BUDGET SPEECH 2017-18
DELIVERED ON 9 MAY 2017 ON THE SECOND READING
OF THE APPROPRIATION BILL (NO. 1) 2017-18
BY
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THE RIGHT CHOICES TO SECURE BETTER DAYS AHEAD.

Thank you Mr Speaker, I move that this Bill now be read a second time.

For many years now, as our economy has gone through major changes, Australians have had to dig deep to keep our economy on the right track.

During this time we have consistently outperformed the top advanced economies in the world.

However, not all Australians have shared in this hard won growth. Many remain frustrated at not getting ahead.

This is especially true in areas where technological change, globalisation and the end of the mining investment boom has had a significant impact.

Small business owners have gone without to keep their businesses open. Australians have taken second jobs, where they can, so bills can be paid.

And it’s been a fair while since most hardworking Australians have had a decent pay rise.

I know this has put real pressure on Australians and on their families. Terribly, this has meant some families have even broken apart.

I believe, though, that we are now moving towards the end of this difficult period.

The signs of an improving global economy are there to see.

There is clearly the potential for better days ahead.

But success cannot be taken for granted. We must be determined to secure our opportunities.

This Budget is about making the right choices to secure the better days ahead.

Our choices are based on the principles of fairness, security and opportunity.

We must choose to focus on growing our economy to secure more and better paying jobs.

We cannot succumb to the laziness that thinks growth will take care of itself.

We must choose to guarantee the essential services that Australians rely on.

We cannot underestimate just how important these services are to people.

We must choose to tackle cost of living pressures for Australians and their families.

We cannot agree with those who say there is nothing that the Government can do.

And we must choose to ensure the Government lives within its means.

Because we cannot pass a burden and forsake our obligations to the next generation.

Mr Speaker, tonight I announce a fair and responsible path back to a balanced budget.

Having exhausted every opportunity to secure savings from our 2014–15 and 2015–16 Budgets, we have decided to reset the Budget by reversing these measures at a cost of $13 billion.

Despite this, I can confirm tonight that the Budget is projected to return to balance in 2020–21 and remain in surplus over the medium term.

The underlying cash balance will improve from a forecast deficit of $29.4 billion in 2017–18 to a projected surplus of $7.4 billion in 2020–21.

Growth in payments has been restricted to less than 2.0 per cent per year.

Since coming to Government we have arrested growth in our debt by more than two-thirds.

Around three quarters of the increase in our debt since 2007-08 has been driven by welfare, health and education spending.

To respect future taxpayers, this everyday spending should be funded from the first dollar we receive in taxes, not debt.

The Budget papers show, after you take into account the net operating balance, infrastructure grants, and non–cash accounting provisions, the Government will no longer be borrowing to pay for our everyday expenses from 2018-19.

There is now a clear and growing consensus that the global economic outlook is improving.

We have positioned Australia well to take advantage.

At home, we expect real growth to rebound to three percent over the next two years, after a temporary slowing this year, that takes into account Cyclone Debbie.

Household consumption, non-mining business investment and exports are expected to support growth.

Wage growth is expected to increase from around two per cent to above three per cent over the next four years.

Given commodity prices continue to be volatile, we have maintained conservative assumptions.

Mr Speaker, in this Budget, we have chosen to grow our economy to support more and better paying jobs.

For the past year we have been delivering our national economic plan for jobs and growth.

The first phase of our enterprise tax plan is now law. Our export trade deals are bearing fruit, with additional access secured. And our investments in science and innovation and our defence industries are breaking ground.

Tonight we add to this plan.

And we start by backing in small business even further.

Small business owners are out there fighting for growth in their businesses every day. They deserve our respect and support.

Backing up our recently legislated tax cuts, small businesses with a turnover up to $10 million will continue to be able to immediately write off expenditure up to $20,000 for a further year.

And we will take further action to reward States and Territories that cut red tape costs for small business.

To support growth we choose to invest in building Australia, rail by rail, runway by runway and road by road.

We will establish the Western Sydney Airport Corporation to build and operate the new Western Sydney airport, creating 20,000 jobs by the early 2030s and 60,000 in the longer term.

We will inject up to $5.3 billion in equity over the next ten years into this company.

