STATEMENT 1: BUDGET OVERVIEW

The 2013-14 Budget improves the sustainability of Australia's public finances, supports jobs and growth, and makes room for critical investments in our nation's future.

The Government has maintained fiscal restraint while delivering on historic economic and social reforms and nation building infrastructure. The National Plan for School Improvement provides a once-in-a-generation reform to Australia's school funding arrangements. The establishment of *DisabilityCare Australia*, one of the biggest social reforms in our history, will help ensure that Australians with significant and permanent disability get the support they need. These investments have been fully offset to 2023-24 and beyond.

The Australian economy is expected to undergo two large and important transitions over the forecast period. Following the largest investment boom in Australia's history, the resources boom will shift from the investment phase toward exceptional growth in production and exports. More broadly, the economy will move to non-resource drivers of growth.

The economy starts these transitions from a position of impressive resilience, with an outlook of solid economic growth, low unemployment and contained inflation. However, the unusual combination of a sustained high Australian dollar and falling commodity prices is putting acute pressure on prices and corporate profitability across the economy.

Weaker corporate profitability has had a significant impact on the level of company tax receipts expected in 2012-13 and over the forward estimates. Lower than expected capital gains tax and resource rent taxes have compounded the fall in company tax receipts. Since the 2012-13 Budget, tax receipts have been revised down by around $17 billion in 2012-13. This brings the total write-downs in tax receipts over the five years since the 2008-09 Budget to around $170 billion. Since the *2012-13 Mid-Year Economic and Fiscal Outlook*, tax receipts have been revised down by around $60 billion over the four years to 2015-16.

Significant revenue write-downs will see a budget deficit of $18.0 billion in 2013-14, with the Government charting a sensible pathway to surplus over the forward estimates. The Government's fiscal strategy is currently expected to return the budget to balance in 2015-16 and surplus in 2016-17, before most of the developed world.

A more gradual return to surplus is appropriate given significant downgrades to revenue and the transitions underway in the economy. Attempting to return to surplus too quickly by making drastic cuts in the near term would come at a significant cost to jobs and growth.

Instead, the Government has chosen a sensible pace of consolidation, consistent with maintaining solid growth and low unemployment. Along with historic economic and social reforms, this Budget will make Australia stronger, smarter and fairer.

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INTRODUCTION

The Government is charting a sensible pathway to surplus over the forward estimates, while still making the vital investments needed to build a stronger economy, a smarter nation, and a fairer society.

Global financial market sentiment has improved since late 2012, though global economic conditions remain challenging, particularly in the major advanced economies. Against this backdrop, the global economy is undergoing dramatic structural change as economic activity shifts increasingly towards Asia.

The Australian economy is expected to continue to grow faster than most of the developed world, building on Australia's record of resilience and outperformance over the past five years. Australia's economic outlook remains favourable, with solid economic growth, low unemployment and contained inflation over the coming years.

The Australian economy is expected to undergo two large and important transitions over the forecast period. Following the largest investment boom in Australia's history, the resources sector will transition away from the investment phase toward exceptional growth in production and exports. More broadly, the Australian economy will transition to non-resource drivers of growth.

While Australia's economic fundamentals remain strong, conditions are expected to remain uneven across the economy. The unusual and enduring combination of a sustained high dollar and falling commodity prices is putting acute competitive pressures on both the resource and non-resource sectors. Many businesses are successfully adapting to these challenges, including by increasing productivity and taking advantage of the opportunities presented by the shift in global growth towards Asia. Still, many businesses have also had to squeeze margins to remain competitive in both export markets and domestically.

These challenging conditions have had a significant and widespread impact on corporate profitability, with the National Accounts measure of company profits falling for a record five consecutive quarters. Consistent with this hit to profitability, nominal GDP growth has been unusually weak. Nominal GDP growth fell short of real GDP growth for the third consecutive quarter in December 2012, the first time this has happened in at least the past-half century. The unusual divergence between real and nominal GDP growth is consistent with solid growth in the volume of production but weakness in prices across the economy.

This has had a significant impact on the level of company tax receipts expected in 2012-13 and over the forward estimates. Lower than expected capital gains tax and resource rent taxes have compounded the fall in company tax receipts. Income tax withholding and consumption taxes have been revised down to a lesser extent, reflecting the forecast for modest wages growth and solid consumption growth. Since the *2012-13 Mid-Year Economic and Fiscal Outlook* (MYEFO), tax receipts have been revised down by around $60 billion over the four years to 2015-16. Had tax receipts stayed at the same tax-to-GDP ratio of 2007-08, the Budget would have been in surplus from 2012-13 onwards.

This hit to government revenues will see a delay in the return to surplus, and has required further structural savings to improve the sustainability of the budget. The Government remains committed to maintaining strong public finances, consistent with its fiscal strategy. The Budget sets out measures to return to surplus over the forward estimates, balancing the need for further consolidation against the detrimental impact that a sharp fiscal contraction in the near term would have on jobs and growth in the economy. A strong economy is a critical foundation for strong public finances. Offsetting the large revenue write-down in a short time period would have put jobs and growth at risk, especially given the transitions underway in the economy.

The fiscal plan detailed in this Budget will ensure Australia's public finances remain amongst the strongest in the world, with net debt as a share of GDP expected to peak at less than one-eighth of the level in the major advanced economies. The medium-term fiscal strategy will see even this low level of net debt eliminated by 2021-22. Real growth in spending has remained low, at an average rate of 1.3 per cent from 2012-13 to 2016-17, the lowest five-year average growth rate for 25 years.

The Government has been able to maintain fiscal restraint while still delivering historic economic and social reforms. These reforms will secure our future, drive greater productivity and workforce participation and give current and future generations the best opportunity to succeed in the Asian Century.

To return the budget to surplus and fund these investments the Government has made $43.0 billion of savings in this Budget. Over the six budgets since 2008-09 the Government has identified over $180 billion in savings. Many of these savings will endure, improving the budget bottom line in the medium and long term as well. These savings mean that *DisabilityCare Australia* and the National Plan for School Improvement are fully offset to 2023-24 and beyond.

The underlying cash deficit is expected to be $18.0 billion (1.1 per cent of GDP) in 2013-14 (Table 1). The deficit falls over the forward estimates, and the underlying cash balance is expected to reach balance in 2015-16, and surplus in 2016-17.

Table 1: Budget aggregates

	Actual	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Underlying cash balance ($b)(a)	**-43.4**	**-19.4**	**-18.0**	**-10.9**	**0.8**	**6.6**
Per cent of GDP	-2.9	-1.3	-1.1	-0.6	0.0	0.4
Fiscal balance ($b)	**-44.5**	**-20.3**	**-13.5**	**-6.3**	**6.0**	**10.8**
Per cent of GDP	-3.0	-1.3	-0.8	-0.4	0.3	0.6

(a) Excludes net Future Fund earnings.

Building a stronger, smarter and fairer Australia

This Budget will help build a stronger, smarter and fairer Australia. The Budget will make Australia stronger through supporting jobs and growth, driving productivity improvements through investments in infrastructure and skills, and by improving fiscal sustainability. It will make Australia smarter by investing in education and innovation. And it will make Australia fairer by ensuring every Australian can achieve their potential and that no one is left behind.

It announces the next wave of the Government's flagship Nation Building Program, which will invest in productivity enhancing roads, rail and ports. It invests in high-quality infrastructure projects that will boost Australia's productive capacity. Projects such as Brisbane Cross City Rail and Sydney Motorways will relieve congestion and improve liveability in our biggest cities.

It recognises the critical role of education. As the next phase of the Government's plan to ensure all Australians get a world class education, it is making a substantial investment in school funding through the National Plan for School Improvement. It makes a record investment in early childhood education, while more students are studying at university than ever before. This Budget funds more sub-bachelor and post-graduate university places, and increases funding for research fellowships.

It funds the establishment of *DisabilityCare Australia*, the National Disability Insurance Scheme, one of the biggest social policy reforms in our nation's history, to ensure that Australians with significant and permanent disability get the support they need when they need it.

It reaffirms the Government's commitment to Australia's national security and interests, and provides Defence with the resources it needs to deliver on the priorities in the 2013 Defence White Paper. It helps make our communities safer by funding local engagement activities for youth, community infrastructure and law enforcement efforts.

It provides for important new funding for better health care for all Australians, including measures to provide access to new medicines and medical procedures, improve cancer treatment and support services, and to fund research that will help to prevent, diagnose and treat cancer.

It funds important investments in rural and regional Australia, with the National Drought Program Reform providing better support for farmers and their families.

ECONOMIC OUTLOOK

The Australian economy continues to outperform most of the developed world and prospects remain favourable, with an outlook of solid growth, low unemployment and contained inflation.

The economy is expected to undergo two large and important transitions over the forecast period. Following the largest investment boom in Australia's history, the resources sector will transition away from the investment phase towards exceptional growth in production and exports. More broadly, the Australian economy will transition to non-resource drivers of growth. As this transition unfolds, economic growth is forecast to be close to trend at 2¾ per cent in 2013-14 and 3 per cent in 2014-15.

Table 2: Major economic parameters[(a)]

	Forecasts			Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
Real GDP	3	2 3/4	3	3	3
Employment	1 1/4	1 1/4	1 1/2	1 1/2	1 1/2
Unemployment rate	5 1/2	5 3/4	5 3/4	5	5
Consumer Price Index	2 1/2	2 1/4	2 1/4	2 1/2	2 1/2
Nominal GDP	3 1/4	5	5	5 1/4	5 1/4

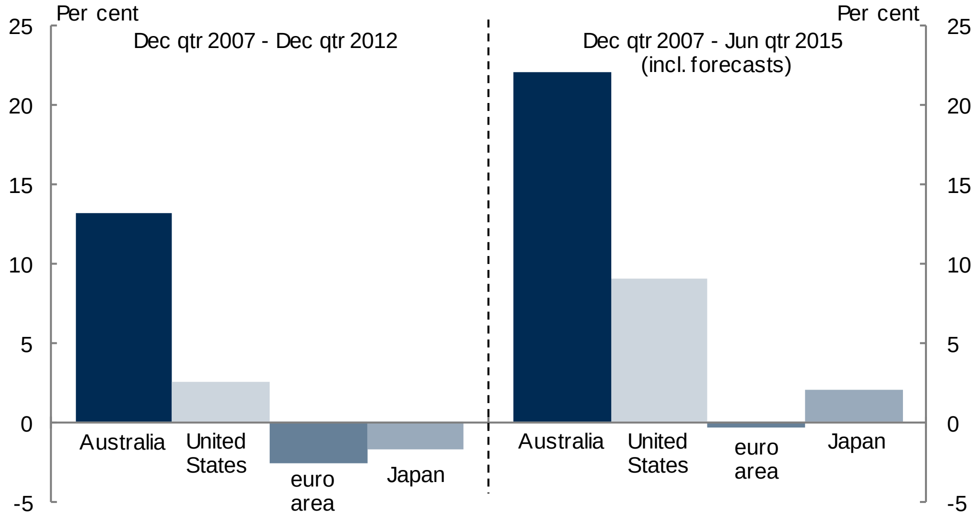
(a) Real and nominal GDP are year-average growth. Employment and CPI are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter.
Source: Treasury.

Australia is starting the transition from a position of strength, having one of the strongest economies in the developed world. The Australian economy is more than 13 per cent larger than it was in late 2007, with growth significantly outpacing major advanced economies. Around half of all advanced economies have not recovered lost output over this period. Australia's economy is also expected to continue to grow faster than most of the developed world over the forecast period, building on Australia's impressive record of economic growth and job creation over the past five years (Chart 1).

Global financial market sentiment has improved noticeably since late 2012, though global economic conditions remain challenging, particularly in the major advanced economies. Global growth continues to be driven by emerging market economies, with the weight of global economic activity increasingly shifting towards Asia.

