australia's success in supporting the economy and jobs during the global financial crisis means the economy faces these transitions from a position of strength.

The Australian economy has grown significantly above its pre-crisis level of output and continues to perform solidly against this weak and uncertain global backdrop. Australia's medium-term prospects are healthy, with continued strength in business investment, particularly in the resource sector, expected to drive overall growth in the economy.

Strong growth in the resources sector will directly and indirectly support growth in other parts of the economy. However, conditions in some parts of the economy are likely to remain challenging, with unsettled global conditions, the high Australian dollar, ongoing consumer caution and changes in expenditure patterns all expected to weigh heavily on some sectors.

Statement 1: Budget Overview

While these forces are placing considerable pressure on some businesses, many are successfully adapting to the changing economic landscape, identifying and exploiting opportunities to grow and prosper.

Overall, Australia's economic outlook remains positive, with the economy forecast to grow around trend over the next two years, the unemployment rate expected to remain low and inflation likely to remain well contained.

While tax receipts continue to recover from their post-crisis trough, the recovery has not matched that of nominal GDP. This reflects a number of factors including structural changes in the tax base and the unsustainable peaks in tax receipts reached prior to the global financial crisis. Tax as a proportion of GDP in 2011-12 and the previous two years is the lowest it has been since 1993-94.

Since the *Mid-Year Economic and Fiscal Outlook 2011-12* (MYEFO), the impact of the uncertain global economy on asset prices, lower than expected company tax collections relating to the 2010-11 income year and consumer caution have resulted in further write-downs to tax receipts of \$28.0 billion over the four years from 2011-12.

Despite the write-down in revenue, the Government is returning to surplus, and creating room for new investments, by making \$33.6 billion of savings.

The savings in this Budget are targeted and responsible, protecting the most vulnerable and frontline services.

The underlying cash surplus is expected to be \$1.5 billion (0.1 per cent of GDP) in 2012-13, rising to \$7.5 billion (0.4 per cent of GDP) by 2015-16. This follows a revised deficit of \$44.4 billion (3.0 per cent of GDP) in 2011-12 (Table 1).

Table 1: Budget aggregates

	Actual		Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Underlying cash balance (\$b)(a)	-47.7	-44.4	1.5	2.0	5.3	7.5
Per cent of GDP	-3.4	-3.0	0.1	0.1	0.3	0.4
Fiscal balance (\$b)	-51.5	-42.0	2.5	2.6	7.0	9.5
Per cent of GDP	-3.7	-2.8	0.2	0.2	0.4	0.5

(a) Excludes expected Future Fund earnings.

This Budget spreads the benefits of the mining boom to help over 1.5 million families on low and middle incomes with the costs of living, through measures including targeted increases to family payments, and supports low-income earners with a new Supplementary Allowance for eligible income support recipients. It will also help provide much needed help for businesses struggling with an economy in transition.

It provides more timely and accessible education payments to parents, so that all eligible families will receive assistance with their children's education costs.

It supports businesses to adapt to the high dollar by introducing loss carry-back reforms for companies to help them finance the investment, training and restructuring needed to improve competitiveness. This builds on the instant asset write-off which will support all small businesses, driving investment and productivity.

It commits to the first stage of a National Disability Insurance Scheme, which will fund reasonable and necessary care and support for people in launch locations who suffer significant and permanent disability.

It reforms the aged care system, by improving access to services, providing greater incentives for investment in the sector, and directing resources to those most in need.

It invests in dental services to treat those on public dental waiting lists and strengthens the dental workforce in the public sector and in areas of need to ensure those on low incomes will have better access to dental health care.

It builds on past investments in education to improve outcomes for students from early childhood to university.

It invests in high-quality infrastructure projects, to expand capacity and boost productivity.

It invests around \$3.4 billion over ten years to work in partnership with Aboriginal people and the Northern Territory Government to continue efforts to Close the Gap in Indigenous disadvantage.

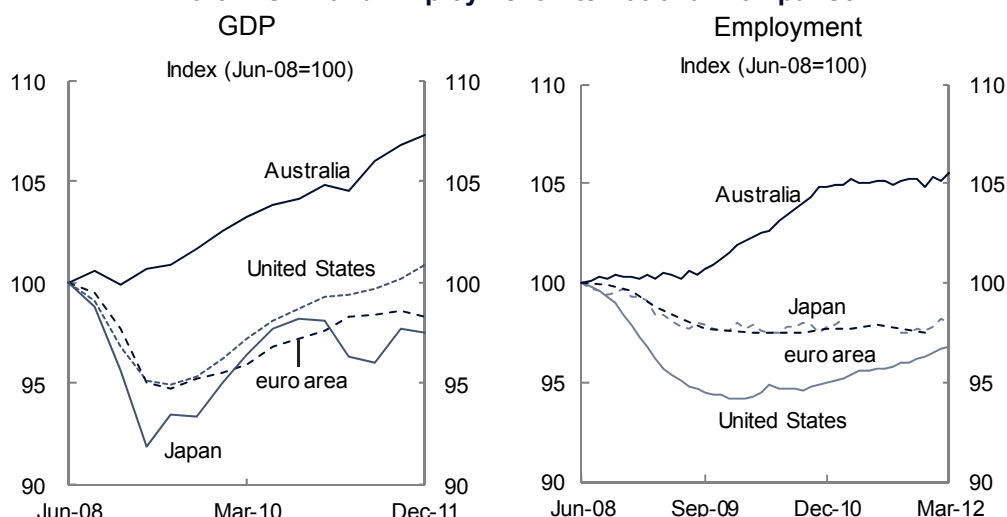
The Budget delivers on these priorities while returning the budget to surplus in order to further strengthen confidence in Australia's economy, and to ensure the Government can continue to make important investments for the future.

ECONOMIC OUTLOOK

The fundamentals of the Australian economy remain strong and the outlook remains positive, with the economy forecast to grow around trend, the unemployment rate expected to remain low and inflation likely to be well-contained. Prospects continue to be underpinned by strong growth in our regional trading partners and an unprecedented pipeline of mining investment.

The Australian economy's level of output is well above pre-global financial crisis levels and the economy is expected to grow around its trend rate over the next two years. Since the global financial crisis the Australian economy has outperformed every major advanced economy and is expected to continue to perform more strongly than these economies over the next two years (Chart 1).

Chart 1: GDP and Employment International Comparison



Note: Euro area employment data are quarterly. Employment data for Japan from March 2011 to August 2011 are not available due to the impacts of the Japanese earthquake and tsunami.
 Source: ABS cat. no. 5206.0, 6202.0, national statistical agencies, Thomson Reuters and Treasury.

The economy is forecast to grow around trend over the next two years, driven by strong growth in the resources sector. Real GDP is forecast to grow 3 per cent in 2011-12, 3¼ per cent in 2012-13 and 3 per cent in 2013-14 (Table 2). The impact of the Government’s fiscal consolidation, particularly in 2012-13, should be more than offset by growth in private demand.

Table 2: Major economic parameters^(a)

	Forecasts			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
Real GDP	3	3 1/4	3	3	3
Employment	1/2	1 1/4	1 1/2	1 1/2	1 1/2
Unemployment rate	5 1/4	5 1/2	5 1/2	5	5
Consumer price index	1 1/4	3 1/4	2 1/2	2 1/2	2 1/2
Nominal GDP	5 1/2	5	5 1/4	5 1/4	5 1/4

(a) Real and nominal GDP are year-average growth. Employment and CPI are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Global financial market tensions eased in the early months of 2012, after the period of acute instability in late 2011, but there are still substantial downside risks to the global economic outlook. Many advanced economies are yet to return to pre-global financial crisis output levels and face the substantial task of putting public finances on a sustainable footing while simultaneously supporting growth. While there have been some encouraging signs in the United States, the euro area appears to have re-entered recession and there have been renewed concerns regarding its fiscal and financial stability. In addition, the United Kingdom has re-entered recession.

Against this backdrop, there are dramatic structural changes underway in the global economy, with the weight of economic activity shifting towards Asia. Emerging

economies, particularly China and India, are expected to account for a large part of global growth over the next two years.