Earth moving works will commence on the 1800-hectare site in the second half of next year and Western Sydney Airport will be delivered in 2026.

The *Snowy Mountains Scheme* is the benchmark for nation building infrastructure.

The Prime Minister has announced our intention to further develop the Snowy Hydro with Snowy 2.0. Tonight we announce our intention to go further.

The Commonwealth is open to acquiring a larger share or outright ownership of Snowy Hydro, from the NSW and Victorian State Governments, subject to some sensible conditions.

First, all funds received by the States would need to be reinvested in priority infrastructure projects.

Second, Snowy Hydro's obligations under its water licence would be reaffirmed and we would commit to work together to expedite and streamline environmental and planning processes associated with Snowy 2.0, without compromising any standards or controls.

Third, Snowy Hydro would have to remain in public hands.

We have already begun discussions with NSW and invited similar discussions with Victoria.

Tonight, we announce we will deliver $75 billion in infrastructure funding and financing over the next ten years.

$844 million will be used to upgrade the Bruce Highway, including $530 million for works from Pine Rivers to Caloundra.

In Western Australia we are investing $1.6 billion in infrastructure, including funding for better road access to the Fiona Stanley Hospital precinct.

In Victoria, we will make $1 billion available for regional rail and other infrastructure projects, including $30 million to develop a business case for a rail link to Tullamarine Airport. A new $500 million Victorian regional rail fund will include $100 million for the duplication of the Geelong-Waurn Ponds line.

In addition, the Turnbull Government will establish a $10 billion National Rail Programme to deliver rail projects that provide better connections for our cities and regions and create new opportunities to grow our economy.

Projects such as Adelink, Brisbane Metro, Tullamarine Rail link, Cross River Rail in Brisbane, and the Western Sydney Airport Rail link, all have the potential to be supported through this programme, subject to a proven business case.

It is important to invest in infrastructure, but we have to make the right choices on projects, as part of a broader economic growth strategy.

Our new Infrastructure and Projects Financing Agency will help us make those right choices, recruiting people with commercial experience to ensure we use taxpayers' money wisely.

We must also choose to invest specifically for growth in our regions.

The Productivity Commission recently highlighted that some regional areas have been disconnected from our national growth.

So we will establish a $472 million Regional Growth Fund to back in the plans that regional communities are making to take control of their own economic future. This includes $200 million in funding to support a further round of the successful Building Better Regions programme.

In one of the biggest investments ever seen in regional Australia, the Government will fund the Melbourne to Brisbane Inland Rail project with $8.4 billion in equity to be provided to the Australian Rail Track Corporation. Construction on this 1,700 kilometre project will begin in 2017-18 and will support 16,000 jobs at the peak of construction. It will benefit not just Melbourne and Brisbane, but all the regions along its route.

Skilled migration has always played a significant role in driving our economic growth.

But it must be on our terms and we must skill more Australians to secure jobs.

Until now, employers have had to contribute 1 or 2 per cent of their payroll to training if they employ foreign workers. These requirements have proven difficult to police.

Accordingly, we are replacing these requirements with an annual foreign worker levy of $1,200 or $1,800 per worker per year on temporary work visas and a $3,000 or $5,000 one-off levy for those on a permanent skilled visa.

Over the next four years, $1.2 billion will be raised from this levy that will contribute directly to a new Commonwealth-State *Skilling Australians Fund*.

States and Territories will only be able to draw on this fund when they deliver on their commitments to train new apprentices.

Mr Speaker, in this Budget we have chosen to guarantee the essential services that Australians rely on.

The first duty of a national Government is to keep Australians safe.

In 2020-21, we will meet our commitment to increase defence spending to two per cent of GDP, three years ahead of schedule.

We are supporting our 2,300 Defence force personnel serving overseas.

We are investing over $300 million to ensure the AFP can continue to lead the charge against terrorism, organised crime, child exploitation and other crimes.

And we will continue to ensure Operation Sovereign Borders has the resources needed to do its job.

I know that 'stopping the boats' was something many said could not be done. What others mocked as a slogan we turned into an outcome.

Every Australian understands the importance of health care.

Tonight, we put to rest any doubts about Medicare and the Pharmaceutical Benefits Scheme.

We are lifting the freeze on the indexation of the Medicare Benefits Schedule.