The Australian economy continues to benefit from the opportunities created by this shift in global growth towards Asia. In recent times, Australia's economic growth has been supported by strong demand from Asia, particularly for our commodities, which has driven an unprecedented surge in resources investment. Resources investment is expected to reach a record level of over 8 per cent of GDP in 2013-14, driving new business investment as a share of GDP to the highest level on record.

Chart 1: Real GDP growth



Source: ABS cat no. 5206.0, national statistical agencies, Thomson Reuters and Treasury.

Resources investment is expected to remain elevated through to at least the middle of the decade. The pipeline of resources investment remains substantial, with over $260 billion of investment either committed or under construction. While resources investment will begin to detract from growth after it passes its peak, the resources sector will continue to make an important contribution to growth as the investment phase transitions into the production phase, with record levels of resources investment expected to fuel exceptional growth in resources production and exports. Non-rural commodity export volumes are expected to grow over 30 per cent over the next three years, and a substantial pick up in liquefied natural gas exports in the second half of the decade will support growth for years to come.

Outside of the resources sector, strong growth in emerging Asia will provide opportunities for Australia's services sector and other parts of the economy to increase exports. Reductions in official interest rates are helping to support the transition underway in the economy towards non-resource sources of growth. The official cash rate is now 200 basis points lower than it was in late 2011, and parts of the economy are starting to respond to this. Dwelling investment is already showing signs of a recovery and consumer sentiment has increased since the start of the year and is now above historic-average levels. The near-term outlook for business investment outside the resources sector remains subdued with low capacity utilisation in some sectors, although this too is expected to pick up over time.

While prospects remain favourable, the transition underway in the economy may not be seamless. The resources sector is transitioning to the less labour intensive production phase, and the high Australian dollar, difficult global economic conditions, and household caution around debt accumulation are still weighing on many sectors of the economy. Consistent with this outlook, employment is expected to grow 1¼ per cent through the year to the June quarter 2014, and the unemployment rate is expected to drift slightly higher to 5¾ per cent by the June quarter 2014. In 2014-15, the unemployment rate is expected to stabilise at this level, as employment growth picks up to 1½ per cent through the year to the June quarter 2015 in line with a strengthening economy. The forecast unemployment rate remains low by historical standards and is in stark contrast to the high rates in the major advanced economies.

In contrast to the resilience in real GDP and the labour market, nominal GDP — or the dollar value of goods and services produced in the economy — has been profoundly affected by the sustained high dollar and falling global commodity prices. This unusual combination is having an acute and enduring impact on prices and profitability across the board, despite continued solid growth in the real economy. While real GDP grew 3.1 per cent through the year to December 2012, nominal GDP rose by an unexpectedly weak 2.0 per cent. Through-the-year nominal GDP growth has fallen short of real GDP growth in only three other episodes (the global financial crisis (GFC), the Asian financial crisis, and the 1960s credit squeeze) and has now grown slower than real GDP for a record three consecutive quarters, the first time this has occurred since quarterly records began.

Consistent with the unusual weakness in nominal GDP, the National Accounts measure of company profits has fallen for a record five consecutive quarters. The weakness in profit growth is indicative of the widespread and significant effect of the high Australian dollar and falling commodity prices on profitability in both the resource and non-resource sectors.

While commodity export volumes have been growing strongly, the average price that Australian producers received for those exports fell 24 per cent from their recent peak in September 2011 to December 2012. This fall in commodity prices has led to sharp declines in resource profits. Commodity prices have since recovered some of their lost ground. While there may be short-term volatility, commodity prices are expected to continue to ease in trend terms, in line with growing world supply, placing downward pressure on profits and nominal GDP growth over the forecast period.

Although commodity prices and the terms of trade have fallen significantly from their peaks, the dollar has remained stubbornly high — a highly unusual combination. The trade weighted index of the Australian dollar has risen to around 30-year highs, driven by a 20 per cent appreciation against the Japanese Yen over the past six months. The strength of the Australian dollar reflects the fundamental strength of the Australian economy. With low unemployment, stable inflation and low levels of public debt, Australia is one of only eight countries with a AAA credit rating with a stable outlook from all three rating agencies. These strong fundamentals and the relative attractiveness of yields on offer have increased the demand for Australian dollar denominated assets.

The high dollar in the face of declining terms of trade has contributed to broader weakness in prices and profit. Notwithstanding business investment reaching record highs as a share of GDP, growth in producer prices remains contained. More broadly, there are persistent competitive pressures from the sustained high dollar in trade-exposed sectors. Consumer caution and changing spending patterns have added further competitive pressure on retailers. In response to these pressures, firms have been absorbing costs rather than passing them on as higher prices, which has reduced profit margins. Non-mining profit rose 0.9 per cent in 2012, well below the annual average increase of 14.1 per cent in the ten years prior to the GFC. Some firms are responding to these pressures by improving productivity and adapting their business models. Still, ongoing competitive pressures from the sustained high dollar are expected to continue to constrain price and profit growth over the forecast period.

Consistent with strong competitive pressures, consumer price inflation is expected to be well contained. Headline inflation is forecast to be 2½ per cent through the year to the June quarter 2013, including a one-off ¾ of a percentage point increase due to the introduction of the carbon price, before declining to 2¼ per cent through the year to the June quarter of both 2014 and 2015.

The main risks to the outlook continue to stem from the external environment. The key international risk is the potential for a re-escalation of the euro area crisis. A failure to raise the debt ceiling in the United States in a timely manner is the other key near-term risk, while the threat of a global oil price shock also lingers. The transmission of volatility abroad to commodity prices presents a considerable risk to the forecast for nominal GDP. Additionally, there is a risk that the transition to non-resource drivers of growth may be less seamless than forecast. That said, the Australian economy faces these challenges from a position of strength, and the structural changes in the global economy provide Australia with significant and lasting opportunities.

FISCAL STRATEGY AND OUTLOOK

Significant write-downs in revenue have caused the Government to recalibrate the pace of fiscal consolidation. This Budget sets out a responsible path to return to surplus on a timetable that supports jobs and growth. In the current environment, making significant cuts to offset revenue write downs in a short period of time would have come at a significant cost to jobs and growth.

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 GFC 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.

Striking the right fiscal balance

The Government is charting a sensible pathway to surplus over the forward estimates, consistent with maintaining solid growth and low unemployment. A more gradual return to surplus is appropriate given the significant downgrades to revenue and the transition underway in the economy.

Responding to changing economic and fiscal circumstances is a central element of the Government's fiscal approach. This allows the near-term fiscal settings to reflect economic circumstances and to maintain a medium-term path that ensures ongoing fiscal sustainability. While the changing revenue outlook has inevitably changed the budget outlook, the Government's approach to supporting jobs and growth remains the same. At the height of the GFC the Government stepped in to keep the economy out of recession and protect jobs. The Government has since delivered a sensible fiscal consolidation that is consistent with maintaining solid growth and low unemployment (Box 1).

Returning to surplus too quickly by making drastic spending cuts in the near term could have only been achieved at a significant risk to jobs and growth in the economy, which is inconsistent with the Government's fiscal strategy. For this reason, the Government has chosen not to offset substantial revenue downgrades in the near term. Strong public finances require a strong economy. The Government's fiscal consolidation has therefore been targeted to limit any adverse impact on economic growth and employment, with the expected overall impact of the Government's policy decisions on economic growth and employment in 2012-13 and 2013-14 largely unchanged since MYEFO.

Box 1: Managing the pace of fiscal consolidation

Between the height of the GFC in 2009-10 and the return to balance in 2015-16 the fiscal position is expected to consolidate by 4.2 per cent of GDP. This consolidation combines the impact of the natural recovery in tax receipts following the GFC, the savings decisions that the Government has made, and the expiry of temporary stimulus measures.

The timing of the consolidation has been designed to manage its impact on growth and jobs. The fiscal consolidation in 2012-13 is now expected to be 1.6 per cent of GDP, with the change since MYEFO largely due to the write-down in tax receipts of 0.8 per cent of GDP.

This Budget will deliver an average annual fiscal consolidation of around ½ of a percentage point of GDP per annum from 2013-14 to 2016-17. This rate of consolidation is consistent with returning the budget to surplus while supporting jobs and growth and making room for nation building investments.

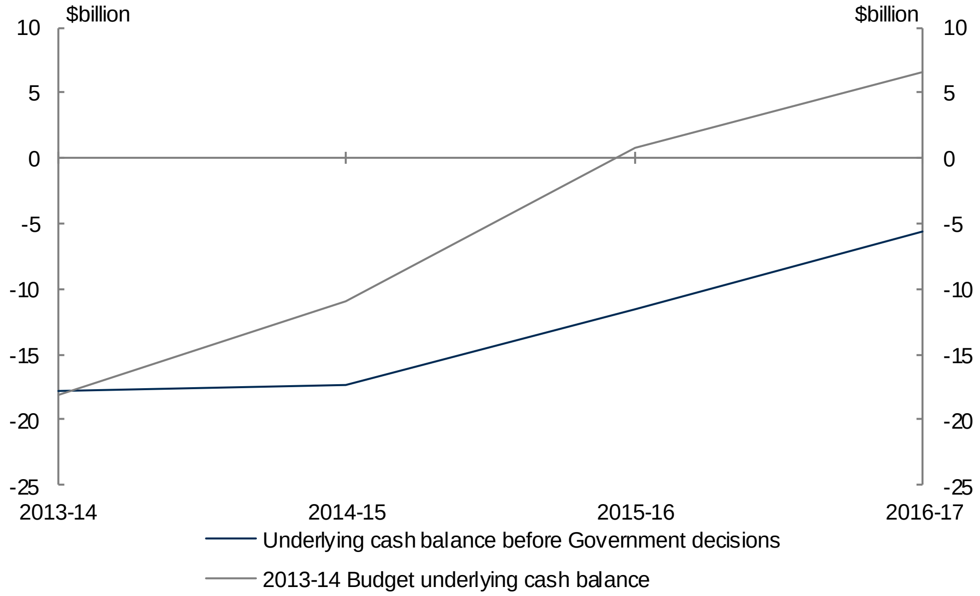
From 2014-15 the contribution of the natural recovery of tax receipts is expected to slow, and policy is expected to have a more significant role in the fiscal consolidation than in 2013-14. All new payments measures within the forward estimates have been more than offset by reductions in payments. From 2014-15 onwards the consolidation is driven by the measures Government is taking to shore up the integrity of the tax system, and the increase to the Medicare levy to provide a strong and stable funding source for *DisabilityCare Australia*.

Despite the more gradual return to surplus, the Government's fiscal consolidation provides ongoing scope for monetary policy to respond to economic developments as needed. Just as the Government's fiscal settings are consistent with solid growth and low unemployment, they are also consistent with contained inflation. The Government's fiscal consolidation has already given the RBA scope to ease monetary policy, with policy interest rates reduced by 200 basis points since late 2011. Lower interest rates are already providing support to many sectors, assisting the transition towards non-mining sources of growth over the forecast period.

The Government is maintaining its record of fiscal discipline and is taking important steps to improve the sustainability of Australia's public finances. Already, real growth in spending between 2009-10 and 2012-13 is less than in any equivalent period of time since the late 1980s. The discipline imposed on real spending growth means that the average payment to GDP ratio over the five years from 2012-13 is lower than the average payment to GDP ratio over the previous thirty years. This Budget contains savings that total $43 billion across the forward estimates. The Government's sensible fiscal consolidation and clear and credible pathway to surplus support Australia's AAA credit rating, which underscores confidence in the Australian economy. The Government is expected to return to surplus before most advanced economies.

The Government's fiscal discipline is also necessary to make room for the significant investments this Budget makes in education, infrastructure, and a fairer go for Australians with a disability. These reforms have the potential to improve the long-term growth prospects of the economy, lifting productivity growth and enhancing participation. The impact of these reforms will improve fiscal sustainability in the long run. Without the net impact of policy decisions in this Budget the underlying cash balance would have remained in deficit through the forward estimates (Chart 2).

