

BUDGET SPEECH 1992-93

STATEMENT DELIVERED IN THE SENATE ON

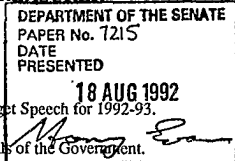
18 AUGUST 1992

BY

SENATOR THE HON JOHN BUTTON

MINISTER REPRESENTING THE TREASURER

IN THE SENATE



Tonight the Treasurer is delivering in another place his Budget Speech for 1992-93.

It is my privilege to outline to the Senate the Budget proposals of the Government.

Mr President, this Budget has three fundamental objectives.

The first two are about jobs: jobs now, and more jobs in the years ahead.

When, as is the situation now, there are not enough jobs, it is up to the Government to take action; to do everything in its power to provide jobs for those Australians without employment.

We have already taken initiatives to boost the economy and rebuild and modernise the nation's transport system.

We have vastly expanded opportunities for young Australians.

And tonight, as our first priority, the Treasurer is announcing further measures to boost employment in those communities and regions hardest hit in recent years.

Many of our fellow Australians have, for the first time, found themselves out of work.

For them we cannot simply wait and hope, or engage in some economic experiment.

We must act now, in ways which we know will work.



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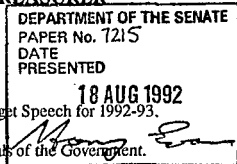
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These employment measures will include projects conceived at the local level, providing real work and, at the same time, enhancing facilities for many deprived communities.

The total cost will be \$1.2 billion over two years.

This attack on unemployment is part of our second objective — the implementation of a comprehensive and continuing strategy which is designed to achieve around 800,000 new jobs over the next four years.

Crucial to this strategy is the maintenance of a resolve to create a dynamic and successful trading nation: a nation based on talent, ideas and innovation, with its industry employing skilled workers producing goods and services to sell here and overseas.

This resolve will be fortified by measures announced tonight to entrench an already impressive growth in research and development and in exports.

There are new initiatives in vocational training, and there is increased effort to cut the costs of Government services and improve competition.

Our objective is to have new industries alongside the old, striving to secure a larger slice of the world market.

But this Budget — as its third objective — also confirms this Government as a caring Government, intent on pursuing its program of social reform.

Tonight I announce a major enhancement of Medicare, increased support for the aged and those who care for them, and for the unemployed.

There are new measures to improve access to more secure housing, and there is more assistance for families.

AUSTRALIA IN THE WORLD ECONOMY

Mr President, as a small nation our future depends on taking advantage of developments abroad.

And in our case we straddle two very different parts of the world.

First there is the industrialised world of Europe and North America. These countries have also been struggling with high levels of unemployment. But they have higher inflation than we have. And many have lower growth prospects.

Australia's inflation rate is around 2 per cent, about half that of Europe.

This year the Government expects the Australian economy to grow by 3 per cent, or around a third faster than Europe.

Australia is also part of Asia. Growth rates and productivity in many Asian countries are impressive. But some have inflation close to 10 per cent. Most have inflation more than double that of Australia.

With a foot in each hemisphere we can benefit from opportunities in both.

We can enjoy higher growth than is forecast for Europe and the USA, with inflation no higher.

Our growth rate will be closer to Asia's, but it will come without Asia's higher inflation.

And as we commit ourselves to best practice at home, and embrace competition abroad, neither hemisphere will constrain our growth.

But these opportunities will not be handed to us on a plate.

We must seize them.

ADDRESSING THE UNEMPLOYMENT PROBLEM

Last year was difficult for many countries. It was particularly difficult for Australia.

Recovery started during the year, but failed to gather strength in the way expected.

We all deeply regret that the growth achieved was not sufficient to prevent rising unemployment.

We all deeply regret the cost of unemployment to individuals, to families and to the community.

But regret, without action, has a hollow ring to it.

Nearly 50 years ago, the Labor Government of John Curtin, in its famous White Paper, committed the Commonwealth to a policy of full employment.

This Government affirms that full employment must and will be our continuing goal.

