

BUDGET SPEECH 2014-15

Delivered on 13 MAY 2014 on the Second Reading of the Appropriation Bill (No. 1) 2014-15

by the Honourable J. B. Hockey MP, Treasurer of the Commonwealth of Australia

Madam Speaker, I move that the Bill for the Budget be now read a second time.

Our future depends on what we as a nation do today.

For our children, for our seniors, for individuals, for families, for our disabled and for our frail, for all of us, the Government's solemn duty is to build a stronger Australia.

This Budget will help build a more prosperous nation.

Every generation before us has contributed to the quality of life that we enjoy today.

Prosperity isn't a matter of luck.

Prosperity is not a gift. It needs to be earned.

So now it is our turn to contribute.

Now it is our turn to build.

On the back of five budget deficits in a row we have inherited a further \$123 billion of deficits and debt rising to \$667 billion.

This challenge is not of our making, but we, the women and men behind me, accept responsibility to fix it.

Doing nothing is not an option.

The days of borrow and spend must come to an end.

It is time, for all of us, to contribute and build.

From this effort, there will be benefits for jobs, for higher education, for health and for those in genuine need.

If we all contribute now, we will build a truly world-class higher education system and a workforce that can meet head-on the emerging competition in Asia.

If we all contribute now, we will build a sustainable welfare system that helps the most disadvantaged and supports the most vulnerable.

If we all contribute now, we will build the biggest medical research endowment fund in the world within just six years, a fund that will underpin the health system of the future.

If we all contribute now, we will build a strong defence and security capability, that keeps our nation safe for decades to come.

And, if we all contribute now, we will build the equivalent of eight Snowy Mountains Schemes in new infrastructure over the next decade.

We are a great nation and now is our chance to be even better.

We know that for some in the community this Budget will not be easy.

But this Budget is not about self-interest. This Budget is about the national interest.

The Government's Economic Action Strategy is not about undermining a strong social safety net; it is about making it sustainable.

Our Economic Action Strategy is not about weakening Government; it is about redefining the role of government in people's lives.

Our Economic Action Strategy is not about cutting Government spending; it is about spending less on consumption and more on investment so we can keep making decent, compassionate choices in the future.

The age of entitlement is over. It has to be replaced, not with an age of austerity, but with an age of opportunity.

This is not the time to talk our country down, but it is the time to face the facts.

We understand there are people in the community who are doing it tough because the economy is growing at less than its normal speed.

Unemployment is too high with over 700,000 Australians looking for a job.

Without change, the Budget would never get to surplus and the debt would never be repaid.

So the time to fix the Budget is now.

The time to strengthen the economy is now.

The time for everyone to contribute is now.

I say to the business community we need you to help out.

Rather than corporate welfare, the Government's focus will be on strengthening the overall business environment, so that enterprise, large and small, can create more jobs in Australia.

The Government will start by abolishing a range of industry assistance programmes, saving over \$845 million. We will refocus our effort on innovation and self-reliance.

Businesses should stand or fall on their ability to produce the goods and services that people actually want.

To improve business opportunities, we are cutting company tax by 1.5 percentage points for around 800,000 businesses. We are abolishing the carbon tax and we are abolishing the mining tax.

We are removing \$1 billion a year in red tape because regulation means more staff doing paperwork and fewer staff helping customers.

We are also creating new business opportunities and expanding markets for our farmers, miners and service industries in Asia through new free trade agreements with Korea and Japan.

Tonight we are asking higher-income earners to help repair the Budget.

From 1 July this year and for just three years, we are asking higher-income earners to pay a Temporary Budget Repair Levy that in effect increases the top marginal tax rate by two percentage points, for people earning more than \$180,000 a year.

It is only fair that everyone makes a contribution. This includes members of parliament.

There will be a one-year freeze on MPs and senior public servant salaries. And the Gold Pass entitlements will be wound back for former and current MPs before the scheme is abolished.

As I said, we all must contribute.