Chart 2: Government decisions improve the underlying cash balance



Source: Treasury.

An important foundation of sound public finances is transparency. The Government has taken measures that will add to the transparency of the debate over the budget position through the creation of the Parliamentary Budget Office (Box 2).

Fiscal outlook

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

An underlying cash deficit of $19.4 billion (1.3 per cent of GDP) is expected in 2012-13, with a deficit of $18.0 billion (1.1 per cent of GDP) expected in 2013-14.

Box 2: Fiscal transparency — The Parliamentary Budget Office

Transparency of fiscal policy is a fundamental element of the Australian budgetary and political landscape. Since 1998, the Charter of Budget Honesty has provided a detailed framework for the conduct of Government fiscal policy, including regular reporting on the Government's fiscal strategy and the economic and fiscal outlook. The Charter also includes a mechanism for costing the election commitments of the Government, the Opposition, and (since 2011) minority parties.

The Government has supported fiscal transparency by establishing the Parliamentary Budget Office (PBO), with the first Parliamentary Budget Officer — Mr Phil Bowen PSM — appointed on 30 May 2012. The PBO provides independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals. The availability of the PBO's services means all Parliamentarians have access to high quality advice about the fiscal implications of their policies, which enables them to be more transparent to the Australian public about those implications.

The Government has taken further steps to improve fiscal transparency, by introducing legislation to require the PBO to publish a post-election report on the cost of the election commitments of each party with five or more members of Parliament. If passed, this legislation will mean there is a non-partisan and independent analysis of the fiscal implications of each party's election commitments. The Government has also provided additional funding to the PBO to support its functions, particularly during election years. These measures will ensure that political debate on questions of fiscal policy is informed by rigorous independent analysis.

Weaker tax revenue as profits slow

Tax receipts (abstracting from policy measures) have been revised down by around $60 billion over the four years to 2015-16 since MYEFO.

Tax receipts have been significantly affected by weaker than expected nominal GDP growth. Weaker commodity prices and the persistently high Australian dollar have hit company profits across most of the economy, including the resources sector. This has had a significant impact on the level of company tax receipts expected in 2012-13 and over the forward estimates. Lower than expected capital gains tax and resource rent taxes have compounded the fall in company tax receipts.

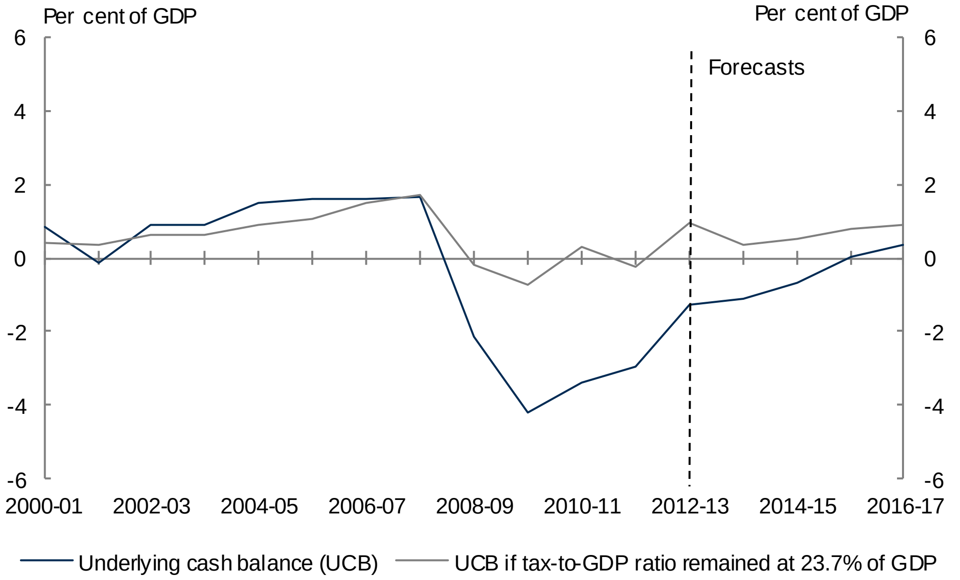
Income tax withholding and consumption taxes have been revised down to a lesser extent, reflecting the forecast for modest wages growth and solid consumption growth. The fall in tax receipts has been partly offset by policy measures including measures designed to ensure the integrity of the tax base.

Corporate profitability has been unexpectedly weak. The persistently high Australian dollar is having an acute and widespread effect on profits and prices. Over the past year and a half, private non-financial corporate gross operating surplus, the National Accounts measure of private corporate profitability, has fallen by almost the same amount as during the early 1990s recession and the GFC, albeit over a longer period of time. This is highly unusual in what has otherwise been a period of solid economic growth.

Company taxes have been revised down by around $5.2 billion in 2012-13 and $7.2 billion in 2013-14. In comparison, the outcome for 2008-09 company tax receipts was $11.3 billion lower than forecast at the 2008-09 Budget, the last budget before the GFC. Resource rent taxes have been revised down by around $3.6 billion in 2012-13 and $3.2 billion in 2013-14.

Across the forward estimates, tax receipts as a share of GDP are expected to remain well below pre-GFC levels. Over the five years to 2012-13, the average tax to GDP ratio is expected to be 20.9 per cent, lower than any period since the five years ending in 1995-96. Had tax receipts stayed at the share of 2007-08, the Budget would have been in surplus from 2012-13 onwards (Chart 3).

Chart 3: Underlying cash balance if tax receipts were 23.7 per cent of GDP



Source: Treasury.

Responsible savings

The responsible savings in this Budget ensure investments in priorities for future growth are fully funded including in education, disability and nation building infrastructure.

This Budget makes $43.0 billion in savings that improve the budget position, continuing the Government's record of offsetting all new spending since mid-2009.

This includes $16.4 billion in savings in MYEFO and more than $130 billion of savings identified in the five budgets since 2008-09. Over the past six Budgets the Government has identified savings of over $180 billion.

These savings decisions improve the position of the budget, and help to pay for critical new investments. In making these decisions the Government has paid careful attention to the impact on growth and jobs, delivering greater fairness in existing expenditure and concessions and taking the responsible decisions to keep our public finances on a sustainable footing.

In the fiscal environment Australia currently faces any new policy requires reprioritisation. In some areas some slowing in the growth in expenditure is necessary to pay for significant new reforms. And in other areas the Government has retargeted spending to those who need it most.

The Government continues to work to protect the tax base, and, in particular in this Budget, will protect the corporate tax base from erosion and loopholes. By improving the integrity and fairness of the corporate tax system in this year's Budget, the Government is ensuring that other firms are not forced to contribute more to make up for the reduced revenues from those able to exploit loopholes. Protecting the corporate tax base in this way contributes to a sustainable fiscal position, which is essential to Australia's future prosperity.

The Government will also increase the Medicare levy by half a percentage point from 1.5 to 2 per cent of taxable income, to provide a strong and enduring funding source for *DisabilityCare Australia* — the most fundamental social policy reform since Medicare. This will provide Australians with significant and permanent disability and their families with the support they need, when they need it. The money raised by the increase in the Medicare levy will be placed into the *DisabilityCare Australia* Fund, which will only be drawn upon to fund the additional costs of delivering *DisabilityCare Australia*. Virtually all taxpayers will still be paying less income tax than they would have under the 2007-08 tax scales, due to the Government's three rounds of tax cuts and the tripling of the tax-free threshold.

The Government introduced a carbon price from 1 July 2012 as part of the Clean Energy Future Plan. From 1 July 2015, the carbon price links with the European Union emissions trading scheme, the largest trading scheme in the world, with the European price expected to set the Australian price. The price of carbon in Europe has fallen due in large part to ongoing economic weakness. Carbon price estimates have been revised down in this Budget, with carbon price revenue now estimated to be lower, particularly from 2015-16 onwards.

The 2015-16 personal income tax cuts were designed to assist households on the expectation of an increase in the carbon price to $29 in 2015-16 from the fixed price of $25.40 in 2014-15. As the carbon price is now projected to be around $12 in

2015-16, these tax cuts will be deferred until the carbon price in the Budget is estimated to rise above $25.40. All existing household assistance will remain in place.

Key elements of the Clean Energy Future plan were designed to adjust automatically with changes in the carbon price, including permit-based assistance through the Jobs and Competitiveness Program and the Energy Security Fund. Further targeted savings will be made to specific programs, including through adjustments to extend the life of programs and better match spending with the collection of revenue from the carbon price. Further information on these changes is provided in Box 2 in Budget Statement 3.

The Government is also extending the requirement to make monthly Pay As You Go (PAYG) income tax instalments announced in MYEFO to all large entities in the PAYG system, including trusts, superannuation funds, sole traders and large investors. This change will better match tax collections with the economic conditions faced by business and ensure neutral treatment across business structures.

The Government is better targeting support for research and development (R&D) by limiting access to the R&D tax incentive so that it only applies to companies with annual aggregate Australian turnover of less than $20 billion from 1 July 2013. This is estimated to increase tax receipts by $1.1 billion over the forward estimates period. This change will ensure that the incentive is targeted to companies that are more responsive to the incentive, delivering value for money for the community.

The Government will phase out the poorly targeted Net Medical Expenses Tax Offset. All existing claimants will be grandfathered for two years, and claims for aged care, disability aids and attendant care will be allowed through until 30 June 2019, as reforms to aged care are implemented and *DisabilityCare Australia* is rolled out across the country. This will provide savings of $963.5 million over four years.

The Government will restructure the Import Processing Charge to recover the costs of all import related cargo and trade functions undertaken by the Australian Customs and Border Protection Service. The new charges will come into effect from 1 January 2014 and apply to consignments valued over $10,000, generating additional revenue of $674 million over four years.

In this Budget the Government will reform the family payments system to improve its sustainability, and better target assistance now Australia has a national Paid Parental Leave (PPL) scheme. From 1 March 2014, the Baby Bonus will be replaced with an increase to Family Tax Benefit Part A (FTB-A). For those families not claiming PPL, FTB-A will be increased by $2,000 following the birth or adoption of a first child and by $1,000 following the birth or adoption of a second or subsequent child.

The Government is also improving the PPL scheme by extending the work test so that parents will be able to count periods of Government PPL as 'work', just like employer-funded PPL. Currently, some parents who have children close together are unable to meet the work test in time to claim PPL for the subsequent birth, and this measure will particularly assist these families.

In addition, the indexation pauses on the FTB end-of-year supplements, the Child Care Rebate annual per child cap, the higher income tests for family payments and the income threshold for the dependency tax offsets will be extended for a further three years.

These family payments reforms will save a total of $2.5 billion over the forward estimates.

Further, in light of revenue write downs across the forward estimates, the Government will not proceed with the increase to FTB-A announced in the 2012-13 Budget.

The Government has announced a package of reforms to improve the fairness, sustainability and efficiency of the superannuation system. These reforms will save around $0.9 billion over the forward estimates period and build on previous reforms to make the superannuation system stronger and fairer.

In order to have the best universities we need to have the best schools. The Government's substantial investment in universities will continue, with some adjustments to help make room for the National Plan for School Improvement. The Government is introducing an efficiency dividend of 2 per cent in 2014 and 1.25 per cent in 2015 on most grants programs under the *Higher Education Support Act 2003*. The Government will also replace the Student Start-up Scholarships program with an equivalent income contingent loan program for new students, abolish the 10 per cent HECS-HELP up-front payment discount and 5 per cent voluntary HELP repayment bonus, and introduce a $2,000 cap on the tax deduction for work-related self-education expenses. Higher education funding is expected to be 17 per cent higher in real terms by 2016-17 (the end of the forward estimates) than it was in 2007-08, when the Government came to office.