We are also reversing the removal of the bulk billing incentive for diagnostic imaging and pathology services and the increase in the PBS co-payment and related changes.

The cost of reversing these measures is $2.2 billion over the next four years.

Tonight, I also announce we will legislate to guarantee Medicare and the PBS with a *Medicare Guarantee Bill*.

This new law will set up a *Medicare Guarantee Fund* to pay for all expenses on the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme. Proceeds from the Medicare Levy will be paid into the fund.

An additional contribution from income tax revenue will also be paid into the Medicare Guarantee Fund to make up the difference.

The Bill will provide transparency about what it really costs to run Medicare and the PBS and a clear guarantee on how we pay for it.

$1.2 billion in new medicines will be made available, including for patients with chronic heart failure, funded by an agreement to decrease the cost of medicines for taxpayers.

The Commonwealth will increase hospitals funding by an additional $2.8 billion over four years.

Significantly, we will invest an additional $115 million in mental health, including funding for rural telehealth psychological services, mental health research and to prevent suicide.

We will also invest $1.4 billion in ground-breaking health research over the next four years, including $65.9 million this year, to help research into children's cancer.

All up, our commitments equate to a $10 billion re-investment in Australia's health care over four years, including the $2.8 billion increase in hospital funding.

They are underpinned by cornerstone partnerships struck by the Health Minister with our doctors, specialists, pharmacists and the medicines sector.

And tonight we have chosen to close the funding gap for our National Disability Insurance Scheme once and for all.

The funding gap is currently $55.7 billion over the next ten years. We have previously sought to close this gap with budget savings that we have not been able to get through the Parliament.

To ensure the NDIS is fully funded we will legislate to increase the Medicare Levy by 0.5 percentage points in two years' time, when the extra bills start coming in.

This will also provide further time to explain to Australians what the NDIS will deliver.

Even if we are not impacted directly, this is all our responsibility.

Our decision to increase the Levy reflects the fact that all Australians have a role to play.

I also announce a commitment of $80 million for Australians with a mental illness such as severe depression, eating disorders, schizophrenia and post-natal depression resulting in a psychosocial disability, including those who had been at risk of losing their services during the transition to the NDIS.

The Turnbull Government will continue to invest record amounts in education.

After reversing proposed savings from the 2014-15 Budget, we will invest $18.6 billion in extra funding to educate our children in all schools over the next ten years.

Our schools funding package delivers a fairer and simpler way to meet our shared commitment to educate each and every child, in accordance with the Gonski needs-based standard.

In addition to the funds provided by the GST to the States, we will meet 20 per cent of the needs-based funding for every student in our public school system and 80 per cent for students in non-government schools by 2027. Funding for each student across all sectors will grow at an average of 4.1 per cent each year.

In Higher Education, we are launching a fairer system, with students asked to pay a bit more for their own education costs. However taxpayers will continue to subsidise more than half the cost of each student's higher education.

A 2.5 per cent efficiency dividend will be applied to universities for the next two years to ensure taxpayers and students get better value for their investments.

This Budget also delivers important increased support for veterans mental health, protections for children within the family justice system, victims of domestic violence, closing the gap for Indigenous Australians and creating the National Redress Scheme for victims of institutional child sexual abuse.

Mr Speaker, in this Budget we have chosen to place downward pressure on rising costs of living.

The Prime Minister's energy security plan provides reliable and affordable energy for Australians, coping with rising electricity prices.

He is securing access to our gas resources for domestic use. We have set aside around $90 million for this task in this budget.

He is ensuring energy consumers and businesses get a fairer deal, by funding the ACCC to investigate and police competition in retail electricity and gas markets.

The Prime Minister is working to improve energy regulation, with additional funding tonight to improve gas market efficiency and transparency.

He is investing in new generation, transmission and storage capacity. This includes Snowy 2.0, around $37 million to South Australia for new energy infrastructure and funding to prove up gas pipeline proposals to South Australia from Western Australia and the Northern Territory.

And more than $3 billion has already been provided to support new emissions technologies.

To support older Australians we are restoring the pensioner concession card to those impacted by the pension assets test change introduced earlier this year.

As a result, they will regain access to state and territory based concessions that were withdrawn after the change.

And we want customers and taxpayers to get a fairer deal from our banks.