Pensions are a significant source of income for almost four million Australians.

We promised at the last election not to change pensions in this term of government and we won't.

But so that we can make pensions sustainable and affordable for decades to come, from September 2017, increases in pensions will be linked twice a year to inflation.

Currently, an individual with a home and almost \$800,000 in assets still qualifies for the age pension; a couple with a home and almost \$1.1 million in assets also qualify for the age pension.

Asset and associated income test thresholds will be indexed between now and 2017, but then remain at fixed levels for three years.

With these changes, pensions will always increase with the cost of living, and the value of the pension will continue to rise, but the system will be much better placed to meet the challenge of a significant increase in demand.

We should celebrate the fact that Australians are living longer but we must prepare for the adjustments in our society.

Building on the move by the former Government to increase the pension age eligibility to 67 by 2023, this Government will gradually increase the age of eligibility to 70 by 2035. That is over two decades away.

To ensure more consistent treatment of senior Australians with similar incomes, untaxed superannuation will be included in the income test for new recipients of the Commonwealth Seniors Health Card. And so that we can better target assistance, the annual Seniors Supplement will be abolished from 1 July this year.

Each year, the Government spends more on welfare than we spend on the education of our children, the health of our people or the defence of our nation.

Unlike pensions, which are an income replacement payment, family payments are an income supplement to help with some of the costs of raising a family.

Current family assistance rates will be kept at the same level for two years. Thresholds for the Private Health Insurance Rebate and most Medicare fees will also be paused.

Surprisingly, around three-quarters of families receiving family assistance receive both Part A and Part B payments.

The Family Tax Benefit Part B income threshold will be reduced to \$100,000.

For a typical family receiving the base rate of Family Tax Benefit Part A, payments will start to reduce when family income exceeds \$94,316 per year.

Families will benefit from the abolition of the carbon tax, saving households, on average, around \$550 next year alone. They will also keep the associated tax cuts.

In addition, families will continue to receive the ongoing Energy Supplement to help with power costs.

These changes will build a more sustainable welfare system, with more household income coming from personal effort rather than from the government.

We must always remember that when one person receives an entitlement from the government it comes out of the pocket of another Australian.

Since coming to office, we have carefully and methodically looked at all areas of government spending.

The Government has decided to reduce the growth in our foreign aid budget to save \$7.9 billion over five years.

The Government has also decided to abolish over 230 bureaucratic programmes.

In addition, we have also methodically reviewed more than 900 government bodies, boards, committees and councils and more than 70 are being abolished to deliver better value for taxpayers.

A smaller, less interfering Government won't need as many public servants. 16,500 staff will leave over the next three years without compromising frontline services.

At the moment, duplication and overlap between the Commonwealth and States blur where the buck stops. Over the next eighteen months, we will work with State and Territory Governments to strengthen the Federation and ensure that the overlap between the layers of government is reduced or removed.

I say to the Australian people, to build a workforce for the future, those who can work, should work.

The benefits of work go far beyond your weekly pay packet.

Work gives people a sense of self, and work helps to build a sense of community.

That is why young people should move into employment before they embark on a life on welfare.

Australians under 30 years of age should be earning or learning.

From next year, unemployed people under 25 will get Youth Allowance, not Newstart.

People under 30 will wait up to six months before getting unemployment benefits, and then will have to participate in Work for the Dole, to be eligible for income support.

From July this year, the Government will also support those learning a trade by providing concessional Trade Support Loans of up to \$20,000 over a four-year apprenticeship.

We give young people loans to help them complete a university course, so it is only right that those completing a trade qualification get the same fair go.

As well, people under 35 on the Disability Support Pension, but with some capacity to work, will have engagement plans to help them participate in the workforce.

For those who leave the workforce to have children, we want you to have every opportunity to return to your career. Our Paid Parental Leave Scheme will help keep mothers engaged with the workforce.

This measure will complement the changes to Family Tax Benefit Part B, a payment that will no longer be available when a family's youngest child turns six and is at school.