The Government will also index tobacco excise and excise equivalent customs duty to average weekly ordinary time earnings (AWOTE), replacing the current Consumer Price Index (CPI) indexation. This will ensure tobacco excise keeps pace with income growth.

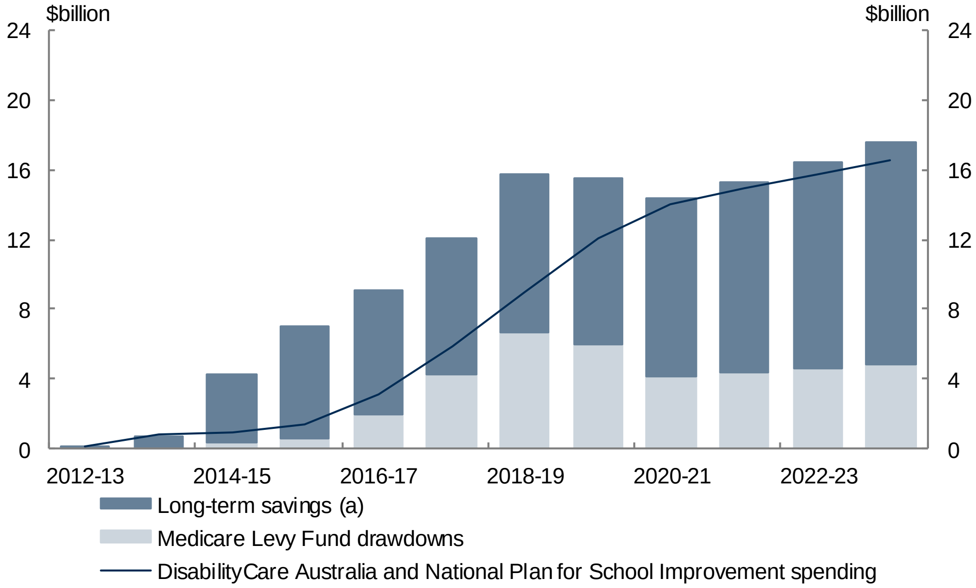
The Government will continue to increase its official development assistance program to 0.5 per cent of gross national income, but will defer the target date by one year from 2016-17 to 2017-18. This decision will result in $1.9 billion in savings over the forward estimates while still growing annual aid spending by 42.4 per cent over this period.

Savings for the longer term

Since its first Budget in 2008-09 the Government has consistently made savings decisions that continue to benefit the budget beyond the forward estimates. These savings have allowed the Government to make room for new priorities such as establishing *DisabilityCare Australia*, and the National Plan for School Improvement. These enduring savings have also helped improve the budget bottom line, helping to achieve the goals of the Government's medium-term fiscal strategy.

Long-term savings made prior to this Budget include gradually increasing the pension age to 67, reforms to the private health insurance rebate and to the family payments system, changes to the concessional contribution arrangements for superannuation, means testing for aged care recipients, and reforms to personal tax offsets and fringe benefits tax concessions to make the tax system fairer. Significant long-term savings in this Budget build on this record, and include the changes to education funding, reforms to business taxation, the increase to the Medicare levy, reforms to family payments, and the phasing out of the poorly targeted net medical expenses tax offset. The long-term savings made in this budget total $77 billion by 2020-21. These savings fully offset the expenditure needed for *DisabilityCare Australia* and the National Plan for School Improvement (Chart 4). Between 2013-14 and 2023-24 the long-term savings provide $121 billion.

Chart 4: Making Room for the National Plan for School Improvement and *DisabilityCare Australia*



(a) Long-term savings from 2013-14 Budget and 2012-13 MYEFO, excluding Medicare Levy and net of Dental Care Reform expenditure.

Without the savings made since the 2008-09 Budget the outlook would be much poorer. The long-term savings the Government has made in this Budget and previously, mean that the budget is cumulatively better off by over $300 billion by 2020-21.

These savings also help to deal with the longer-term budget pressures that were identified in the Intergenerational Report. The Intergenerational Report showed that without changes to future policy the expenditure pressures from ageing and other factors would create a significant fiscal gap by 2050. Changes to health expenditure, such as adjustments to the indexation of the Medicare benefits schedule, have helped to reduce one of the most significant contributors to the projected fiscal gap.

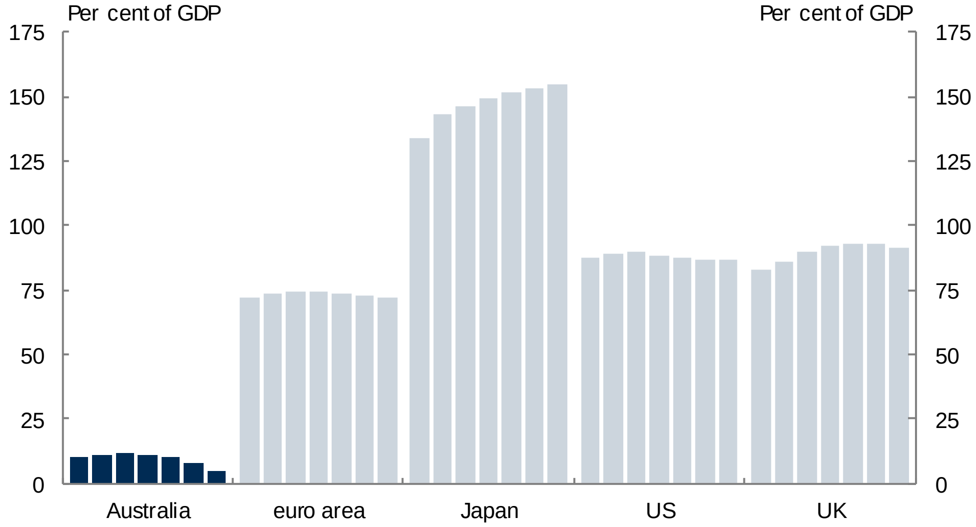
A strong and sustainable budget position

The Government's fiscal strategy will ensure that Australia's financial position remains one of the strongest in the developed world.

Net debt is expected to peak at 11.4 per cent of GDP in 2014-15, and decline over the remainder of the forward estimates. Net debt is projected to reach zero in 2021-22, only one year slower than projected at MYEFO despite the substantial reduction in expected tax revenue.

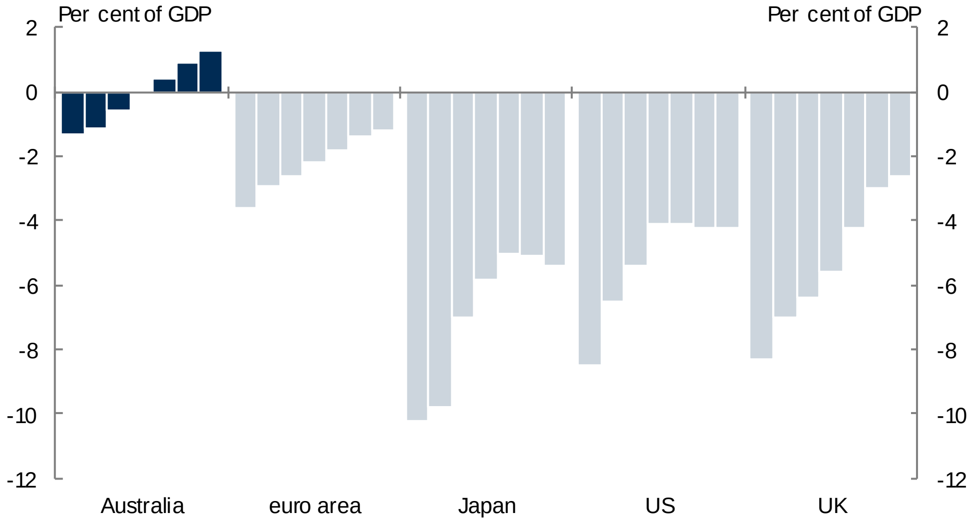
Net debt remains very low by international standards, with the average net debt position of the major advanced economies expected to be around 93 per cent of GDP in 2014 (Chart 5). Despite the delay in the return to surplus, Australia will return to surplus ahead of most other advanced economies (Chart 6).

Chart 5: Comparison of Government net debt for selected economies, 2012-2018



Note: Australian data are for the Australian Government general government sector and refer to financial years beginning 2012-13. Data for all other economies are total government and refer to calendar years beginning 2012.
Source: IMF Fiscal Monitor April 2013 and Treasury.

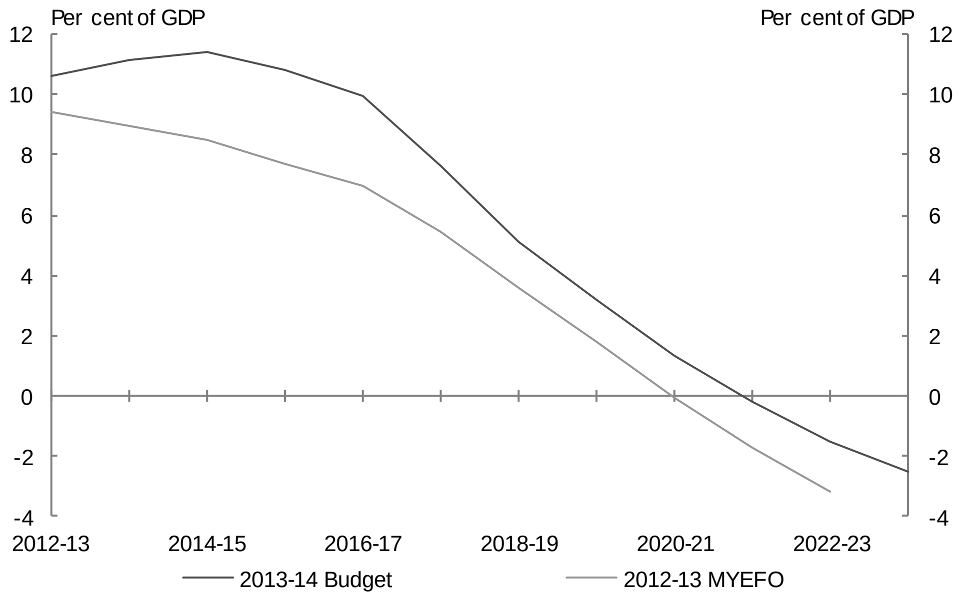
Chart 6: Comparison of Budget balances for selected economies, 2012-2018



Note: Australian data are for the Australian Government general government sector underlying cash balance and refer to financial years beginning 2012-13. Data for all other economies are total government and refer to calendar years beginning 2012.
Source: IMF Fiscal Monitor April 2013 and Treasury.

The medium-term projections show Australia's net debt continuing to fall, reaching zero by 2021-22 (Chart 7).

Chart 7: Net debt projected to 2023-24



Source: Treasury.

BUDGET PRIORITIES

This Budget will help build a stronger, smarter and fairer Australia, giving current and future generations the best opportunity to succeed in the Asian Century.

This Budget invests a further $24 billion in vital infrastructure projects from 2014-15 to 2018-19 all around Australia. This means the Government will have invested around $60 billion on essential infrastructure from 2008-09 to 2018-19.

This Budget supports once-in-a-generation reforms to Australian school funding arrangements, through the National Plan for School Improvement. These reforms are critical to building a more productive and prosperous Australia by investing in our most important resource, our people.

This Budget provides funding to rollout *DisabilityCare Australia* across the country. This will support one of the biggest social policy reforms in our nation's history, ensuring that Australians with significant and permanent disability get the support they need when they need it.

The expenditure for *DisabilityCare Australia* and the National Plan for School Improvement investments have been fully offset to 2023-24 and beyond.