This pattern of growth has significant implications for Australia. Strong demand from Asia, particularly China, is expected to continue to support historically high commodity prices, drive record levels of investment in resources projects in Australia and underpin solid growth in non-rural commodity export volumes. Strong growth in emerging Asia will also increasingly provide opportunities for Australia's services sector and other parts of the economy.

Businesses expect to invest a record \$120 billion in the resources sector in 2012-13. The resources investment pipeline is currently over \$450 billion, with more than half of these projects already committed or under construction. Over the forecast period, new business investment as a proportion of GDP is expected to reach the highest level since records were kept.

Strong growth in the resources sector is expected to continue to spill over into other sectors, including parts of the construction sector, parts of manufacturing and parts of the services sector.

Nonetheless, the outlook for some other parts of Australia's patchwork economy is uneven with unsettled global conditions, the high Australian dollar, ongoing consumer caution and changes in expenditure patterns all expected to weigh heavily on some sectors. While some of the headwinds outside of the resources sector are likely to be temporary, some are structural, reflecting the broad structural transition that is currently underway across the economy.

The pattern of growth in the Australian economy is uneven with the resources and resources-related parts of the economy growing strongly, but some other parts of the economy facing challenging conditions. However, the patchwork economy is multifaceted. While growth in the resources parts of the economy has been exceptional in recent years, there has also been strong growth in a number of other sectors including, for example, health care and social assistance and professional scientific and technical services. There have also been pockets of strength in sectors such as manufacturing and elsewhere, even though many businesses in these sectors have been facing challenging conditions. There is a complex structural transition occurring in the economy and it is having wide-ranging effects on many sectors and regions.

Notwithstanding the challenging conditions being experienced by some parts of the economy, Australia's unemployment rate has been relatively stable and at just above 5 per cent, is lower than most other advanced countries. The unemployment rate is around half that in Europe and significantly below that in the United States. In aggregate, employment is expected to grow 1¼ per cent through the year to the June quarter of 2013 and 1½ per cent through the year to the June quarter of 2014. The unemployment rate is expected to drift up to 5½ per cent by the June quarter of 2013.

Statement 1: Budget Overview

With the economy expected to grow around trend, inflation is expected to be well-contained. Headline inflation is forecast to be 1¼ per cent through the year to the June quarter of 2012, and 3¼ per cent through the year to the June quarter of 2013, including a one-off ¾ of a percentage point increase due to the introduction of the carbon price, before declining to 2½ per cent through the year to the June quarter of 2014.

The commencement of the carbon price on 1 July 2012 is not expected to have a material impact on the domestic economic outlook with real GDP growth and employment growth expected to be reduced by less than ¼ of a percentage point in 2012-13, with no discernible impact on the forecast unemployment rate.

Although the outlook for the Australian economy is positive, substantial downside risks remain. The key international risk is the potential for a re-escalation of the euro area sovereign debt crisis. The capacity of many advanced economies to respond is limited and any further weakness could flow through to the emerging economies of Asia and to Australia.

FISCAL STRATEGY AND OUTLOOK

Consistent with an economy forecast to grow around trend, the Government will return the budget to a surplus in 2012-13, notwithstanding the challenges imposed by a further substantial write-down in revenue.

Fiscal strategy

The Government's fiscal strategy is designed to ensure fiscal sustainability, while providing the necessary flexibility for the budget position to vary in line with economic conditions.

The medium-term fiscal strategy, which has remained unchanged since the Government's first budget in 2008-09, is to:

- achieve budget surpluses, on average, over the medium term;
- keep taxation as a share of GDP, on average, below the level for 2007-08 (23.7 per cent); and
- improve the Government's net financial worth over the medium term.

To ensure a timely return to surplus and recovery in the fiscal position, since the beginning of the global financial crisis the Government has further committed to:

- allow the level of tax receipts to recover naturally as the economy improves, while maintaining the Government's commitment to keep taxation as a share of GDP below the 2007-08 level on average; and
- build growing surpluses by holding real growth in spending to 2 per cent a year, on average, until the budget surplus is at least 1 per cent of GDP, and while the economy is growing at or above trend.

Why returning the budget to surplus is appropriate

The Government's medium-term fiscal strategy guided the Government's successful response to the global financial crisis and provides the basis for the Government's determination to return the budget to surplus.

Consistent with the strategy, the Government delivered a timely, targeted and temporary fiscal stimulus at the height of the global financial crisis to support economic growth and jobs at a time when the private sector was in retreat, and charted a clear path to return the budget to surplus at the same time.

Returning the budget to surplus in 2012-13 remains appropriate given domestic economic conditions. The economy is forecast to grow around trend over the next two years, the unemployment rate is expected to remain low and mining investment is expected to reach record highs.

The return to surplus also recognises that fiscal policy should be set in a medium-term framework. In normal circumstances monetary policy should play the primary role in managing demand to keep the economy growing at close to capacity consistent with achieving its medium-term inflation target.

Importantly, the Budget forecast of around-trend growth takes account of the impact of the substantial fiscal consolidation in 2012-13. Returning the budget to surplus now will provide ongoing scope for monetary policy to respond to economic developments, if needed.

A return to surplus is also important for sustaining confidence in the strength of Australia's public finances. The European sovereign debt crisis has underscored that maintaining strong fiscal discipline and credibility is now more important than ever, with financial markets punishing those economies without it.

Global credit rating agencies have highlighted the importance of the Government's strategy of returning to surplus, which, along with Australia's very low level of public debt, is a key reason behind the Government receiving the AAA credit rating from all three major rating agencies for the first time in Australia's history.

The savings made to return the budget to surplus will also contribute to the sustainability of Australia's public finances and support Australia's capacity to respond to unanticipated events in uncertain global economic times.

Fiscal outlook — delivering on the Government's fiscal strategy

Consistent with the fiscal strategy, the return to surplus is being achieved through a combination of targeted and responsible savings and allowing the natural increase in tax receipts associated with a strengthening economy to flow through to the budget.

An underlying cash deficit of \$44.4 billion (3.0 per cent of GDP) is expected in 2011-12, with a surplus of \$1.5 billion (0.1 per cent of GDP) expected in 2012-13 and growing to \$7.5 billion (0.4 per cent of GDP) in 2015-16.

Slower than expected recovery in revenue

While tax receipts continue to recover from their post-crisis lows, the recovery is weaker than previously expected, and tax receipts remain well below the unsustainable peaks reached in the period leading up to the crisis.

Continued weakness in capital gains receipts, lower than expected company tax collections relating to the 2010-11 income year, and consumer caution have resulted in a write-down to tax receipt estimates of \$5.7 billion in 2011-12 compared with expectations at MYEFO.

Most of these downgrades will flow through to 2012-13 and the remainder of the forward estimates, with tax receipts revised down by \$28.0 billion over the four-year period from 2011-12.

Tax receipts are projected to reach 22.9 per cent of GDP in 2015-16, around 1 percentage point below the unsustainable levels reached in the mid-2000s. This means that tax as a proportion of GDP in 2011-12 and the previous two years is the lowest it has been since 1993-94.

Prior to the global financial crisis, tax receipts were benefitting from a combination of factors that created buoyant revenue growth. These factors included a commodity price boom combined with higher production largely driven by the expansion of existing projects, very strong equity and house price growth, significant growth in household consumption expenditure, and a relatively low Australian dollar.

Since the global financial crisis there has been a fundamental change in structure of the domestic economy that is expected to affect tax receipts for some years to come.

While commodity prices remain high, the current phase in the mining boom is centred more on investment in new projects. As these projects typically have higher depreciation deductions, growth in mining gross profits is not translating into a commensurate rise in mining company tax receipts.

At the same time, house and equity price growth is much weaker than it was, and capital gains tax receipts are lower. Furthermore, a combination of consumer caution and shifting spending patterns, partly as a result of the higher Australian dollar, is weighing on GST and company tax receipts from the retail sector.

Targeted and responsible savings

Notwithstanding the further write-down in tax receipts, targeted and responsible savings have ensured that the budget returns to surplus in 2012-13 and beyond.

This Budget makes \$33.6 billion in savings, building on the \$11.5 billion of savings identified in MYEFO and over \$100 billion of savings identified in the four Budgets since 2008-09.

Less than half of the savings in this Budget are from changes in tax receipts. The overall impact of savings and new spending in this Budget is a net saving of \$17.0 billion over the forward estimates.