Staying at home should be a parent's choice but there are limits on how much support the taxpayer can give.

For Australians over 50, we also want to give you every opportunity to participate in the workforce. But I know how hard it can be for older Australians to find a job.

There needs to be a change in the culture of many businesses towards older workers.

We will help change that culture by providing a payment of up to \$10,000 to a business that employs an Australian over the age of 50 who has been on unemployment benefits or the Disability Support Pension for six months.

Employers can use these funds to assist employees to reskill and play a more active role in the workforce.

We must build an education and training system that becomes the envy of the world.

As a start, and for the first time, the Commonwealth will provide direct financial assistance for all students studying diploma and sub-bachelor degree courses.

This is a watershed.

Along with supporting young people learning a trade, we want to build a country that values all levels of education.

This will deliver the best skills for the task ahead.

Australia should have at least one university in the top 20 in the world, and more in the top 100.

The higher education sector is being held back and cannot compete with the best in the world. We need to set our sights higher.

Our changes to higher education will allow universities to set their own tuition fees from 2016. For students already studying, existing arrangements will remain until the end of 2020.

Through these once-in-a-generation reforms, the Government will help build a sector that is more diverse, more innovative and more responsive to student needs.

With greater autonomy, universities will be free to compete and improve the quality of the courses they offer.

Some course fees may rise and some may fall. To maintain fair access, students will still be eligible for concessional higher education loans.

As is the case at the moment, students will not have to pay a single dollar upfront. Fees will be repayable when students are in the workforce earning over \$50,000 a year.

Importantly, one dollar out of every five dollars in additional tuition revenue will be used to fund scholarships to those from disadvantaged backgrounds who want to attend university.

To build a more prosperous community and a better quality of life we need to build on our strengths.

One of our greatest strengths as a nation is our capacity to innovate and invent.

And our medical researchers have led the way, from Howard Florey to Sir Gustav Nossal and from Fiona Stanley to Ian Frazer.

Australians have, through research and innovation, saved millions of lives, not just here but around the world.

Tonight, I announce the Government's commitment to build with your contributions, a \$20 billion Medical Research Future Fund.

This fund will, within six years, be the biggest medical research endowment fund in the world.

Its funding of research will be in addition to existing levels of funding through the National Health and Medical Research Council.

The Medical Research Future Fund will receive all the savings from the introduction of a \$7 Medicare co-contribution, modest changes to the Pharmaceutical Benefits Scheme and other responsible changes in this Health Budget, until the Fund reaches \$20 billion.

Health services have never been free to taxpayers so patients are being asked to make a modest contribution towards their cost.

Of course safety nets are important, so we are simplifying the Medicare Safety Net with lower thresholds for most people, and we have safety net provisions for concessional patients and children.

Australians are always prepared to make a reasonable contribution if they know their money is not wasted.

I can think of no more significant benefit from community contributions in health than to invest in cure and discovery research by our people for our people.

From next year, funds will start flowing from the Medical Research Future Fund into new medical research.

As a result, it may be an Australian who discovers better treatments and even cures for dementia, Alzheimer's, heart disease or cancer.

If we start investing now, this new and historic commitment in medical research may well save your life, or that of your parents, or your child.

The first duty of a Government is to protect our people and strengthen our borders.

The Government is committed to building defence spending to two per cent of GDP within a decade and by the middle of next year the Government will have a new strategic plan for the defence of the nation.

In the meantime the Government has already taken strong and decisive action to restore the integrity of our borders. People smugglers now understand that the door to our nation is closed.

This year not a single people-smuggling venture has successfully landed in Australia. This has meant savings of \$2.5 billion to the Budget, and the closure of nine detention centres.

To better manage services at Australia's borders, immigration and customs operational responsibilities will be consolidated into a single border control agency, the Australian Border Force.

Everything I have announced tonight helps to build a stronger Budget and a stronger economy.

There is no easy way to repair the Budget.