Other key priorities in the 2013-14 Budget are to:

- boost the Government's commitment to protect Australians at home and abroad, by: strengthening Australia's air combat capabilities; providing ongoing support to our soldiers, police and officials deployed on overseas operations; continuing to help overcome poverty through our aid program; and making a significant investment in combatting gang violence and organised crime;

- increase access to high quality, affordable and flexible childcare by undertaking a major investment in early childhood education, including new funding to assist child care providers to attract and retain qualified professional employees;

- build on the $16.4 billion National Health Reform Agreement by continuing to improve access to high quality health care, medicines and support services, and investing to improve cancer treatment and support services;

- support Australian jobs and industry by backing Australian companies to win more work at home and abroad, and helping small and medium businesses to grow and create new jobs;

- strengthen regional cooperation and the Government response to people smuggling;

- ensure Australia maintains a responsive education and training system and supports world-class research by providing additional Commonwealth Supported sub-bachelor and postgraduate university places and additional Future Fellowships to attract and retain the best researchers to our universities;
- support jobseekers in the transition to work including through the first increase in over a decade to the income free area for Newstart and other similar allowances from $62 to $100 a fortnight, and indexing from 1 July 2015;
- fund important investments in rural and regional Australia, and the National Drought Program Reform to better support farmers and their families;
- reform the superannuation system to improve its fairness, sustainability and efficiency;
- protect the corporate tax base from erosion and loopholes;
- assist seniors who want to downsize their home by providing a pension means test exemption of up to $200,000 for ten years;
- invest in the provision of vital homelessness services;
- support a thorough investigation by the Royal Commission into institutional responses to child sex abuse; and
- support the role creativity plays in Australian society through *Creative Australia*, the national cultural policy.

INVESTING IN NATION BUILDING INFRASTRUCTURE

This Budget announces the next wave of the Government's flagship Nation Building Program that is delivering high-quality infrastructure projects to boost Australia's productive capacity. The Government will invest a further $24 billion on roads, rail and ports from 2014-15 to 2018-19, building on the $36 billion already invested over the six years to 2013-14. This means that the Government will have invested around $60 billion on essential infrastructure from 2008-09 to 2018-19. The projects funded through this investment will enhance liveability, and the movement of goods and people in urban and regional areas. This will improve the connection between the farm gate and Australia's domestic markets and export gateways, helping to reduce business costs and enhance Australia's overall wellbeing.

Building Australia's future infrastructure

This Budget commits to further infrastructure investment which will benefit Australians across the country. The Government has identified the nation's future infrastructure priorities, and is providing funding towards key projects in both urban and regional areas. For example, in our regions, the Government has allocated a further $2.3 billion to 2020-21 for critical infrastructure projects under Stream 2 of the Regional Infrastructure Fund (RIF). This builds on the Government's initial $916.0 million commitment under Stream 1 of the RIF.

In Queensland, the Government is investing $4.1 billion in the State's most important piece of road infrastructure, the Bruce Highway, over the 10 years from 2012-13. This brings the Government's total commitment to the Highway to $5.7 billion since 2008. This additional funding will improve road safety and enhance flood resilience on this key corridor, supporting the nation's economic development by enabling valuable freight to keep moving during the wet season.

The Government is also providing $715.0 million to fund the much needed Brisbane Cross River Rail project. The project, identified as a national 'priority' by Infrastructure Australia, will significantly increase the capacity of Brisbane's inner city rail network. The Government is also investing $718.0 million to upgrade and widen Brisbane's Gateway North Motorway, and $317.5 million in a package of works to improve safety and capacity on the Warrego Highway between Toowoomba and Miles.

This Budget also invests in Victoria's infrastructure needs, providing $3.0 billion to the Melbourne Metro rail project to upgrade rail capacity to meet the growing demands on Melbourne's train network in the medium and long term. This key project, also identified as a national 'priority' by Infrastructure Australia, will help to reduce traffic congestion by providing commuters with greatly improved public transport options. The Government is also investing $525.1 million to complete the widening of Melbourne's M80 Ring Road.

In New South Wales, the Government continues to invest in productivity enhancing infrastructure to relieve bottlenecks and urban congestion, thereby reducing business costs. The Government is making a $1.8 billion provision towards the Sydney Motorways (M4 extension and M5 duplication), subject to the New South Wales Government meeting a number of preconditions. These include ensuring that the road connects directly to the city and Port Botany and that new tolls are not imposed on existing un-tolled roads. In addition, the Government is partnering with the New South Wales Government and Transurban to build a tunnel linking the F3 with the M2. The Government is contributing $400.0 million to ensure that this much needed 'missing link' in the Sydney motorway network is built. The project is an example of the Government working with the private sector and State governments to deliver nationally significant infrastructure projects.

In Western Australia, this Budget is providing $500.0 million to assist in the delivery of a public transport project in Perth, either the Perth Light Rail project or the construction of a new rail link to the city's airport. The Government is also investing $900.1 million in Western Australia's regions through the RIF, including $418.3 million in the Perth to Darwin National Highway (Swan Valley Bypass) and $307.8 million to improve the Great Northern Highway between Muchea and Wubin.

The Government is funding infrastructure needs in South Australia, with $448.0 million being provided for the South Road upgrade in Adelaide, building on the previously funded South Road Superway, and in Tasmania, where the Government is providing $500.0 million over 10 years towards a package of works to upgrade the Midland Highway. This will enhance traffic flows between Hobart and Launceston for both freight and commuters, and deliver improved road safety outcomes.

All of these investments demonstrate that the Government is funding nation building infrastructure projects right around the country.

A new way of thinking about infrastructure

The Government recognises that the future growth of infrastructure will require a new approach to funding and financing, to make us stronger for the future. In line with the Infrastructure Finance Working Group Report, the Government continues to foster greater private sector involvement in infrastructure. The F3 to M2 'missing link' in Sydney is a good example of how the Government is working with the private sector to deliver nationally significant infrastructure projects. Consistent with this, the Government is also looking to utilise new funding and financing arrangements to help attract private sector involvement in the Melbourne Metro and Brisbane Cross River Rail 'mega projects'. This commitment to working with the private sector is in line with the approach demonstrated in the last Budget to develop the Moorebank Intermodal Terminal.

This new approach builds on the solid foundations the Government has already put in place to identify the right infrastructure projects and make effective funding decisions. The establishment of Infrastructure Australia has overhauled the way our nation plans, prioritises, builds and uses its infrastructure, delivering real outcomes, such as our National Ports Strategy.

In order to support continued partnerships between the Government and the private sector, the Government is establishing a new advisory function within Treasury to provide guidance on the most appropriate funding and financing structures to bring complex infrastructure projects to market. This will minimise the risks that could be associated with new financing arrangements, and help to build investment capacity in Australia.

National Broadband Network

The Government will invest up to $30.4 billion in equity in NBN Co to fund the rollout of the $37.4 billion National Broadband Network (NBN).

The NBN will deliver a major advancement in the quality and speed of broadband access for all Australians. At the same time, it will help boost Australia's future productivity performance and enhance Australia's future economic growth and prosperity.

The NBN will enhance the ability of Australian businesses to compete, as it will help to reduce operating costs and improve access to customer markets. It will improve access to health services, such as by enabling patients in remote locations to receive in-home health care and stay in their homes for longer. Furthermore, the NBN will expand educational opportunities as distance will no longer be an obstacle to accessing world-class educational information and services.

NBN Co's latest three year rollout plan will see construction commenced or completed for over 4.8 million premises nationwide by June 2016.

This Budget also delivers an additional $12.9 million to assist local governments, small businesses, and not-for-profit organisations to engage in the digital economy and take advantage of the NBN.

SCHOOLS REFORM

The Budget provides $9.8 billion over six years from 2014-15 for new needs-based school funding arrangements, and a new National Plan for School Improvement. This historic investment in Australia's schools will be central to Australia's future prosperity by lifting our productivity through investing in our most important resource, our people. Making sure we have world-class education is a central part of the Government's strategy for economic success. Improving our schooling outcomes will be vital for helping Australia seize the opportunities on offer in the Asian century.

The Government is introducing once-in-a-generation reforms of Australian school funding arrangements, delivering greater consistency in the distribution of funding, providing more support for disadvantaged students, and helping drive improvement at the student, school and national levels.

The Commonwealth's funding offer will remain open until 30 June 2013, to ensure schools have certainty around their 2014 funding levels well before the school year begins. Negotiations with states are ongoing, and the final outcome of these negotiations will be announced in the coming months.

A more equitable and consistent funding model

The Commonwealth's new Schooling Resource Standard (SRS) directs funding to those schools and students most in need. The SRS provides a base amount for every student, supplemented by additional funding for: schools in regional and remote areas; small schools; students from a low-socioeconomic status background; Indigenous students; and students with low English-language proficiency.

For the first time, government and non-government schools will be funded through a consistent formula. Families choosing non-government schools will continue to contribute to the base per-student amount through fees, but all additional funding for disadvantage will be fully publicly funded, regardless of which sector a school belongs to.

The Government is also providing $100 million to extend the More Support for Students with Disabilities National Partnership for one year, with support for students with disability to be built in to the new funding model from 2015. A further $14.4 million will support ongoing work on consistent definitions of and data collection to inform the new loading.

These new arrangements will be phased in over six years, with the Commonwealth providing 65 per cent of the additional investment required, and the states providing the remaining 35 per cent.

National Plan for School Improvement

While Australia's overall results in reading, maths and science are well above the OECD average, our results have declined over the last decade, and several countries in our region have overtaken us in the international rankings. There is also a persistent and significant gap between our highest and lowest performing students — and these low-performing students are disproportionately from disadvantaged backgrounds.

To drive improvements in student outcomes across the board, the Government is working with the States to finalise and agree the National Plan for School Improvement, including five key reform directions: quality teaching, quality learning, empowered school leadership, meeting student need, and transparency and accountability.

The Government is providing a further $64.7 million over five years to support the implementation of the education reforms proposed under the National Plan for School Improvement. This funding will provide the Australian Curriculum, Assessment and Reporting Authority, the Australian Institute for Teaching and School Leadership and Education Services Australia with new funding to develop and deliver important parts of the National Plan for School Improvement.

The Government is committed to ensuring every child has the opportunity to achieve excellent education outcomes. The reforms proposed under the National Plan for School Improvement, supported by a new and more equitable funding system, will help deliver on this commitment.

DISABILITYCARE AUSTRALIA

The Government will provide $14.3 billion in additional funding over seven years from 2012-13 to move to full implementation of *DisabilityCare Australia* (the national disability insurance scheme) by 1 July 2019. This includes the launch funding of $2.4 billion up to 1 July 2019, and new funding of $1.9 billion for transition to the full scheme over the first five years, $3.8 billion in 2017-18 and $6.2 billion in 2018-19. The Government will provide a total of $19.3 billion to *DisabilityCare Australia* over seven years from 2012-13, inclusive of the redirection of existing disability funding.

DisabilityCare Australia will establish a national disability support system across Australia for people with significant and permanent disability to be jointly funded by Commonwealth, State and Territory governments. It will provide people with disability with choice and control over their support services and enhance their opportunities for social and economic participation.

Launch of *DisabilityCare Australia*

Building on the Government's commitment in the 2012-13 Budget, *DisabilityCare Australia* will launch in four locations from 1 July 2013 and two locations from 1 July 2014.

The launch phase of *DisabilityCare Australia* will provide eligible participants with reasonable and necessary support tailored to their individual circumstances in South Australia (for children aged 0-14 years), Tasmania (for young adults aged 15-24 years), the Hunter region in New South Wales and the Barwon area of Victoria from 1 July 2013; and in the Australian Capital Territory and the Barkly region in the Northern Territory from 1 July 2014.

Over the three year launch phase from 2013-14, around 26,000 people will benefit from *DisabilityCare Australia*.

Nationwide rollout of *DisabilityCare Australia*

Seven States and Territories have agreed to fully implement *DisabilityCare Australia* — New South Wales, Victoria, South Australia, Tasmania, Queensland, the Australian Capital Territory and the Northern Territory.