In making these difficult savings decisions the Government has applied a targeted and responsible approach, with a view to fairness, placing the budget on firmer ground and getting more value for taxpayers' money.

For example, the Government will limit access to Family Tax Benefit Part A to children under 18 or in full-time secondary school with young adults having access to Youth Allowance subject to normal participation requirements. The Government is also improving the sustainability of the Pharmaceutical Benefits Scheme (PBS) through lower prices on medicines, improving the safety net arrangements under the Medicare Benefits Schedule by capping high cost consultations, and making the Net Medical Expenses Tax Offset fairer by introducing an income test.

The Government has also sought greater efficiencies from the Australian Public Service. As announced at MYEFO, an additional efficiency dividend of 2.5 per cent will apply to the majority of Commonwealth agencies for 2012-13.

Spending is projected to fall to 23.5 per cent of GDP in 2012-13 and remain around this level across the forward estimates. This would be the longest sustained run of payments below 24 per cent since the early 1980s. Real growth in spending averages 1.8 per cent per annum over the five years from 2011-12.

The recovery in revenue is also being supported by measures to improve the integrity, fairness and sustainability of the tax system, including reforming the tax concessions for golden handshakes and living-away-from-home allowances and benefits. The Government is also making the superannuation system fairer by reducing the tax concession received by very high income earners on their superannuation contributions, so it is more in line with the concession received by average income earners.

Statement 1: Budget Overview

Additional measures include not proceeding with the standard deduction for work-related expenses and the tax discount on interest income, in light of the simplification benefits of tripling the tax-free threshold and freeing over a million taxpayers from needing to lodge a return, feedback from public consultation and significant growth in household savings.

The Government is also reforming the company tax system to support businesses during a time of transition by introducing a loss carry-back reform which builds on the instant asset write-off due to start on 1 July 2012. This is part of the Government's reforms to boost productivity to help businesses invest, innovate and take sensible risks.

A strong balance sheet

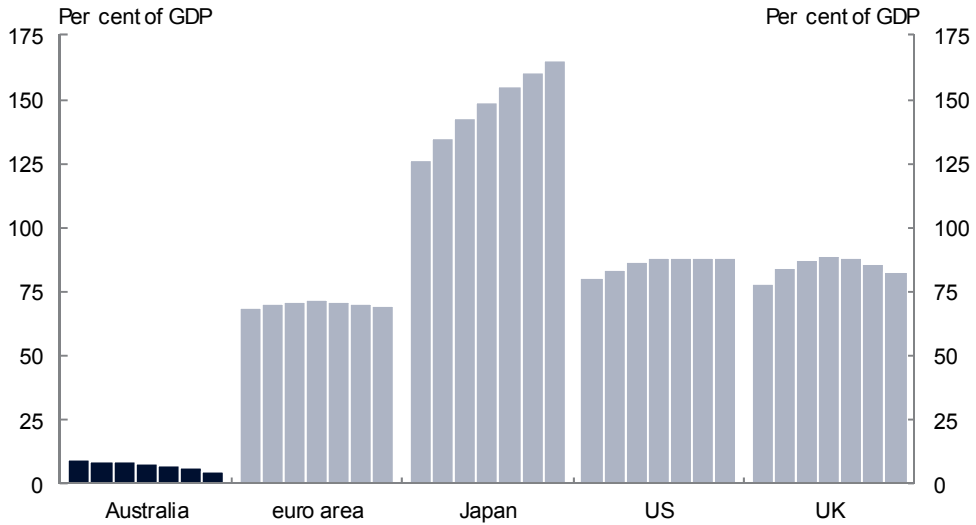
The Government's ongoing commitment to fiscal discipline, and the return to surplus in 2012-13, will ensure Australia's balance sheet remains one of the strongest in the developed world.

The strength of Australia's public finances is a key reason behind Australia being one of only 8 countries to have a AAA rating with a stable outlook from all three major rating agencies.

Net debt is expected to peak at 9.6 per cent of GDP in 2011-12 and decline over the remainder of the forward estimates. The peak is higher than previously expected, reflecting an increase in the market value of the existing stock of Commonwealth Government Securities on issue, and a further increase in issuance owing to the weaker fiscal outlook in 2011-12.

Still, the Australian Government's net debt position remains very low by international standards, with the average net debt position of the major advanced economies expected to be around 93 per cent of GDP in 2016 and 2017 (Chart 2). A return to surplus in 2012-13 will be achieved ahead of any major advanced economy (Chart 3).

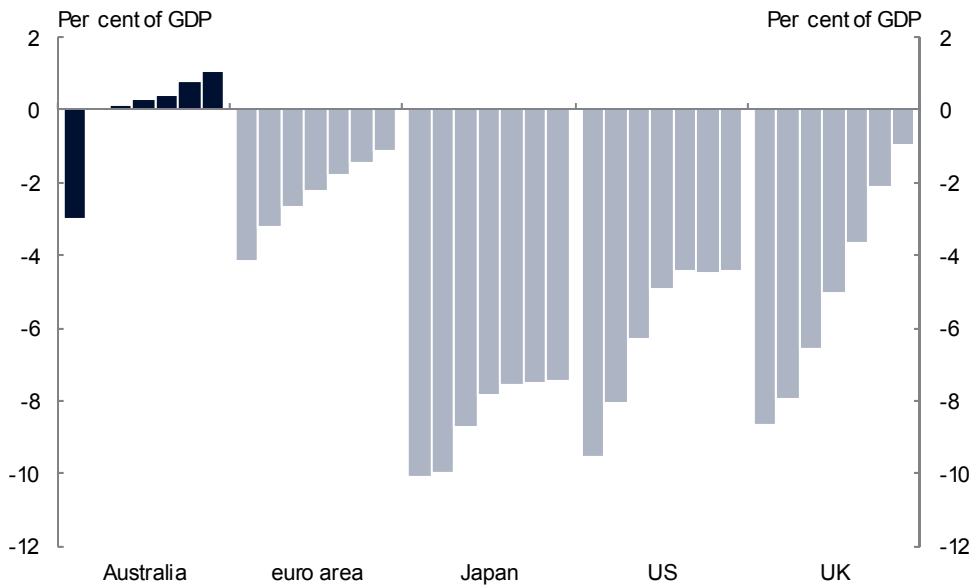
Chart 2: Comparison of Government net debt for selected economies, 2011-2017



Note: Australian data are for the Australian Government general government sector and refer to financial years beginning 2011-12. Data for all other economies are total government and refer to calendar years beginning 2011.

Source: IMF *Fiscal Monitor* April 2012 and Treasury.

Chart 3: Comparison of Budget balances for selected economies, 2011-2017



Note: Australian data are for the Australian Government general government sector underlying cash balance and refer to financial years beginning 2011-12. Data for all other economies are total government and refer to calendar years beginning 2011.

Source: IMF *Fiscal Monitor* April 2012 and Treasury.

BUDGET PRIORITIES

The 2012-13 Budget spreads the benefits of the mining boom to help families on low and middle incomes with the cost of living and provide much needed help to small business, while still returning the budget to surplus as is appropriate given domestic and global economic conditions.

Support to families on low and middle incomes is being provided through measures including increases to family payments, more timely and accessible education payments, and a new Supplementary Allowance for eligible income support recipients.

This Budget also supports businesses to meet the challenges and opportunities of the mining boom through a loss carry-back reform which builds on the instant asset write-off due to start on 1 July 2012.

This Budget further converts Australia's economic success and the opportunities of the mining boom into tangible benefits for more Australians through:

- commits to the first stage of a National Disability Insurance Scheme to ensure Australians with significant and permanent disability in launch locations receive a reasonable and necessary level of ongoing care and support;
- building an aged care system for the future – more supply, higher quality of care, enhanced access, more responsive to the needs of older Australians, and financially sustainable over the long term; and
- delivering additional funding for dental services to help reduce public waiting lists and building the capacity of the dental workforce in the public system and in areas of need.