Tonight the Treasurer is presenting a statement titled *Working for the Future* which sets out this Government's plans for the years ahead.

Budgetary Stimulus

The Budget has a firm and unequivocal role to play in boosting economic activity in the short term.

It does so by providing a strong but temporary stimulus, and by ensuring that Australia emerges into sustained growth, with an enhanced economic infrastructure, better able to underpin the opportunities of the 1990s.

Overall, the outlays cost of new and previously announced measures to boost the economy will be around \$4 1/2 billion in the next two years.

In addition, we allow the impact of the recession on the Budget to run its course.

As a result, the budget deficit in 1992-93 is estimated to be \$13.4 billion.

Nearly ten years ago this Government acted in the 1983 Budget to boost the economy and reduce unemployment.

One and a half million new jobs were created and within four years the Budget recorded a surplus — the first in nearly four decades.

The present recovery will deliver jobs. But the Government is acting now to reduce unemployment more quickly, to ease the pain and burden on Australians and their families.

Employment Package

Tonight I announce the expenditure of a further \$742 million this year, and another \$467 million next year, to attack unemployment at its roots — in the communities where the despair is deepest, where the pain hurts most.

The package builds on the offer from local government — the sphere of government closest to the community — to move rapidly to expand local employment opportunities.

This package for local government involves job placement, road building and repair, and a new local capital works program, together with the Landcare projects recently announced.

Its centrepiece will be the local capital works program which will inject \$345 million into 411 local government councils, where about 70 per cent of all unemployed people live.

The program will involve grants of between \$4 million and \$20 million for each of 23 regions hardest hit by unemployment. These regions cover 179 local councils.

In addition, some \$5 million is to be provided to local government, through their State Associations, to strengthen their capacity to co-ordinate the provision of regional infrastructure and regional economic development.

This measure recognises that local government has a key role to play in the process of national economic recovery and economic adjustment.

There will be \$60 million for roads, and \$154 million to be spent on government and non-government schools and universities.

\$188 million planned for expenditure on urban development and public housing will be brought forward and spent this year and next.

Expenditures on Defence purchases and housing of \$87 million will similarly be advanced to this year.

These measures will also be focussed in regions with high unemployment.

Labour market and training programs will be expanded, particularly to assist long-term unemployed adults and to improve workforce skills and labour market flexibility.

- Places under the JOBSTART program this year will almost double, to 104,000.
- Work experience and training under the JOBSKILLS program will be available for an additional 12,000 people over the next two years.
- An extra \$92 million will be provided over three years for adult training places to help people back into jobs.
- Over the next four years, we will provide English language training to 38,000 job seekers.

In all, we will nearly double expenditure on these programs this year, to \$1.1 billion, and assist over 420,000 people.

The combined effects of these measures will see unemployment decline from 11 per cent last June to below 10 per cent twelve months from now, and keep on declining in the years ahead.

MAINTAINING AND ENCOURAGING ECONOMIC TRANSITION

Clearly, reducing unemployment is our most pressing objective.

But we must also continue our confident resolve to build a more export-oriented nation.

The Australian economy is part way through a momentous period of transition.

We have derived enormous benefits from our abundant natural resources and will continue to do so.

But in a highly competitive world, we must increasingly turn to the even more potent talents of our people.

We are creating new strengths and new skills as we respond to changes in the world around us.

In five years, our manufactured exports have more than doubled, while exports of services have increased by 82 per cent.

This has been an outstanding achievement. Our record on manufactured exports surpasses that of the major developed countries and even the Asian tigers.

There are many impressive examples.

Mitsubishi has centred its world production of the Magna Wagon in Adelaide. Ford is exporting its Capri, and Toyota plans to export 30,000 vehicles a year from its new plant in Victoria. Already, car industry exports exceed \$1 billion a year.

And Australian firms are exporting office equipment, chemicals, textiles, computers, telecommunication equipment and waste management technology.

There are about one hundred Australian firms exporting medical and scientific equipment.