DisabilityCare Australia will provide full coverage in the Australian Capital Territory by 1 July 2016, in New South Wales, South Australia by 1 July 2018 and in Victoria, Tasmania, Queensland and the Northern Territory from 1 July 2019. The Government is committed to ongoing negotiations regarding full implementation of *DisabilityCare Australia* across the country to ensure that all Australians with significant and permanent disability receive the support they need. Once *DisabilityCare Australia* is fully implemented from 1 July 2019, around 460,000 people with significant and permanent disability will receive the support they need.

The Government will also provide general assistance to people with disability who are not eligible for an individual package of support, but who still experience barriers to social and economic participation.

Funding for the roll out of *DisabilityCare Australia*

DisabilityCare Australia will require a strong and stable funding stream to provide certainty and security. The Government will increase the Medicare levy by half a percentage point from 1.5 to 2 per cent of taxable income from 1 July 2014. This increase in the Medicare levy is expected to raise $20.4 billion between 2014-15 and 2018-19.

The money raised from the increase in the Medicare levy will be placed into a *DisabilityCare Australia* Fund (the Fund) for 10 years which will only be drawn upon to fund the additional costs of delivering *DisabilityCare Australia*. A fixed amount of the money flowing into the Fund each year will be set aside for the States and Territories. This amount will be $825 million in 2014-15 (one quarter of the money estimated to be raised in that year). The annual amount allocated to the fund will be grown in future years by 3.5 per cent per year. Over 10 years, the States and Territories will be allocated a total of $9.7 billion.

DisabilityCare Australia is fully offset to 2023-24 and beyond.

PROMOTING AUSTRALIA'S NATIONAL SECURITY AND INTERESTS

This Budget reaffirms the Government's enduring commitment to promoting Australia's national security and interests, both abroad and at home. The 2013-14 Budget supports the delivery of the 2013 Defence White Paper (DWP), strengthens Australia's air combat capabilities, progresses Australia's efforts in confronting global security challenges during a period of transition, tackles gang violence and organised crime through renewed federal leadership, and strengthens the security of our borders.

In the *Australia in the Asian Century White Paper*, the Government committed itself to extending Australia's bilateral architecture with China through regular high-level meetings between leaders and senior ministers. On 9 April 2013, Australia and China launched the Strategic Partnership — an historic agreement to a new bilateral architecture that will guide the future relationship between our two countries.

The Strategic Partnership reflects the importance Australia and China place on the bilateral relationship, its expanding scope and depth, and the shared interests of both sides including in the continued development of a stable and peaceful Asian region.

The new bilateral architecture will provide a modern platform to give renewed strategic direction to the relationship between Australia and China. It features an annual leaders' meeting; an annual Strategic Economic Dialogue, between economic ministers of both countries; and an annual Foreign and Strategic Dialogue, between foreign ministers of both countries.

Delivering a strong Australian Defence Force

The 2013 DWP builds on the *Australia in the Asian Century White Paper* and the *National Security Strategy*. It addresses significant international and domestic developments since 2009 that have influenced Australia's national security and defence settings.

The Government will provide Defence with the resources it needs to deliver on the priorities in the 2013 DWP. The Defence funding model will be based on the four-year forward estimates Budget cycle, determined on an annual basis taking into account contemporary strategic, economic and fiscal circumstances. Defence will be required to manage its resources within this four-year forward estimates funding model and will be provided with a subsequent six years of general guidance for Defence planning purposes.

This Budget provides Defence with more funding over the next four-year forward estimates period than was provided in the 2012-13 Budget. The Budget provides funding of $113.2 billion over the period 2013-14 to 2016-17, compared with $103.4 billion over the period 2012-13 to 2015-16 in the 2012-13 Budget.

The Government is committed to increase Defence funding to two per cent of GDP as and when fiscal circumstances allow. This is a long-term objective that will be implemented in an economically responsible manner.

To maintain an effective air combat capability edge before the Joint Strike Fighters enter operation early in the next decade, this Budget will provide $3.0 billion over nine years to acquire 12 new-build EA-18G Growler electronic warfare aircraft.

Centenary of Anzac

The Government will provide an additional $25 million over four years to commemorate the Centenary of Anzac. In total, Government spending of over $140 million has been provided to commemorate the Centenary of Anzac.

The new package of measures will include seven new initiatives, based on the recommendations of the Anzac Centenary Advisory Board's report. These initiatives include seed funding of $10 million in 2013-14 for the Anzac Centenary travelling exhibition, funding of $2.5 million over four years for the production of documentaries by ABC and Screen Australia, and $2.8 million over four years for grants for Centenary of Anzac history projects. The Government will also provide $2.7 million over two years for an event to commemorate the original Albany Convoy which will mark the opening of the Centenary.

Since MYEFO, the Government has also doubled the Anzac Centenary Local Grants Program to $100,000 per electorate. Grant funding worth $13.3 million in total will be available in 2013-14 and will provide communities with an opportunity to pay tribute to those involved in the First World War. The Government has also granted deductible gift recipient (DGR) status to the Anzac Centenary Public Fund at a cost of $7.5 million. DGR status will enable the public to make a tax deductible contribution to the fund, which will support a range of Centenary of Anzac projects, including the Anzac Centenary travelling exhibition as well as state and territory initiatives.

Protecting Australia's interests abroad

The 2013-14 Budget maintains Australia's efforts in confronting global security challenges, providing $616.8 million in additional funding for Australian Defence Force (ADF) operations around the world. In 2013-14, a number of Australia's key overseas military operations will conclude or transition towards a significantly different focus.

The Government remains committed to ensuring that Afghanistan never again becomes a safe haven and training ground for global terrorism. To that end, Australia has been mentoring the Afghan National Security Forces to lead security efforts in their country. With the closure of Multi National Base — Tarin Kot at the end of 2013 at least 1,000 ADF personnel will return home.

In 2014, the ADF will focus on a training role at the Afghan National Army (ANA) Officer Academy in Kabul with our British and New Zealand colleagues. In Kandahar, the ADF will continue to provide training assistance to the 205 Corps of the ANA. Post-2014, Australia is prepared to contribute to the 'train, advise and assist' mission for the Afghan National Security Forces by continuing to provide embedded Headquarters staff, advisors at the Corps level and trainers at the ANA Officer Academy in Kabul. Under an appropriate mandate, Australia remains prepared to make a Special Forces contribution, either for training or for counter terrorism purposes.

Civilian efforts on development and capacity building in Afghanistan will continue, but with a renewed focus on a national-level aid program that will strengthen Afghan institutions to carry on their important work once the Afghan Government takes lead security responsibility across their country.

While Australia's military contribution to the International Stabilisation Force in Timor-Leste will conclude by the end of 2013, Australia will continue to support capacity building as part of a broader bilateral relationship, including through Australia's development assistance program.

The Regional Assistance Mission to Solomon Islands (RAMSI) has succeeded in stabilising security conditions in Solomon Islands. Military engagement is no longer required and the Australian military will withdraw by late 2013. Australian police assistance will continue in order to further develop the Royal Solomon Islands Police Force's public order response capability, to the value of $315.6 million over four years.

Civilian support provided under RAMSI will transition to long-term development assistance as part of Australia's bilateral aid program. Assistance to the value of $160.4 million over four years will be provided to build Solomon Islands' capacity in the areas of economic and public sector governance, electoral processes and law and justice.

The 2013-14 Budget continues to demonstrate Australia's commitment to overcoming poverty around the world, providing $5.7 billion as official development assistance (ODA). The Government will continue to increase ODA to 0.5 per cent of gross national income, but will defer the target date by one year from 2016-17 to 2017-18. This decision will assist the Government to address its substantial fiscal consolidation task, but will still see the aid program grow by 42.4 per cent over the next four years and builds on the $2.0 billion increase in annual ODA expenditure over the period 2007-08 to 2012-13.

As part of Australia's commitment to helping to achieve the Millennium Development Goals (MDGs), the Government will provide $390.9 million over four years to address priority development needs in countries in the Asia-Pacific region, such as Papua New Guinea and Bangladesh, which are struggling to meet the MDGs, particularly those targeting poverty, education and maternal health.

Australia's aid program will also see a renewed emphasis on our partnerships with multilateral development institutions. The Government will bring forward existing commitments to the World Bank and the Asian Development Bank (ADB), providing these institutions with $550.4 million in 2016-17 to fund their work with the world's poorest countries. Australia will also contribute new resources to join the African Development Bank (AfDB) Group, to encourage economic and social development in Africa.

The World Bank, ADB and AfDB Group rated highly in the Government's 2012 Australian Multilateral Assessment, such that the Government can have confidence that increased funding to these institutions will deliver tangible development benefits.

Australia and China have also signed a new development cooperation partnership which will bring together efforts to address some of the most pressing development issues facing the Asia-pacific region, including drug resistant malaria, HIV/AIDS and water resource management in developing countries.

Safer communities

The Government's $149.9 million package for community safety will focus on supporting at-risk youth, assisting local communities to target crime hotspots, and strengthening law enforcement efforts to curb gang violence, organised crime, and the illegal firearms market.

At-risk communities will be supported by a $40.9 million National Crime Prevention Fund that will use the confiscated proceeds of crime to fund local youth mentoring and outreach programs and security infrastructure such as street lighting and security cameras.

The Fund will expand highly successful programs such as Youth Off The Streets and support Police Youth Citizens Clubs and Blue Light organisations to provide services including mentoring and diversionary activities. These programs have proved effective in reducing crime by targeting local needs and building a sense of citizenship within communities.

Community support programs will be complemented by strengthened law enforcement efforts. The $64.1 million National Anti-Gang Taskforce will comprise 70 members of the Australian Federal Police and state police forces to form strike teams to target gang-related crime across Australia. These officers will work with a newly established Australian Gang Intelligence Centre, which will provide national criminal intelligence on gang activity across Australia and overseas.

The $30.2 million National Border Targeting Centre will use an intelligence-led approach to target international passengers and cargo that pose the greatest risk to our community. An additional $5.6 million will be directed to efforts to target organised crime at the waterfront in Melbourne and Brisbane, building on successful efforts in Sydney.

The $9.1 million Australian Ballistics Identification Network (ABIN) will be rolled out across the country to enhance police investigations into firearms crimes. The ABIN uses advanced technology to analyse firearms seized from criminals to build a database of all weapons used in crime and recovered by police, in every State and Territory.

Strengthening our borders

This Budget includes investment of $205.8 million to combat the current rate of people smuggling to Australia. The Government will continue to ensure Australia's border agencies are equipped to manage the expected flow of irregular maritime arrivals.

The Government recognises the vital importance of ensuring strong regional cooperation to respond to the issue of irregular migration. This Budget provides a further $88.6 million of investment to strengthen regional cooperation. Funding will support further capacity building and training in regional border agencies, and will continue to support Australia's role in key regional and multilateral forums, including the Bali Process, of which Australia is a co-chair.

This Budget also includes $84.8 million to increase Australia's border patrol capabilities. The funding provides for an increased maritime and aerial surveillance presence to enhance the capacity of our border agencies to respond to issues such as people smuggling and illegal fishing.

The Government will also commission a comprehensive review of the refugee status determination process to ensure that Australia continues to provide protection to asylum seekers consistent with our international obligations.

HIGH QUALITY, AFFORDABLE AND FLEXIBLE CHILD CARE

Building on the Government's record investment this Budget will provide $660.1 million to continue the National Partnership Agreement on Early Childhood Education to ensure universal access to quality childhood education programs, including $4.5 million in Commonwealth only expenditure. This new agreement will ensure that the current level of service delivery is maintained, with additional focus given to Indigenous, vulnerable and disadvantaged children.

This Budget also includes the establishment of a $300 million Early Years Quality Fund. The fund will assist eligible long day care services to attract and retain qualified professional employees by providing funding directly to these services to help supplement wage increases.