Other priorities in this Budget, which build on policies that support jobs, underpin front-line services in areas like health and education, and grow the productive capacity of the economy, include:

- helping job seekers adapt to an economy in transition through reforms to the national training system and delivering the most effective employment services possible;
- continuing the transition to a clean energy future;
- ensuring the Government's \$32.5 billion increase in the investment in schooling since coming to office continues to improve outcomes for students;
- providing an extra \$225.1 million to assist a total of 130,000 people on income support over four years with their child care costs as they transition into the workforce;

- investing in high-quality infrastructure projects, to expand capacity and boost productivity;
- investing around \$3.4 billion over ten years to work in partnership with Aboriginal people and the Northern Territory Government to continue efforts to Close the Gap in Indigenous disadvantage; and
- ensuring the Australian Defence Force (ADF) is adequately equipped to uphold its commitments to ongoing Defence operations, and to respond to humanitarian and disaster crises both at home and in our region.

The Government has applied a targeted and responsible approach to make the \$33.6 billion of savings needed to return the budget to surplus and pay for new spending. The Government's savings strategy has protected low and middle income families and safeguarded the key drivers of productivity, including the Government's investments in skills, schools, higher education and research.

SPREADING THE BENEFITS OF THE BOOM

Strong demand for Australia's natural resources and record profits for resource companies continue to provide great opportunity for the Australian economy and people. The Minerals Resource Rent Tax (MRRT) is an historic economic reform which means that the benefits of the boom can be invested in Australia's future and spread to all Australians.

The Government is investing the proceeds of the resources boom from the MRRT to strengthen our whole economy. The Government will invest a total of \$6.0 billion from the Regional Infrastructure Fund to address urgent infrastructure needs, and will pay for the tax concessions associated with the superannuation guarantee rate rises from 9 per cent to 12 per cent.

The Government was also going to use the proceeds of the MRRT to cut the company tax rate. However, the Government was not able to secure the necessary parliamentary support and for that reason will now adopt a different approach to spread the benefits of the boom to families and businesses.

The Government's Spreading the Benefits of the Boom package will deliver much-needed help for over 1.5 million families on low and middle incomes (Table 3). It also supports businesses through a loss carry-back reform which builds on the instant asset write-off due to start on 1 July 2012.

Table 3: Spreading the Benefits of the Boom

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Company tax cut - do not proceed	50	317	1,232	1,596	1,561	4,756
Company loss carry-back	0	-7	-155	-251	-301	-714
Increasing the rate of						
Family Tax Benefit Part A	0	0	-603	-615	-626	-1,844
Supplementary Allowance	0	-153	-299	-306	-313	-1,070
Total	50	157	175	424	321	1,127

This package, combined with a new Schoolkids Bonus, will help families, students and those on low and middle incomes make ends meet. It will provide \$5 billion in support to low and middle-income households which will in turn support consumption and spending in businesses, including small businesses, across the country. The loss carry-back measure will further support the economy by helping businesses struggling with the economy in transition to invest in a productive future.

The business community is engaging with the Government on future reforms through the Business Tax Working Group, and the Government continues to support future business tax reform that is paid for by savings from business and has the support of the Parliament. The final report of the Business Tax Working Group is due to be provided to the Treasurer by the end of 2012.

Additional support to help households with the costs of living

The Government is introducing new measures to help families on low and middle incomes with the costs of raising children through increases in family payments and a more timely and accessible payment to assist with educational costs. The Government is also introducing a new Supplementary Allowance to help individuals in receipt of income support, such as Newstart and Youth Allowance, with the cost of essential bills.

This builds on past substantial reforms the Government has made since 2007, including changes to the tax system to reward hard work, and increases to pensions, family payments and the Child Care Rebate. The Government is also providing substantial household assistance as part of the Clean Energy Future package, which will ensure all low-income households will receive assistance that fully offsets their average expected price impact. Middle-income households will also receive some assistance.

Targeted increase in family payments

The Government is committed to helping families with the costs of raising children and supporting families to keep children in school.

From 1 July 2013 Family Tax Benefit Part A (FTB-A) will increase for all eligible families. The maximum rate for FTB-A will increase by \$300 per annum for families with one child and \$600 per annum for families with two or more children. For

families receiving the base rate, the increase will be \$100 per annum for families with one child and \$200 per annum for families with two or more children. The Government is providing \$1.8 billion over four years for this measure.

This builds on the increase in FTB-A for families with children aged 16 to 19 years in full-time secondary school of up to \$4,208 per year that came into effect on 1 January 2012. This will help families to meet the extra costs of raising teenagers and help them to support their children to stay at school.

Supplementary Allowance

The Government is investing \$1.1 billion to create a new Supplementary Allowance for eligible recipients on income support to help them meet the costs of essential bills.

Recipients of Newstart Allowance, Youth Allowance, Austudy, ABSTUDY, Special Benefit and Parenting Payment will qualify for the Income Support Supplement. Transitional Farm Family Payment and Exceptional Circumstances Relief Payment recipients will also qualify.

Singles will receive an additional yearly allowance of \$210 and couples will receive \$350 combined, paid in two instalments in March and September, with the first payment commencing in March 2013. The payment will also be indexed by CPI twice a year.

The Supplementary Allowance will assist Australians who are hardest hit by the increases in costs of living – the unemployed, students, parents with young children and farmers.

In addition, the Government is doubling the liquid assets test to allow people with modest levels of savings to access income support sooner. The change doubles the threshold for liquid assets to \$5,000 for singles without dependent children or \$10,000 for all others, from 1 July 2013. This will allow newly unemployed people to have more assets (for example, money in a bank account) and still qualify for income support without a waiting period.

Previously, newly unemployed people who had liquid assets above a threshold amount of \$2,500 if single and without dependent children, or \$5,000 for all others would be forced to run down their savings before receiving government assistance.

Supporting parents with education costs

The Government will also provide an additional \$2.1 billion over five years to introduce a new Schoolkids Bonus. The Bonus will replace the Education Tax Refund (ETR), and be paid directly to all eligible recipients. It will mean that all eligible families receive assistance with their children's education costs, and that many families receive increased assistance. Eligible families will also no longer need to keep receipts in order to claim the ETR several months later at tax time.

Statement 1: Budget Overview

The Schoolkids Bonus will be \$410 for primary school students and \$820 for secondary school students, per year. From 2013 it will be paid in two equal instalments in January and July, at times when families are likely to incur extra costs. It will be paid to recipients of FTB-A and other eligible payments. As a transitional arrangement, the full 2011-12 ETR payment will be automatically paid to eligible families in June 2012, prior to the introduction of the new Bonus, so that they receive timely assistance equal to the full value of their entitlement.

This will provide families with more flexible and timely support. Furthermore, making the payment automatic ensures that no eligible families will miss out. In respect of the 2010-11 ETR claims to date, 774,000 eligible families have missed out on the full amount of ETR, and 284,000 families have not claimed at all.

Tripling the tax-free threshold

The Government has delivered \$47 billion in personal income tax cuts since coming into office, and will deliver an additional \$8 billion package of new structural reforms to the personal tax system that target additional tax cuts to low and middle income individuals over the next three years. From 1 July 2012 all taxpayers with incomes of up to \$80,000 will get a tax cut, with most receiving at least \$300 per year to assist with the cost-of-living impact of the carbon price.

From 1 July 2012, the tax-free threshold will be more than tripled from \$6,000 to \$18,200, and the Low Income Tax Offset (LITO) will be reduced to \$445. From 1 July 2015, further tax cuts will increase the tax-free threshold to \$19,400, with a reduction in the LITO to \$300. The first two marginal tax rates will also increase; however, the combined changes mean that the statutory rates will more closely match the effective rates that people actually face. No-one will pay more tax as a result of these reforms and, from 2015-16, more than a million people will no longer need to lodge a tax return and around 700,000 fewer people will pay tax.

Payment increases

In addition to tax cuts, families will benefit from \$6.3 billion of increases to government payments as part of the Clean Energy Future household assistance package. The annual maximum rates of pensions, allowances and Family Tax Benefit, and the base rate of FTB-A, will be increased by 1.7 per cent. Assistance will first be delivered through the Clean Energy Advance from May 2012, before the carbon price is introduced.

Nine out of ten households will receive assistance through tax cuts and/or increases to payments, with over four million households receiving assistance that is at least 20 per cent more than their average expected price impact.