We have been at pains to reduce government expenditure without hurting the economy.

Taxpayer spending needs to be reprioritised, where possible, into job stimulating investment like roads and rail.

We also need to have more stability in taxation policy.

As a result of the taxation decisions made since coming to office, decisions designed to boost Australia's economic competitiveness, the Government is collecting less taxation than would otherwise have been the case.

The changes to the Budget I have announced tonight will significantly improve the budget bottom line.

The Budget deficit will fall from its current \$49.9 billion to \$29.8 billion next year. It will then fall to a deficit of \$2.8 billion in 2017-18.

Our decisions have contributed \$36 billion towards this improvement.

So I want to emphasise that the Budget we announce tonight is the first word and not the last word on Budget repair. There is much work that still needs to be done.

Even so, over the next ten years we will reduce our expected debt by nearly \$300 billion from \$667 billion to \$389 billion. And that is after we prudently budget for future taxation relief.

This significant reduction in debt reduces our interest bill by around \$16 billion a year in ten years' time. That's more than the amount of money needed to construct 15 new teaching hospitals every year!

With a responsible Budget we can build more national infrastructure, particularly in partnership with the states and the private sector.

Over the last decade we have been blessed with a mining boom and the highest terms of trade in 140 years.

An amazing 80 per cent of all investment in the recent mining and resources boom has come from new foreign investment in Australia.

As the resources industry moves away from its construction phase into its production phase there is an emerging growth gap in our economy.

Mining and resources represent about ten per cent of our economy but two per cent of our employment. It has, however, done much of the heavy lifting over the decade.

So now we need to fire up the rest of the economy.

Tonight, I am announcing a package of measures that will significantly increase investment in infrastructure across Australia.

Over the next six years, the Government will help build new roads, rail, ports and airports.

Our Growth Package will stimulate the construction sector and create thousands of jobs as the economy transitions from resource-led growth to broader-based growth.

This new infrastructure will drive and support the next wave of national prosperity.

Our Growth Package will take the Government's total investment to \$50 billion by the end of the decade — the largest on record.

This money will drive over \$125 billion of spending on new infrastructure across the continent.

Over the longer term this is expected to permanently boost the size of the economy by one per cent.

These projects will mean real activity and real jobs in local communities.

Shovels will start moving within a matter of months.

For example, in New South Wales construction on the \$11 billion WestConnex project will start within 18 months. This means 10,000 new jobs.

The \$18 billion East West Link in Melbourne starts work before Christmas and will create 6,000 new jobs.

And billions of dollars of work will soon start on the Toowoomba Second Range Crossing; the Perth Freight Link; the Midlands Highway upgrade in Tasmania and the North South Road Corridor project in Adelaide. This will create thousands of new jobs across our nation.

And our \$1 billion National Stronger Regions Fund, together with \$200 million of new Black Spot funding, and \$350 million extra for Roads to Recovery will deliver jobs and better roads across regional and rural Australia.

But these projects will do more than create construction jobs. They will inject money into communities, lower business costs and reduce congestion.

This will improve living standards across the country.

And to help pay for this, the Government is re-introducing fuel indexation where every dollar raised by the increases will be linked by law to the road-building budget.

This will ensure that there is a stable and growing source of funds to support long-term investment in Australia's roads.

Budget speeches are often about numbers, and appropriately so, but the Budget must always be about people.

I say to the Australian people, every dollar we spend in this Parliament comes from you.

If we can get on with the job of fixing this Budget, then you and your family will benefit.

We will all share in more jobs, greater wealth and greater prosperity.

But unless we fix the Budget together, we will leave the next generation a legacy of debt, not opportunity.

As Australians, we must not leave our children worse off.

That's not fair.

That is not our way.

We are a nation of lifters, not leaners.

So tonight, we present you with a Budget that delivers a sustainable future for your children, and the generations beyond.

We are a great nation. We are a great people.

By everyone making a contribution now, we will build, together, a better Australia.

I commend the Budget Bill to the House.