For the system to be fairer, there needs to be greater competition and accountability.

In response to the Ramsay Review, we are establishing a simpler, more accessible and more affordable one-stop shop for Australians to resolve their disputes and obtain binding outcomes from the banks and other financial institutions, to be known as the *Australian Financial Complaints Authority*.

A new *Banking Executive Accountability* Regime will be introduced, requiring all senior executives to be registered with APRA. If in breach, they can be deregistered and disqualified from holding executive positions, and be stripped of their significant bonuses.

Banks will also be held to account if they try and hide misconduct by executives with new mandatory reporting requirements.

If banks breach misconduct rules, they will also face bigger fines starting at $50 million for small banks and $200 million for large banks.

As recommended by the Coleman Committee, a permanent team will be established within the ACCC to investigate competition in our banking and financial system.

The introduction of an open banking regime in 2018 will give customers greater access to their own data, empowering them to seek out better and cheaper services.

Tonight, I also announce a new six-basis point levy on the big banks' liabilities, starting on July 1.

This represents an additional and fair contribution from our major banks, is similar to measures imposed in other advanced countries, and will even up the playing field for smaller banks.

The levy will only affect our five largest banks with assessed liabilities of $100 billion or more and does not apply to superannuation funds or insurance companies.

Importantly, customer deposits of less than $250,000 and additional capital requirements imposed on the banks by regulatory authorities are excluded from their assessed liabilities.

Unlike the previous bank deposit tax, this is specifically not a levy on pensioners' and others' ordinary deposit accounts, nor is it on home loans.

This measure will secure $6.2 billion over the Budget and forward estimates to support budget repair, including the reversal of significant budget savings measures.

We have also chosen to put downward pressure on rising housing costs

If a family or an individual has a roof over their head that they can rely on, then all of life's other challenges become more manageable.

Whether you are saving to buy a home, spending a high proportion of income on your rent, waiting for subsidised housing, or you're homeless, this is an important issue to you.

There are no silver bullets to make housing more affordable. But by adopting a comprehensive approach, by working together, by understanding the spectrum of housing needs, we can make a difference.

We will work with the States and Territories and local Governments to get more homes built, because prices are higher where demand is greater than supply.

The Commonwealth will replace the National Affordable Housing Agreement that provides $1.3 billion every year to the States and Territories, with a new set of agreements, with the same funding, requiring the States to deliver on housing supply targets and reform their planning systems.

We will also establish a $1 billion National Housing Infrastructure Facility, based on a UK model, to fund 'micro' city deals that remove infrastructure impediments to developing new homes.

An online Commonwealth land registry will be established detailing sites that can be made available for residential development.

In Melbourne, land for a new suburb that could cater for 6,000 new homes will be unlocked just 10km from the CBD, by releasing surplus Defence land at Maribyrnong.

The Turnbull Government will also help deliver tens of thousands of new homes needed in Western Sydney as part of our Western Sydney city deal.

A new National Housing Finance and Investment Corporation will be established by July 1 next year to provide long-term, low-cost finance to support more affordable rental housing. States and Territories will also be encouraged to transfer stock to the community housing sector.

Other measures to address supply include: allowing Managed Investment Trusts to be used to develop and own affordable housing, providing investors in affordable housing with greater income certainty by enabling direct deduction of welfare payments from tenants, and increasing the capital gains tax discount to 60 per cent for investments in affordable housing.

These measures will also support State, Territory and local governments imposing inclusionary zoning requirements on new development sites and provide more vehicles for superannuation funds to invest in affordable housing.

And tonight I announce $375 million for a permanent extension of homelessness funding to the States, with a continued focus on supporting young people and victims of domestic violence.

On the demand side, for those who are trying to save to buy their first home, we will support them by providing a tax cut on their first home deposit savings.

First home buyers will be able to save for a deposit by salary sacrificing into their superannuation account over and above their compulsory superannuation contribution from July 1.

The First Home Super Savers Scheme will attract the tax advantages of superannuation. Contributions and earnings will be taxed at 15 per cent, rather than marginal rates, and withdrawals will be taxed at their marginal rate, less 30 percentage points.

Savers will not have to set up another account, they can just use their existing super account and decide how much of their income they want to put aside to save for their first home deposit.

Contributions will be limited to $30,000 per person in total and $15,000 per year.