Secure and sustainable pensions

In addition to the assistance received through the Clean Energy Future household assistance package, around 3.4 million pensioners have also benefited from the Secure

and Sustainable Pension Reforms the Government announced in 2009. These historic reforms provided an increase to the single and couple rates and improved the indexation arrangements of the pension. Since 2009, the maximum rate of the pension has increased by \$154 per fortnight for singles and \$156 per fortnight for couples combined. Pensioners will continue to benefit from the improved indexation arrangements announced as part of the reforms.

Supporting businesses during a time of transition

The Government will reduce the tax burden on companies, in sectors such as manufacturing, tourism and retail that are struggling with an economy in transition, to help them invest and innovate.

The Government understands how vital the small business sector is to the Australian economy, with 2.7 million businesses employing millions of people, and that many of these small businesses are facing challenges such as those flowing from a higher dollar.

The Government is introducing a range of measures from the 2012-13 income year that will simplify taxation for small business and free up cash flow to enable small businesses to make investments they need to be competitive, support productivity and promote employment.

Loss carry-back

As a first step to reforming the current company tax arrangements the Government will introduce a loss carry-back reform for losses incurred in the 2012-13 income year.

Mining Boom Mark II is generating record levels of investment in the resources sector. However, the historically high dollar is making trading conditions challenging for sectors of the economy outside resources and resources-related parts of the economy, including the manufacturing, tourism and retail sectors.

This reform will support businesses struggling with an economy in transition, helping them make investments and take sensible risks to be able to adapt and restructure. It is particularly important that companies that are experiencing losses are able to make changes to their business to return them to profitability. That may mean undertaking investment in plant and equipment or retraining staff.

In 2012-13, companies will be able to carry back losses incurred in that year of up to \$1.0 million so they get a refund against tax previously paid. From 2013-14 companies will be able to carry back losses for two years. It will be available to companies and entities that are taxed like companies, be subject to integrity rules, apply to revenue losses, and be limited to a company's franking account balance.

This means that a manufacturing, tourism, education, retail or construction business, which is currently profitable and paying tax, will know that if it undertakes

investments in 2012-13 that initially result in a loss, they will get a refund of up to \$300,000 of tax they have previously paid when they lodge their 2012-13 tax return.

This measure will cost \$714 million over the forward estimates, and in its first four years of operation is estimated to provide assistance to nearly 110,000 companies.

Small business instant asset write-off and simplified pooling

From the 2012-13 income year, the Government will allow small businesses to immediately write off eligible business assets costing less than \$6,500 – an increase from \$1,000 under the old arrangements. This will benefit small business whether they are run through a sole trader, partnership, trust or company.

For example, a small business company that purchases four items of equipment costing \$6,000 each will be able to get a tax deduction of \$24,000 in the first year (rather than a deduction of \$3,600 under the old arrangements). As a result, small business companies will pay around \$6,120 less tax in the 2012-13 income year. If the small business operates as a sole trader with a higher marginal tax rate, they may be able to get a bigger tax saving.

The Government is also introducing simplified depreciation pooling arrangements from the 2012-13 income year to save time and improve cash flow for small businesses.

Small business depreciation — accelerated initial deduction for motor vehicles

The Government recognises that motor vehicles are important assets for many of Australia's small businesses and is introducing accelerated depreciation from the 2012-13 income year to improve cash flow for small businesses. This will benefit small businesses whether they are run by sole traders, partnerships, trusts or companies.

Small businesses will be able to claim up to \$5,000 as an immediate deduction for new or used motor vehicles acquired from the 2012-13 income year.

The remainder of the motor vehicle's cost will be pooled in the general small business pool (depreciated at 15 per cent in the purchase year and then 30 per cent in other years).

A new Manufacturing Technology Innovation Centre

The Government will invest \$30 million over four years to establish a Manufacturing Technology Innovation Centre to bring our brightest researchers and manufacturers together to drive innovation through new and improved industrial products and processes. It will establish sectoral collaboration to support major manufacturers, small and medium enterprises, industry bodies, and research agencies to create solutions in their production lines. It will also help them realise new market opportunities particularly in the Asian market through harnessing new technologies, business processes and technical knowledge. The Manufacturing Technology Innovation Centre is consistent with the Prime Minister's Taskforce on Manufacturing.

Advocacy and business support

The new Australian Small Business Commissioner will provide a one-stop shop for small business services and information and ensure that the interests of small business remain at the forefront of Government policy-making. Furthermore, the elevation of the Minister for Small Business to a Cabinet-level position ensures Government decision-making will take full account of the interests of Australia's small businesses.

The highly successful Small Business Advisory Service will be made an ongoing program, with an additional \$28 million in funding over the next four years; and the Small Business Support Line, which provides information and referral services, will be extended to 2015-16.

AUSTRALIA'S FUTURE WORKFORCE

The Government is implementing its \$3 billion *Building Australia's Future Workforce* skills package, delivering systematic reform through the National Partnership signed with states and territories, and is making additional investments in this Budget to fund new initiatives and support the Government's ongoing skills reform agenda.

In this Budget, the Government is also acting to reduce barriers that limit Australians from gaining the benefits of participating in the workforce, including by ensuring child care is accessible for all. This is in recognition that the right incentives and programs need to be in place for all Australians to build a skilled, flexible and diverse workforce.

A highly skilled and productive workforce, engaged in the labour market, ensures that our businesses are resilient, innovative and competitive in the global economy and that individuals can secure a job and earn a decent income.

Delivering on our skills commitments

The Government is rolling out significant reform in vocational education and training (VET) through the \$3 billion *Building Australia's Future Workforce* skills package. The National Workforce Development Fund, delivered as part of this package, has already committed funding for over 50,000 training places, with business contributing around one third of the cost, and mentoring support for 12,000 young apprentices.

Strengthening vocational education and training

As a key part of these reforms, the Government recently signed the five-year, \$1.75 billion National Partnership Agreement on Skills Reform with the States and Territories to deliver greater access to affordable high-quality training through the VET system.

The reforms will provide training to individuals who need skills to participate and be productive in the labour market and skills for which there is strong business demand or which are in short supply.

Statement 1: Budget Overview

Reforms will focus on creating a more accessible and equitable VET system through including a national entitlement to training at a minimum of the first Certificate III qualification and expanding access to student loans to reduce upfront cost barriers to study at the diploma and advanced diploma levels and for certain Certificate IV qualifications.

The wide-reaching reforms will also create a more transparent VET system through increased availability of information on the new *My Skills* website, and improve the quality of VET teaching and training, including through trials of external validation of training provider assessments. The reforms will also promote equity through additional incentives to improve completion rates, particularly for disadvantaged students.

Investing in training to support growth

In this Budget, the Government is providing an additional \$101 million package of measures to support the Government's ongoing skills reform agenda.

The Government is supporting the up-skilling and re-skilling of mature-age workers including through an additional \$35.0 million over four years in the National Workforce Development Fund, and \$26.0 million for a new Silver Service employment program for mature-age jobseekers aged 55 years and over.

The Government is also actively supporting recently qualified tradespeople to establish and manage their own business through subsidised business skills training and mentoring (\$19.4 million over four years).

In this Budget, the Government is establishing three Australian Skills Centres of Excellence to advance innovation and promote excellence across Australian industry by supporting innovative production processes and teaching and learning methods in the VET sector (\$18.1 million over four years).

Assisting workers with children

The Government is helping to ensure child care is more accessible, assisting parents to participate in the workforce and community, by investing an additional \$225.1 million over four years for Jobs, Education and Training Child Care Fee Assistance (JETCCFA). Around 130,000 income support recipients will receive assistance with child care costs to participate in work, study, training or job-search activities. This additional funding will address a growing demand for JETCCFA, which is occurring as an increasing number of income support recipients are accessing assistance for child care costs to enable them to participate in the workforce or undertake further study or training. This follows the Government's efforts to make it easier for working families to meet the costs of child care by increasing the Child Care Rebate from 30 per cent to 50 per cent of out of pocket costs, up to a maximum of \$7,500 per year for each child.

FIRST STAGE OF THE NATIONAL DISABILITY INSURANCE SCHEME

The Government will provide \$1.0 billion over four years for the first stage of a National Disability Insurance Scheme (NDIS) in up to four launch locations. The NDIS will fund reasonable and necessary lifetime care and support for people who suffer significant and permanent disability.