In addition, the Government has announced $12.9 million over three years as part of a package to trial flexible child care arrangements and establish a Child Care Accessibility Fund for eligible local governments to ease critical child care shortages in their communities. The Government will provide an additional $71.1 million in 2012-13 to meet the increased demand for the Jobs, Education and Training Child Care Fee Assistance program, the family day care component of the Community Support Program and the Inclusion Support Subsidy program.

These measures build on the Government's increase in the Child Care Rebate from 30 per cent to 50 per cent of out-of-pocket costs and the annual cap from a maximum of $4,354 up to $7,500 per child to help make child care more affordable for families.

DELIVERING BETTER HEALTH SERVICES

Implementation of National Health Reform is progressing well, including the commencement in July 2012 of a new national system of funding public hospitals according to the services they deliver. Under the new funding arrangements, the Commonwealth will provide a guaranteed minimum of $16.4 billion in additional funding for public hospital services over the six years from 2014-15 to 2019-20.

A further key reform has been the establishment of 61 Medicare Locals to improve and coordinate the delivery of primary health care services throughout Australia.

In this Budget, the Government is further improving access to health care services and strengthening the system for all Australians by providing:

- $33.8 million in additional funding for the General Practice Rural Incentive Program in 2013-14 to encourage medical practitioners to move to regional and remote communities;
- $28.0 million over five years to support Medicare including by listing new items on the Medicare Benefits Schedule (MBS), funding the Medical Services Advisory Committee to review the quality, safety and cost effectiveness of new and existing items listed on the MBS, and delivering a national communications campaign about the benefits of Medicare and related services;
- $23.8 million in 2013-14 to maintain existing service levels for the Mental Health Nurse Incentive program which provides coordinated clinical support for people with severe and persistent mental illness; and
- $17.0 million in 2013-14 to replenish items within the National Medical Stockpile, Australia's strategic reserve of medicines and medical equipment for health emergencies or disasters.

The Government's existing policies are also delivering quality health care for Australians. Increases in the primary care workforce are leading to greater payments under the MBS, and the proportion of the population with some form of private health cover is now the highest in over 20 years, supported by the private health insurance rebate.

World Leading Cancer Care

In this Budget, the Government is investing $226.4 million over five years in a package of initiatives to improve cancer treatment and support services for people with cancer, their families and clinicians including:

- $55.7 million over four years to expand the BreastScreen Australia program to offer mammograms for women aged up to 74 years (increased from 69 years);
- $18.5 million over four years to fund the new Australian Prostate Cancer Research Centre and continue support for two existing Research Centres;
- $29.6 million in 2012-13 and 2013-14 to increase funding to support the dispensing of chemotherapy medicines to ensure the supply of these medicines to patients;

- $23.8 million in additional funding over four years for the Bone Marrow Transplant Program, to help ensure critically ill Australians who need bone marrow and stem cell transplants have access to these life-saving procedures;

- $19.5 million over four years to continue and expand the McGrath Foundation Breast Cancer Nurse initiative, with additional nurses supporting regional and outer metropolitan areas;

- $18.2 million over four years to provide support and care for young people living with cancer through the Youth Cancer Networks program run by CanTeen; and

- $16.1 million over four years to meet increased costs for the National Bowel Cancer Screening Program.

As part of the cancer package, the Government is investing to improve research into cancer, its causes and the effectiveness of treatments as these developments will underpin improvements in cancer outcomes over time. Key investments in this Budget include:

- $36.5 million over four years for the Victorian Cytology Service's research and data collection work to support the early detection of cervical cancer in women, which contributes to the National Cervical Cancer Screening Program (funding is already included in the forward estimates);

- $5.9 million over four years to continue Cancer Australia's National Lung Cancer Program, which is developing evidence based approaches to treatment and care to improve patient outcomes for Australia's leading cause of cancer deaths in Australia; and

- $2.4 million over four years for Cancer Australia to continue building a national cancer database to provide a better understanding of how cancer might be prevented, detected and treated.

Providing access to medicines

The Government has invested $690.5 million over five years in new listings and amendments to listings on the Pharmaceutical Benefits Scheme (PBS) since MYEFO. These include providing:

- $452.7 million over five years to list pregabalin (Lyrica®) for the treatment of chronic nerve pain — the first PBS listing specifically for this condition; and

- $220.2 million over five years to list boceprevir (Victrelis®) and telaprevir (Incivo®), two ground-breaking new treatments for chronic hepatitis C.

Closing the Gap in Indigenous Health Outcomes

The Government has committed $777 million over three years for a new *National Partnership Agreement for Closing the Gap in Indigenous Health Outcomes* which will ensure Indigenous Australians continue to benefit from improved health services. This commitment is in addition to the $3.4 billion *Stronger Futures in the Northern Territory* package the Government is currently delivering.

Improving the sustainability of the health budget

Total health expenditure has grown in nominal terms by over 40 per cent from 2007-08 to an estimated $64.6 billion in 2013-14. Decisions taken by this Government in previous Budgets have already put health expenditure on a more sustainable footing through measures such as the means testing of the private health insurance rebate, which commenced on 1 July 2012 and capping growth in the rebate which is expected to commence on 1 April 2014. These measures allow the Government to continue to provide substantial support for a wide range of health needs, including through the MBS, the PBS and the private health insurance rebate.

In this Budget the Government is also taking additional steps to improve the long-term sustainability of the health care system by reprioritising health expenditure to ensure funding is appropriately targeted to where it is most needed. Measures in this Budget include:

- aligning the indexation of MBS fees to the financial year in line with many other Government programs meaning MBS fees will be indexed on 1 July rather than 1 November each year. The next indexation will occur on 1 July 2014. This will provide savings of $664.4 million over four years;
- ensuring funding for Medicare items is used more effectively by preventing General Practitioners from claiming a consultation service as well as a Chronic Disease Management item for the same patient on the same day, saving $119.6 million over four years; and
- improving the sustainability of the Extended Medicare Safety Net arrangements by increasing the upper threshold from $1,221.90 to $2,000, from 1 January 2015, whilst retaining the lower threshold for around five million people with concession cards and around two million FTB A eligible families at $610.70, saving $105.6 million over four years.

A Plan for Australian Jobs

The Australian Government is investing $1 billion through its Industry and Innovation Statement, *A Plan for Australian Jobs*, to support and create jobs.

Backing Australian companies to win more work at home

The Government has assisted Australian businesses win work on major Government, and Government-funded, projects through requirements for Australian Industry Participation Plans that outline how local companies will get a fair chance of winning work.

More opportunities will be created for local firms through new laws that will require any project in Australia worth $500 million or more to include an Australian Industry Participation Plan. Additional new work, worth $1.6 billion a year, could be won by Australian businesses. Global companies with projects worth more than $2 billion will need to involve competitive Australian companies in their global supply chains.

A new Australian Industry Participation Authority will oversee these requirements.

Strengthening Australia's anti-dumping reforms

Australia is one of the most active countries at pursuing companies that break free trade rules and unfairly dump goods here. The Government is boosting safeguards for Australian industry by:

- establishing a new Anti-Dumping Commission to investigate complaints;
- increasing funding to the Australian Customs and Border Protection Service for investigations; and
- introducing stronger remedies against overseas producers that deliberately breach anti-dumping rules.

Supporting Australian industry to increase exports

The Government has increased funding for research and innovation by 35 per cent since 2007-08. Bringing together Australia's best research minds and most innovative businesses will build on the benefits of this research investment.

The Government will spend more than $500 million to establish up to 10 Industry Innovation Precincts to bring together industry, companies, universities, research institutions and experts in technology and business. Led by industry, these Precincts will share skills, knowledge and talent and build firms that can compete in world markets. The Government has agreed that the first two precincts will be the manufacturing precinct and the food precinct.

Helping Australian small businesses grow and create new jobs

Australia does well in starting up new businesses, but they need help to grow and compete. The Government's Small Business Advisory Service and Enterprise Connect business support service have provided valuable assistance to new and established small to medium-sized enterprises (SMEs).

The Government is now providing $378.6 million in new funding to stimulate private sector investment in entrepreneurial SMEs. Additionally, the Government will:

- improve tax arrangements to encourage investors to back Australian businesses;
- introduce a new $27.7 million Enterprise Solutions Program to help SMEs bid for public sector work; and
- expand the services of Enterprise Connect to cover businesses in information technology, transport, logistics and professional services.

Promoting resources exploration

To ensure Australia remains an attractive destination for resources investment, the Government is providing $154.0 million over four years to Geoscience Australia to support its continued investment in pre-competitive geological information. Pre-competitive information informs the Government's decision making on areas viable to offer for private exploration and subsequently promoting the exploration potential of those areas.

This funding will also maintain operation of the Australian Tsunami Warning System and Geoscience Australia's groundwater research and information services.

Flexible support for job seekers

In addition to support to help Australian firms expand, the Government is investing $5.3 billion over the four years from 1 July 2012 in Job Services Australia (JSA). JSA is the national employment services system that provides jobseekers with flexible and tailored support to help them find a job. The JSA model has achieved 1.5 million job placements since its introduction in July 2009.

The Government is investing around $300 million over four years to support job seekers transition into work. This includes encouraging labour force participation by increasing the income free area under Newstart Allowance and other similar allowances from $62 per fortnight to $100 per fortnight from 20 March 2014, and indexing by CPI from 1 July 2015, so that recipients can earn more before their payment reduces; and enabling eligible single parents who have moved off payment due to earnings from employment to retain eligibility for the Pensioner Concession Card for a period of 12 weeks.

The Government is also extending the Pensioner Education Supplement to all Newstart Allowance single principal carer recipients. Payment of up to $1,622.40 in

2013 (subject to bi-annual indexation), will help recipients with the cost of study while they gain an initial qualification to assist them to re-enter the labour market.

SUSTAINING HIGHER EDUCATION GROWTH

The Government's higher education reforms following the Bradley Review mean that Australian universities have and will continue to benefit from substantial increases in funding. There are now around an extra 149,000 Commonwealth supported university student places in 2013 compared to 2007. Commonwealth funding for university places has increased by 75 per cent between 2007 and 2013, from $3.5 billion in 2007 to $6.1 billion in 2013.

The Government is expanding on this significant investment in funding for university places. Funding of $97 million will be provided to increase the number of Commonwealth supported places in postgraduate and sub-bachelor courses from 2014 to 2017. These places will be allocated by the Government to priority areas, including teacher education and language courses.

The Government has also increased investment in research funding to universities by 59 per cent since 2007-08. In the Budget, the Government is providing $135.3 million for 150 four-year Future Fellowships to attract and retain the best Australian and international mid-career researchers in areas of crucial national importance.

Since 2007, the Government has funded $1.3 billion in national scale collaborative research infrastructure to further develop Australia's research capacity and improve innovation and research outcomes. Funding of $185.9 million over two years will be provided in this Budget to fund the operation of research infrastructure constructed under the National Collaborative Research Infrastructure Scheme and the Super Science Initiative. This infrastructure includes marine research vessels, biotechnology, supercomputing facilities and telescopes.

STRENGTHENING OUR SKILLS AND WORKFORCE DEVELOPMENT

In this Budget, the Government is ensuring that Australia's vocational education and training system, apprenticeship and workforce development programs are delivering the skills needed by industry. A new Alternative Pathways Program will be established with $68.8 million over four years, in recognition that for industries facing skill shortages there needs to be more flexible pathways for completing a trade or technical qualification. The Government is also ensuring more effective workplace training for Australian enterprises by establishing the $45 million Skills Connect Fund to streamline the delivery of government assistance.

The Government is also ensuring that support is in place for vulnerable young people to benefit from the opportunities provided by our strong education and training system. The Government will provide $127.7 million to extend the successful suite of Youth Attainment and Transitions programs for 12 months. These programs provide flexible and personal support to help at risk youth remain engaged with education or employment and make positive life choices. The extension of these programs will allow support to continue pending a broader review of services for young people that will be considered in the 2014-15 Budget.