Under this plan, most first home savers will be able accelerate their savings by at least 30 per cent.

We will encourage older Australians to free up housing stock, by enabling downsizers over the age of 65 to make a non-concessional contribution of up to $300,000 into their superannuation fund from the proceeds of the sale of their principal home.

And on demand management, we will continue to prefer the scalpel to the chainsaw, to avoid a housing shock.

Mum and dad investors will continue to be able to use negative gearing, supporting the supply of rental housing and placing downward pressure on rents.

Our regulatory agencies will continue to use the flexible and calibrated controls they have available.

And we will legislate to extend APRA's ability to apply controls to the non-ADI sector and explicitly allow them to differentiate the application of loan controls by location.

Even tougher rules on foreign investment in residential real estate will be introduced, removing the main residence capital gains tax exemption, and tightening compliance.

We will also apply an annual foreign investment levy of at least $5,000 on all future foreign investors who fail to either occupy or lease their property for at least six months each year.

And we will restore the requirement that prevents developers from selling more than 50 per cent of new developments to foreign investors.

Together, these measures represent a comprehensive package that can make a difference.

Finally Mr Speaker, we have chosen to ensure the Government lives within its means.

We will continue our crackdown on multinationals not paying their fair share of tax.

The ATO has already raised $2.9 billion in tax liabilities this year against a group of just seven large multinational companies, and expects to raise more than $4 billion in total this financial year from large public companies and multinationals.

Tonight we are toughening the Multinational Anti-Avoidance Law to extend the rules to structures involving foreign partnerships or trusts and clamping down on aggressive structuring using hybrids.

We will also be introducing new tax integrity measures as recommended by our Black Economy Taskforce.

We will continue the fight against serious financial and organised crime by providing the Australian Taxation Office with additional funding to chase and tax the crooks.

From 1 July 2017, the Government will improve the integrity of negative gearing by disallowing deductions for travel expenses and, for properties bought after today, the Government will also limit plant and equipment depreciation deductions to only those expenses directly incurred by investors.

Together all of these measures are estimated to provide a gain to revenue of $2.1 billion over the forward estimates.

And we will continue to stop people trying to take an easy ride on our welfare system to protect it for those who need it most.

The best way to get your welfare budget under control is to get Australians off welfare and into work.

We will support young parents to get jobs by expanding the successful ParentsNext programme from 13,000 vulnerable young parents to 68,000 in more than 20 new locations, especially those with high Indigenous populations.

The programme supports young parents, mainly mothers, with child care, pre-employment training, financial literacy and numeracy skills and linking up with other education and training opportunities.

We are also strengthening mutual obligation requirements.

Those who do not meet their responsibilities and either fail to turn up to appointments or take on suitable work will face escalating financial penalties, ranging from reduced to cancelled payments.

We want to support job seekers affected by drug and alcohol abuse, but to protect taxpayers, it has to be a two-way street.

We will no longer accept, as an excuse from repeat offenders, that the reason they could not meet their mutual obligation requirements was because they were drunk or drug-affected.

In addition we will commence a modest drug testing trial for 5,000 new welfare recipients.

JobSeeker recipients who test positive would be placed on the Cashless Debit Card for their welfare payments and be subjected to further tests and possible referral for treatment.

Other welfare measures include: strengthening verification requirements for single parents seeking welfare, a crackdown on those attempting to collect multiple payments, stricter residency rules for new migrants to access Australian pensions, and denying welfare for a disability caused solely by their own substance abuse.

Conclusion

Mr Speaker, this is a responsible Budget.

It sets out a credible and affordable plan, based on the principles of fairness, security and opportunity.

Above all this is an honest Budget.

It is honest about our challenges and opportunities.

It does not pretend to do things with money we do not have.

It does not indulge simplistic solutions to what we know are complex problems.

This is a Budget that makes the right choices for Australians who are working hard to secure the better days ahead for themselves and their families.

That is why this Budget is a plan that can be trusted and supported.

So to be clear, our plan is,

- to grow our economy to create more and better paid jobs,
- to guarantee the essentials that Australians rely on,
- to reduce cost of living pressures, and
- to ensure that the government lives within its means.

Once again Mr Speaker, I commend our plan, this Budget and this Bill to the House.