The Government's commitment responds to the Productivity Commission's (PC) report into disability care and support released last year. The PC found that the current disability care and support system is underfunded, unfair, fragmented and inefficient.

The Government is rolling out the first stage of an NDIS a year earlier than proposed by the PC.

Roll-out of the first stage

From July 2013, assessments will begin in up to four launch locations to provide an initial 10,000 people who suffer significant and permanent disability with reasonable and necessary care and support. This will be expanded to 20,000 from 2014-15. The launch of the first stage will test key design features and inform the scale and pace of the expansion to a full scheme. Negotiations with States and Territories will begin immediately with launch locations expected to be announced in late 2012.

The Government will continue to work with the States and Territories to develop the launch and plan for the roll-out of a full NDIS.

As part of the first stage, people in launch locations who have a significant and permanent disability will have access to an assessment process that develops an individual support plan with funding allocated for reasonable and necessary support.

Funding for the first stage

The \$1.0 billion of funding for the first stage includes:

- \$342.5 million over three years to fund individualised supports in the launch locations;
- \$213.4 million over four years to properly evaluate and assess people's needs and those of their carers and provide case management services through Local Area Co-ordinators;
- \$122.6 million over four years to increase the capacity of the disability services sector to deliver NDIS services and supports. The disability support workforce will undergo a fundamental change and will expand significantly under an NDIS. This funding will assist the sector to make the transition; and

Statement 1: Budget Overview

- \$240.3 million over four years to develop and implement an information communication technology system that will effectively monitor, track and evaluate the operation of the first stage, and provide a platform for future national roll-out.

The NDIS will fundamentally change the way disability care and support is provided. It will provide peace of mind for people with significant and permanent disability and those who care for them.

LIVING LONGER. LIVING BETTER: AGED CARE REFORM

The Government is delivering much needed reform of Australia's aged care system, including more home-based services, greater incentives for investment in new residential aged care facilities, and making the system fairer, more transparent and more responsive to the needs of older Australians.

Australia's aged care system is coming under growing pressure from structural weaknesses as well as the growing number of older Australians. Our aged care system is complex and difficult to navigate; services are limited, as is consumer choice; and there are inequities in subsidies and user contributions which undermine the financial sustainability of the system.

The Government will address these issues with a comprehensive, ten-year plan for reform of the sector. The first five years of reform will include a \$3.7 billion package to address the most pressing areas of need and lay the foundations for longer term reform. This includes a net Government investment of \$576.9 million, with the balance of the package to be funded from within the aged care system and by introducing fairer means testing arrangements.

The Government is also working together with industry and community organisations to enable senior Australians to actively contribute to all aspects of society, including through responding to the recommendations of the Final Report of the Advisory Panel on the Economic Potential of Senior Australians.

More aged care services, especially those delivered in the home

To make it easier for older Australians to stay in their home while they receive care, the Government will provide \$880.1 million over five years (including \$454.0 million redirected from residential aged care) to increase the number of Home Care packages. There will be an additional 40,000 Home Care packages over the next five years, taking the total number of packages to almost 100,000. The introduction of two new levels of home care packages will make it easier for older Australians to move between care levels as their needs increase. Government subsidies for home care places will be means tested to protect those most in need, while making the financing of community care services more sustainable.

Basic home support services will be streamlined and expanded through the creation of a national *Home Support* program, at a cost of \$75.3 million over five years. This includes merging a number of existing home support programs. The Government will also review the *Home Support* program to inform a move to more consistent and equitable service delivery arrangements and more national consistency in user contributions to the cost of these services.

The Government is providing improved incentives for residential aged care providers to invest in new facilities, including those in regional and remote areas, and greater choice in the level of accommodation services that aged care residents can purchase, at a cost of \$660.3 million over five years. Means testing of Government subsidies for residential care and accommodation costs will also be tightened to make the system more equitable and financially sustainable.

To support the growth in aged care services, the Government will invest \$54.8 million over five years to streamline and expand support for personal carers.

Addressing workforce pressures

The Government will provide \$1.2 billion over five years to establish an Aged Care Workforce Compact between the Government, aged care providers, unions and workforce training stakeholders. The Compact will include measures to improve the recruitment and retention of qualified staff, including wage increases; the development of a national workforce strategy; improving the quality of aged care training in vocational education and training; and increasing the focus on aged care in nursing curricula.

The Aged Care Workforce Compact will be funded by redirecting funds currently provided through the Aged Care Funding Instrument so that the funding claimed by aged care providers better matches the level of care being offered.

Making aged care services more consumer-centred

The Government will enhance consumer choice and transparency in accessing aged care services, including by:

- streamlining and strengthening front-end information and access to aged care services by providing \$198.2 million over five years (including \$123.0 million in redirected funding from other related programs) for an 'aged care gateway', including a new *My Aged Care* website and national call centre;
- developing a national assessment framework and quality indicators to increase the transparency of aged care service provision. Quality indicators will be published on the *My Aged Care* website;

Statement 1: Budget Overview

- ensuring that aged care prices, including accommodation bonds, reflect the value of the service an individual receives, through the establishment of an Aged Care Financing Authority; and
- protecting and supporting older Australians receiving aged care services by investing \$30.8 million over five years for aged care advocacy and community visitors programs.

The Government will also assist the aged care sector in better meeting the needs of aged care recipients, with investments including:

- \$268.4 million to tackle dementia (including \$135.1 million redirected from residential and home care), by increasing Government subsidies for the provision of aged care for people with dementia and enhancing the skills of aged care, primary care and acute care staff in working with people with dementia, including those with early onset dementia;
- \$192 million (including \$61.6 million redirected from residential and home care), to support the needs of older Australians from diverse backgrounds, including veterans and Indigenous Australians; and
- \$80.2 million to improve palliative care services within the aged care sector, and to create better linkages between the aged care system and broader health system.

Opportunities of an ageing population

The Government has also recognised that the ageing of Australia's population presents great opportunities for our community and economy. Seniors are not only living longer, they are generally better educated, healthier and more financially secure.

The Government is responding positively to the Final Report of the Advisory Panel on the Economic Potential of Senior Australians. The \$41 million package focuses on the opportunities presented by maintaining the skills and experience of older Australians in the workforce.

The Government response includes \$10 million for new Jobs Bonuses to help tackle age discrimination and encourage businesses to employ seniors who want to stay in the workforce. The new \$1,000 Jobs Bonus will be introduced for employers who recruit and retain a mature-age jobseeker for three months.

The Government will also be providing \$4.7 million to establish a new ongoing Advisory Panel on Positive Ageing, to consult with communities and to lead the national conversation on ageing issues.

The Government is also providing additional funding to the Age Discrimination Commissioner to undertake projects to address the stereotyping of older Australians

through the media and within the broader Australian community, which manifests itself in the workplace.

INVESTING IN KEY HEALTH SERVICES

In August 2011, the Commonwealth and all States and Territories signed the historic \$16.4 billion National Health Reform Agreement. This historic deal delivers funding certainty for hospitals with the Commonwealth guaranteeing 50 per cent of growth funding for hospitals. This funding is scaled up over time starting at 45 per cent in 2014-15 and moving to 50 per cent in 2017-18. These reforms are critical to ensuring Australia's hospitals have the funding certainty they need into the future.

In addition, last year's Budget announced \$2.2 billion in funding for mental health reform across Australia.

Building on this investment, this Budget delivers key funding for dental health, provides access to new medicines and delivers on the Government's regional health infrastructure commitments.

Delivering additional dental services

The Government is investing \$515.3 million over four years in dental services to provide better access to dental care for those in need. This dental health package builds on commitments made in the 2011-12 Budget.

Dental health is an important part of general health but the treatment Australians receive varies across the population according to income. For some, the cost of dental treatment or long wait times for public dental services mean those on low incomes do not get dental care when they need it.

In this Budget, the Government is improving access to dental services and strengthening the future dental workforce by providing:

- \$345.9 million over three years in funding to the States and Territories to provide treatment for those on public dental waiting lists including ensuring support for Indigenous Australians;
- \$35.7 million over three years to expand the successful dentists' graduate program;
- a \$45.2 million investment over four years in oral health therapists to boost capacity in the public sector and in areas of need;
- \$77.7 million over four years to encourage dentists to relocate to regional, rural and remote areas and set up practices; and
- \$10.5 million over three years for national oral health promotion activities.