A MORE RESILIENT AND SUSTAINABLE REGIONAL AND RURAL AUSTRALIA

National Drought Program Reform

The Government has committed to a National Drought Program Reform including investing $99.4 million over four years for a new Farm Household Allowance (FHA). The FHA will be paid at the Newstart allowance rate and will be available to eligible farm families in periods of hardship. The FHA will better support farmers and their families to prepare for future challenges, including drought.

The reform also supports farmer resilience through social support services, the development of a new farm business management skill set, and the development of tools and technologies to inform farmers' risk management decision making. Enhancements to the Farm Management Deposits (FMD) Scheme under the Government's *Farm Finance* initiative will also help farmers better prepare for the future.

Farm Finance

The Government will further assist agricultural businesses through *Farm Finance*. Under the program eligible farm businesses will be able to receive concessional loans of up to $650,000. Farm Finance also includes funding for 17 additional full-time equivalent rural financial counsellors, and establishing a nationally consistent approach to farm debt mediation.

In addition, the Government will enhance the FMD Scheme to give greater flexibility to primary producers in managing their finances. The Government will increase the non-primary production income threshold for FMDs from $65,000 to $100,000, allowing primary producers to diversify their income base and also allow primary producers who hold multiple FMDs to be able to consolidate them once the accounts have been held for a minimum of 12 months.

Supporting jobs and growth in Tasmania

The Government has committed over $330 million to support the historic Tasmanian Forests Agreement, which provides a long-term future for the forestry industry and environmental protection for our world famous forests.

The Government has further committed over $22 million to strengthen economic development, generate jobs, improve productivity and promote long-term economic, social and environmental sustainability in Tasmania. The Government is investing in a new intermodal freight terminal at Bell Bay to facilitate the movement of Tasmania's logging and other bulk freight; supporting the Australian Maritime College to deliver specialised training for over 500 maritime students; and assisting the Australian shipping industry to meet its future workforce training needs. This is in addition to the $4 million of funding to expand the Vodafone Hutchison call centre, securing 750 jobs in Hobart.

Recognising Tasmania's leading role in Antarctic research and operations, the Government will provide over $42 million to support ongoing research and the maintenance of our presence in Antarctica.

Reef Rescue

The Government has committed to providing another $200 million for Reef Rescue over the next five years. This will help farmers in the Great Barrier Reef catchment to improve farming practices to reduce sediment and nutrient run off, which will improve the quality of water entering the Great Barrier Reef Lagoon.

Disaster relief and recovery

This year, a number of states were impacted by fires, floods and severe weather with some Queensland communities experiencing a third consecutive year of flooding. The Government is committed to supporting individuals, communities and local economies to help them recover and rebuild following disasters. The Government expects to contribute an estimated $1.9 billion towards recovery and reconstruction costs in Queensland for the Cyclone Oswald response. Total Commonwealth expenditure under the Natural Disaster Relief and Recovery Arrangements (NDRRA) for the five years from 2012-13 is estimated to be $6.2 billion.

Floods support package

The Government will provide $69.9 million towards a Floods Support Package, including $57.2 million exceptional circumstances funding under the NDRRA, to help Queensland communities and local economies recover from flooding that occurred in Queensland in early 2013. This includes assistance for clean-up and recovery efforts, and support for businesses, primary producers, and local councils, including a commitment of $40.0 million towards a betterment fund to help rebuild local council assets to a more disaster resilient standard.

Affordable insurance

Floods and other natural disasters have put upward pressure on insurance premiums in many regions, especially those at high risk of such events. The only sustainable way to reduce insurance premiums is to reduce the level of risk. That is why the Government is investing $100 million in natural disaster mitigation directed specifically at lowering insurance premiums. A National Insurance Affordability Council will assess proposed mitigation projects, review the potential and actual impact on insurance premiums and explore ways to make flood risk data more widely available.

Murray-Darling Basin Plan

The Government is providing $3.5 billion over 12 years to support the implementation of the historic Murray-Darling Basin Plan. As a part of this, $1.8 billion will be invested to return an additional 450 gigalitres (GL) to the environment on top of the benchmark 2,750 GL delivered through the Basin Plan. The 450 GL will be recovered through projects that will minimise the social and economic impact on Basin communities, and will not only benefit major wetlands across the Basin and the lower lakes in South Australia, but also improve the resilience of the Basin as a whole, and its ability to withstand shocks, including drought.

Delivering homelessness services

In this Budget, the Government will provide $159.0 million in 2013-14 for a one-year transitional National Partnership Agreement with the states and territories to ensure the continued provision of vital homelessness services. This includes $38 million for a development fund to provide additional accommodation to help people move into safe and sustainable housing. All states and territories have agreed to match the Commonwealth's investment, bringing the total investment under the agreement to $320 million. The agreement is an important first step as the Government continues to work with the states and territories towards an integrated and holistic response to homelessness beyond 2014.

The transitional agreement builds on the Government's previous National Partnership Agreement on Homelessness with the states and territories, which invested a total of $1.1 billion over four years.

Royal Commission into Institutional Responses to Child Sex Abuse

The Government will provide $434.1 million over four years to fund the Royal Commission into Institutional Responses to Child Sex Abuse. The Commission will inquire into institutional responses to allegations and incidents of child sexual abuse and what institutions and governments should do to better protect children against sexual abuse in institutional contexts in the future. This funding includes $45 million over four years from 2012-13 to provide expert services to help support survivors of child sexual abuse.

Supporting Senior Australians

The Government will provide $127.0 million for the *Supporting Senior Australians* package to improve the wellbeing of senior Australians and position Australia to take advantage of the opportunities of an ageing population. It is a continuing priority of Government to turn grey into gold.

The Government will trial a new measure to assist senior Australians to downsize their home without putting their eligibility for the Age Pension at risk. A three year trial will commence on 1 July 2014 where senior Australian homeowners who downsize when buying another home will have an option to invest at least 80 per cent of surplus funds remaining (up to a cap of $200,000) in a special account. The funds invested in the account would be exempt from the Age Pension means test for up to 10 years. The scheme would only be available to Australians over Age Pension age who have owned their home for at least 25 years.

The Government will expand the Broadband for Seniors program which provides senior Australians with access to computer and internet facilities in their local area, at a cost of $9.9 million over four years. This includes an additional $5.0 million for training, with a focus on cyber security issues and multimedia devices.

In addition, $4.6 million over four years will be provided to establish the Andrew Fisher Applied Policy Institute for Ageing (the Institute) to provide advice on how to best position Australia for the challenges and opportunities of an ageing population. The Institute will aim to be an international leader in policy advice on ageing, with a focus on ageing in the Asia-Pacific region.

Recognising the circumstances of the many older Australians who suffer from chronic wounds, the Government will undertake a scoping study to provide a detailed cost-benefit analysis of options to improve the management of chronic wounds.

A creative nation is a productive nation

The Government values the role creativity plays in Australian society and the ongoing contribution made by the cultural sector to the economy. The national cultural policy for the next decade, *Creative Australia*, will deliver the arts, cultural heritage and creative industries with the vision and strategy to sustain the nation's creative excellence in the 21st Century.

The Government will provide:

- $75.3 million in the Australia Council for the Arts which will enable it to undertake necessary structural reforms, providing additional support for arts organisations;

- additional funding of $30.2 million to support Australia's elite training organisations and Major Performing Arts companies;
- $11.3 million in additional funding to strengthen professional development of Indigenous art workers and centres. A further $14.0 million will enable the expansion of the Indigenous Languages Support program to ensure the maintenance, revival and transmission of Australian Indigenous languages;
- $40.0 million from the Regional Development Australia Fund, to leverage an additional $100.0 million in partnership funding between government and the private sector. Funding of $8.6 million to Creative Partnerships Australia will further encourage private sector support for the Arts, contributing to the long-term sustainability of Australia's creative sector;
- $21.1 million for traineeships, vocational training, representation at community cultural events, skills development in secondary schools and business grants;
- $41.6 million to attract major international film productions to Australia. This includes a $21.6 million grant provided to The Walt Disney Studios' upcoming filming of *20,000 Leagues Under the Sea: Captain Nemo* in Australia, which is expected to encourage significant new investment and job growth in the local film industry; and
- $10.0 million for the nation's screen production industry, as well as $5.4 million to assist community broadcasting.

Australia's national broadcasters

The Government recognises the significant contribution that Australia's national broadcasters — the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS) Corporation — make to informing and entertaining millions of Australians every day.

Australia's media landscape is evolving and the Government remains committed to adequately funding the national broadcasters, ensuring that they are able to continue to deliver quality content across all technology platforms.

The 2013-14 Budget will provide $129.4 million over five years in additional funding to the national broadcasters. This funding will enable the ABC to continue to improve its news and current affairs programming and enhance its online digital content. This funding will also enable the SBS to maintain the quality of existing services and support its continued acquisition of local content. Furthermore, the Government will provide the ABC with a $90.0 million loan for a new office in Melbourne, enabling it to consolidate its Melbourne operations in one site and achieve significant operational savings. These measures build on commitments the Government made in its 2012-13 Budget.

The Government is continuing to provide appropriate base funding to the national broadcasters. This Budget provides base funding of $568.7 million to the SBS and $2.5 billion to the ABC, over three years from 2013-14.

REFORMS FOR A FAIRER SUPERANNUATION SYSTEM

The Government is introducing reforms to improve the fairness, sustainability and efficiency of the superannuation system.

- The tax exemption for earnings on superannuation assets supporting income streams will be better targeted, by limiting it to the first $100,000 of annual earnings for each individual and taxing earnings above that threshold at the concessional rate of 15 per cent from 1 July 2014. Equivalent arrangements will be enacted for defined benefit schemes.
- A $35,000 concessional contributions cap will be provided for all people aged 60 and over from 1 July 2013 and for all people aged 50 and over from 1 July 2014.
- The excess contributions tax system will be made fairer by taxing excess concessional contributions at a person's marginal tax rate, plus an interest charge, rather than always taxing them at the top marginal tax rate. Individuals will also be given greater choice by allowing them to withdraw any excess concessional contributions from their super fund.
- Normal pension income test deeming arrangements will be extended to superannuation account-based income streams assessed from 1 January 2015. Products held by pensioners before 1 January will be grandfathered.
- The take-up of deferred lifetime annuities will be encouraged by providing them with the same concessional tax treatment that earnings on superannuation assets supporting retirement income streams receive from 1 July 2014.
- The account balance threshold below which lost superannuation accounts are required to be transferred to the ATO will be increased from $2,000 to $2,500 from 31 December 2015, and to $3,000 from 31 December 2016.

These reforms will result in savings to the Budget of around $0.9 billion over the forward estimates period.

In addition to these reforms, the Government will establish a Council of Superannuation Custodians to ensure that future changes are consistent with a Charter of Superannuation Adequacy and Sustainability.

PROTECTING THE CORPORATE TAX BASE FROM EROSION AND LOOPHOLES

The Government will move to protect the corporate tax base from erosion and loopholes. Protecting the corporate tax base will contribute to a sustainable fiscal position that is essential to Australia's future prosperity. These measures address a number of tax planning strategies used by multinational enterprises and large domestic companies to exploit design flaws, vulnerabilities and unexpected interactions in Australia's corporate tax laws.

This package of measures directly addresses these weaknesses by:

- addressing aggressive tax structures that seek to shift profits by artificially loading debt in Australia;
- better targeting resource sector concessions for depreciating assets to support genuine exploration;
- improving the integrity of, and ensuring better compliance with, the foreign resident capital gains tax regime;
- closing down loopholes in the Offshore Banking Unit and consolidation of business entities regimes;
- preventing sophisticated investors from engaging in 'dividend washing'; and
- increasing ATO compliance checks on offshore marketing hubs and business restructures.