Statement 1: Budget Overview

In addition, funding will be provided to support the delivery of *pro bono* dental services for the most disadvantaged in our community.

The Government will redirect currently unallocated Commonwealth Dental Health Program funding towards this Budget's dental health package. This funding was intended to replace the Chronic Disease Dental Scheme (CDDS) but has been redirected to boost dental services before the CDDS is closed and any new scheme commences. It still remains Government policy to close the CDDS.

Expanding hospitals and health services for regional Australia

The Government is investing \$475 million to support the development of regional health infrastructure. This delivers on the Government's \$1.8 billion commitment to the Health and Hospitals Fund (HHF) Regional Priority Round.

This latest HHF round will fund 76 new projects across Australia. The funding will support upgrades to regional health infrastructure, expand regional hospitals, and support the clinical training capacity of regional hospitals into the future.

This investment will help improve the provision of health care in regional Australia and brings the total commitment in health and hospitals infrastructure under the HHF to \$5.0 billion since 2009-10, across a total of 224 projects around Australia.

Further improving health services

This Budget makes important investments in Australia's health system to improve health services for all Australians. Key investments include:

- \$49.7 million over four years to expand the bowel cancer screening program to phase in increased frequency of bowel cancer screening over time to all Australians aged between 50 and 74 years. When fully implemented, this program is expected to help detect around 12,000 cancers and adenomas each year and significantly reduce deaths from colorectal cancer;
- an additional \$233.7 million to progress the national e-Health agenda, including to enable the operation of the Personally Controlled Electronic Health Record (PCEHR) system. This builds on the Government's \$466.7 million investment from the 2010-11 Budget to establish the key components of the PCEHR system; and
- \$49.3 million to ensure the National Medical Stockpile (NMS) is well placed for use in response to any emergency situation. The NMS supplements existing medical stocks held in the Australian hospital system and by states and territories.

In addition, since MYEFO, the Government has approved new listings or amendments to listings listed on the PBS, resulting in an overall saving of around \$32.5 million.

The total number of new medicines or brands of medicines approved by the Government for the PBS, Life Saving Drugs Program, and National Immunisation Program over the last four years is approximately 700, at a cost of around \$4.5 billion.

Improving the sustainability of the Health Budget

As part of the Government's commitment to responsible economic management, the Government has reprioritised health expenditure to ensure the funding is appropriately targeted to where it is most needed. This builds on past measures to ensure a sustainable health system, including the means testing of the private health insurance rebate, which will commence on 1 July 2012. These include:

- savings of around \$163.5 million have been made to the PBS, arising from more competitively priced medicines, including the angiotensin II receptor antagonist therapeutic group and new indications for a number of medicines including dasatinib (Sprycel®), nilotinib (Tasigna®), and tocilizumab (Actemra®), as they can be used in place of more expensive medicines;
- making changes to the Medicare Benefits Schedule safety net including by reducing opportunities for practitioners to charge excessive fees. This will provide savings of \$96.5 million over four years; and
- more effective targeting of the Practice Incentives Program worth \$83.5 million over four years by ceasing the General Practice Immunisation Incentive, revising the e-Health Incentive eligibility requirements and increasing selected outcomes targets.

TRANSITIONING TO A CLEAN ENERGY FUTURE

The Australian Government has developed a comprehensive plan to move to a clean energy future. This is part of our long-term plan to reshape Australia's economy, cut carbon emissions, drive innovation, and help avoid the increased costs of delaying action on climate change.

Central to that plan is the introduction of a carbon price that will cut emissions in the cheapest and most effective way. It will unleash innovation and spur around \$100 billion of investment in new clean energy sources such as solar, geothermal and wind. The Carbon Pricing Mechanism will begin on 1 July 2012.

As part of the Clean Energy Future Package the Government is also making a significant commitment to environmental resilience through the \$946 million Biodiversity Fund. In conjunction with the *Caring for our Country* initiative, the Fund is building greater environmental resilience across the Australian landscape by empowering land managers to restore, manage and protect biodiversity and to benefit from a low carbon future.

Statement 1: Budget Overview

The Government is also investing a further \$2.2 billion over five years (from 2013-14) to support its *Caring for our Country* program. The funding will deliver the second phase of the program and ensure environmental and stakeholder needs are met.

By acting now, Australians can look forward to long-term prosperity, while protecting our environment for ourselves and for future generations.

EDUCATION — DELIVERING OUR REFORM AGENDA

The Government's ambitious education reform agenda has entered the implementation phase and benefits are beginning to flow to students from early childhood through to university.

Early childhood

Research shows that a child's first five years sets the course for the rest of their lives. The Australian Government, in partnership with state and territory governments, is making a record investment in early childhood, ensuring every child gets the best start in life.

Under these reforms, every child will have access to a quality early childhood education program, for at least 15 hours per week in the year before they start school. The new National Quality Agenda for early childhood education and care will also introduce improved, nationally-consistent educator-to-child ratios and staff qualification requirements.

Schools

The Government has invested record amounts in schooling, almost doubling Commonwealth expenditure on schooling since coming to office. This investment has delivered a computer for every secondary student in the country, rejuvenated school buildings across Australia, and contributed to improving the quality of our school teachers.

This Budget includes extra funding of \$17.0 million for the Australian Curriculum, Assessment and Reporting Authority, to allow them to deliver on the national reform priorities agreed by Commonwealth, State and Territory education ministers.

The Government is currently working in a considered and collaborative way with the States and Territories, the non-government school sector and other stakeholders to consider future funding arrangements following the Review of Funding for Schooling Final Report. The Budget includes \$5.8 million to conduct further policy and technical work, as recommended in the Final Report. This work will inform future school funding arrangements.

Higher education

The Government is delivering on its substantial commitment to increasing funding to universities. Over the four years from 2012-13, the Government will invest \$38.8 billion in higher education teaching and learning. Additionally, Government funding to the university sector in 2011 was around 30 per cent higher than in 2007. This is as a result of the Government's response to the Bradley Review.

From 1 January 2012, the Government uncapped the number of Commonwealth supported places for undergraduate courses, resulting in a significant increase in university places. To implement this new demand-driven funding system, the 2012-13 Budget will provide an additional \$1 billion for Commonwealth supported places at public universities. This brings the total additional demand-driven funding provided by the Government to \$5.2 billion.

In this Budget, the Government is introducing a \$54.0 million package of measures that aims to encourage participation, improve quality and supply of mathematics and science teachers, and reward high performing students to encourage them to continue on with their studies and ultimately to consider a career in maths and science.

Training more students in these fields will help Australia meet emerging skills shortages and deliver a highly skilled, productive and innovative workforce.

The Government is also re-affirming its commitment to helping disadvantaged students succeed at university, increasing investment for the Higher Education Participation and Partnerships Program and other equity measures to more than \$1.0 billion over the forward estimates. In 2012, a record 40,000 university offers were made to disadvantaged students.

BUILDING THE INFRASTRUCTURE WE NEED

The 2012-13 Budget includes measures that invest in high-quality infrastructure projects, in order to expand capacity and boost productivity. This builds on the Government's nation building programs, which is rolling out around \$36 billion of funding over six years to 2013-14, and also the Government's reforms to infrastructure financing which were announced in the 2011-12 Budget. The Government has now contributed funding towards all of the projects assessed as 'ready to proceed' on Infrastructure Australia's 2009 Priority List.

Key measures in this Budget include \$3.6 billion to duplicate the Pacific Highway, additional funding for the Roads to Recovery and Black Spots programs, a commitment to develop the Moorebank Intermodal Terminal and \$232.1 million towards the Torrens and Goodwood rail project in Adelaide.

Duplicating the Pacific Highway

The Australian Government will provide \$3.6 billion between 2013-14 and 2016-17 towards the duplication of the Pacific Highway, conditional on a 50:50 funding share arrangement with the New South Wales Government. This will enable the Australian Government to meet its commitment to duplicate the Highway by 2016. A fully duplicated Pacific Highway will improve freight efficiency and transport safety, enhancing the nation's economic development.

Strengthening our commitment to road safety

The Government will provide funding for key programs that focus on achieving road safety outcomes through its Nation Building 2 Program. This includes:

- \$350.0 million a year for the Roads to Recovery program, which focuses on repairing and upgrading local roads to improve safety and access to services in our communities; and
- \$60.0 million a year for the Black Spots program, which targets those road locations where crashes are occurring.

The Government remains committed to improving road infrastructure to ensure Australians have access to safe roads.

Improving the flow of freight to lift productivity

In this Budget, the Government has made a commitment to develop the Moorebank Intermodal Terminal in conjunction with the private sector, as a way to improve the movement of freight to and from Port Botany. The terminal will provide a much-needed integrated transport solution for the movement of freight to and within the Sydney basin, which will boost national productivity, reduce business costs and relieve bottlenecks and urban congestion. Importantly, the project will deliver on the Government's commitment at the last Budget to seek opportunities for increased involvement by the private sector in nationally significant infrastructure projects.

The Government is also providing \$232.1 million towards the Torrens and Goodwood rail project, which will help ease congestion on Adelaide's suburban and freight rail networks.

ADVANCING AUSTRALIA'S NATIONAL SECURITY INTERESTS

This Budget reaffirms the Government's long-standing commitment to protecting Australia and our national security interests. The 2012-13 Budget maintains Australia's efforts in confronting global security challenges, including maintaining our presence in Afghanistan and supporting stability in East Timor and Solomon Islands.

The Government is funding new defence capabilities that are expected to be in high demand now and into the future. These investments include vital air and sea transport

platforms, which support current operations and build on Australia's capacity to respond to humanitarian crises and natural disasters domestically and in our region.

These investments are balanced by deferring some Defence acquisitions, adjusting the Defence capital equipment program and delivering further operating efficiencies while delivering priority 2009 Defence White Paper capabilities.

The Government has announced it will deliver a new Defence White Paper in 2013.

The 2012-13 Budget also provides enhanced law enforcement and border protection capabilities, which will maintain a strong surveillance presence in Australia's northern waters, and provide cutting-edge forensic capabilities to the Australian Federal Police (AFP).

Supporting global security

Australia remains committed to efforts to improve global security. The Government is providing \$1.3 billion in the 2012-13 Budget to continue operations in Afghanistan.

Australia's military and civilian efforts in Afghanistan will support the Afghan Government to promote and sustain stability, and help ensure that Afghanistan never again becomes a safe haven and training ground for global terrorism.

The Government's enduring commitment to the security of countries in our region is continued in this Budget, by providing \$78.8 million to maintain the ADF operations in East Timor as important national elections are held this year, and \$45.6 million to support stability in the Solomon Islands.

Enhancing defence capabilities

The Government is taking a balanced approach to upgrading the capabilities of the ADF to ensure that Australia is well-positioned to support our domestic and international commitments. The 2012-13 Budget includes:

- \$123 million for an Offshore Support Vessel, the MSV Skandi Bergen, to supplement the ADF's amphibious fleet. The MSV Skandi Bergen will be transferred to the Australian Customs and Border Protection Service on the introduction into service of the first Landing Helicopter Dock;
- \$280.4 million for an additional C-17A Globemaster III heavy-lift aircraft, which will increase Australia's heavy-lift fleet to six aircraft; and
- \$39.8 million for an additional two CH-47D Chinook medium-lift transport helicopters, which will bring Australia's total Chinook fleet to seven.

The Department of Defence will also contribute to broader government savings. There will be no adverse impact on operations in Afghanistan, East Timor and Solomon

Islands. The provision of equipment to Defence personnel deployed or deploying overseas will not be adversely affected. There will be no adverse impact on the number of military personnel in the ADF.

Enhancing law enforcement

The Government will continue to maintain a strong surveillance presence in Australia's northern waters, including through the purchase of a dedicated patrol boat to replace the leased Customs and Border Protection vessel ACV Ashmore Guardian. This will allow a near permanent surveillance and enforcement presence at Ashmore Reef to combat illegal fishing and people-smuggling.

The Government will also strengthen Australia's national forensics and intelligence capabilities by building a new forensics facility for the AFP. This facility will ensure the AFP can continue to respond to major investigations of terrorism, transnational crime, people-smuggling and disaster victim identification.

Biosecurity

The Government is committed to ensuring Australia has a strong biosecurity system that facilitates trade and manages biosecurity risks to the environment, agriculture and human health. The 2012-13 Budget continues this commitment through \$620 million for delivery of new post-entry quarantine infrastructure to maintain frontline operations and support eradication programs.

The Government will invest:

- \$379.9 million over seven years to construct a new Commonwealth-operated post-entry quarantine station to replace existing stations as leases expire. The facility will commence operations in 2015-16 and be fully operational on completion in 2018-19;
- \$144.3 million over four years to support frontline operations; and
- \$95.9 million over seven years to support eradication programs for nationally significant agricultural and environmental pests and diseases.

PROVIDING ASSISTANCE IN OUR REGION AND BEYOND

The Government will provide \$5.2 billion in 2012-13 to assist development in our region and beyond. This includes \$384.5 million over four years to the Pacific to increase rates of child immunisation and improve access to education. A further \$208.6 million over four years will be provided to improve development outcomes in East Asia, including expanded assistance to Burma and Cambodia for programs addressing maternal and child health and for climate change mitigation programs in Vietnam.

The Government will continue to increase its Official Development Assistance (ODA) but delay meeting our 0.5 per cent ODA to Gross National Income target by one year to 2016-17. This will contribute to broader government savings. This will ensure our aid will still grow every year and remain on track to double between 2007-08 and 2014-15. Australia's projected ODA contribution could see Australia rank as high as sixth in the OECD's ODA donor ranking by 2015-16, up from tenth in 2011. The Government's decision will ensure that ODA continues to grow.

COMMEMORATING THE CENTENARY OF ANZAC

Australia will commemorate the Centenary of Anzac from 2014 to 2018. The Government will spend \$83.5 million over seven years on a package of measures to commemorate the Centenary.

Major measures in the Centenary of Anzac funding package include \$27.0 million for the refurbishment of the Australian War Memorial's First World War galleries, \$8.1 million for honouring Australia's war dead by developing and protecting war graves and memorials, and \$9.5 million for local community grants to support activities in communities. The Government is also providing \$5.6 million for the development of an Anzac Interpretative Centre at Albany, \$4.7 million for Australian artists and cultural institutions to explore and contribute to the Anzac story, and \$14.4 million to safely manage increased visitor demand to attend Anzac Day services during the Centenary.

STRONGER FUTURES IN THE NORTHERN TERRITORY

The Australian Government, in partnership with the Northern Territory Government, will provide a stronger future for Indigenous Australians in the Northern Territory through health services, education, employment, housing, nutrition and community safety, including by tackling drug and alcohol misuse.

The Commonwealth will continue efforts to Close the Gap in the Northern Territory through a ten-year commitment of around \$3.4 billion, including:

- \$713.5 million for primary health care and improved access to allied health services;
- \$694.9 million for community safety, remote policing, and tackling alcohol abuse;
- \$602.5 million to boost jobs and improve access to and quality of education;
- \$442.4 million to strengthen the safety and wellbeing of Aboriginal children, youth and their families; and
- \$427.4 million to improve remote engagement and coordination.

REMOTE JOBS AND COMMUNITIES PROGRAM

The Government is introducing an over \$1.5 billion new integrated Remote Jobs and Communities Program from 1 July 2013. It will establish a permanent provider presence in each region to deliver improved services that drive structural improvements to communities and individuals. This will result in improved employment outcomes. Key features include the:

- demand-driven 'jobs first' Remote Participation and Employment Service that directly responds to concerns raised by people in remote areas and helps people build the foundational life skills they need to take up available jobs;
- new Remote Youth Leadership and Development Corps, the flagship program for youth, aiming to promote a culture of change and provide a formalised pathway into employment for up to 12,000 young people; and
- Community Development Fund worth \$237.5 million over five years to provide funding for larger community development activities and capacity-building.

Funding from Job Services Australia, Disability Employment Services, the Indigenous Employment Program, and the Community Development Employment Projects Program will be amalgamated in remote Australia into a single streamlined service.

The provision of Community Development Employment Projects wages for grandfathered recipients will also be extended for a further five years. The new Service aligns with the Stronger Futures in the Northern Territory initiative and the Government's Closing the Gap agenda.