Exports of services are also booming. Tourism is an important and well known example. But there are others. Australia's universities, schools and colleges earn \$1 billion from overseas each year.

Australian engineers and accountants, business consultants and architects are building a valuable offshore client base. And exports of medical services to overseas patients in Australia are growing from a small base.

Currently, around 60 per cent of our exports go to Asia. For some time, Japan has been our largest export market. But Korea is now our third and Singapore our fourth largest market.

We export more to South-East Asia than we do to the USA.

But we need to increase our total share of the world market, if our growth is not to be constrained by the subdued international outlook.

This Budget adds to new measures announced in February, to enhance the capacity of our industries to export.

\$75 million will be provided over three years from 1993-94 to those established and successful exporters entering new markets.

And a new working capital guarantee facility will support approximately \$300 million of new exports for firms short of working capital.

The Government is also to assist further the rural sector which has been badly affected by reduced world prices and severe drought.

Additional funds will be provided for rural adjustment and a National Drought Policy, and improvements will be made to the Income Equalisation Deposits Scheme.

We are reducing the costs facing our exporters. And we are working with the States to improve the interstate rail freight and electricity industries.

With the States, we are reviewing their vital water supply industry and their shipping ports.

We have given the Industry Commission a new role to identify impediments restricting the growth of promising export industries. The Treasurer is announcing the first group of ten references tonight.

Mr President, the capacity of our industries to compete depends on our ability to develop innovative products and more efficient production methods.

We have decided to extend indefinitely the 150 per cent research and development tax concession, so that Australia can continue to grow as one of the world's research and development centres. We have also decided to tighten up the scheme to ensure that research benefiting from tax concessions has an appropriate commercial focus.

And our great scientific institutions, such as CSIRO, will receive \$31 million over two years to continue building the research capacity so necessary for the challenge ahead.

Innovation springs from the arts as well as science. The Budget continues support of the film industry and increases support to the performing arts.

Economic Growth and the Environment

While the Government is actively encouraging the development of industry, this will be consistent with the preservation of the Australian and global environment.

We are allocating \$107 million over the next four years to industry and environment programs to foster sustainable development and to help address climate change issues.

The Government's initiatives will integrate economic and environmental decision-making.

We will improve the taxation treatment of investment for, and spending on, pollution control.

Training and Workforce Skills

Our capacity to compete in the world, and to enjoy challenging jobs, depends greatly on the skills of our workforce.

The creation of a new Australian National Training Authority and the injection of \$720 million by the Commonwealth will see, in three years, over 100,000 more young Australians involved in vocational training.

And by the year 2000, we will have another 200,000 young Australians aged between 15 and 19 years at school, in college and at university.

To meet these increasing demands, the employment package I am announcing includes \$60 million to help the States refurbish up to 600 of their older high schools.

Access to Education

In higher education, the Government will establish the Open Learning Program at a cost of \$53 million over the next three years.

The program will draw on the remarkably successful but much smaller pilot project which started this year.

For Australians in remote communities, for those with family or work commitments, and indeed for any Australian who may not have enjoyed access to traditional higher education, this initiative will be a historic milestone in removing barriers to participation.

In short, every Australian with access to a television and a letter box can now have access to a university education.

Existing AUSTUDY arrangements will be improved, and the system of grants will remain intact.

Tertiary AUSTUDY students will have the option to supplement their benefits through a voluntary loans scheme.

Through all the improvements, about 43,000 additional students will be eligible for assistance.

Wages Policy

Mr President, the co-operative development of a flexible wages policy is a key element in this Government's economic strategy.

Through its close relationship with the trade union movement, this Government has fundamentally altered Australia's wage setting arrangements.

Workplace bargaining, which links wage increases to skills formation and productivity improvement, will become the primary mechanism for wage adjustments.

Agreements between managers and workers on matters such as hours of work, penalty rates, work practices and wage rates have improved flexibility while protecting basic conditions.

Building on this approach, the Government has proposed an alternative to a National Wage Case.

Our proposal is that minimum award rates be adjusted through supplementary payments, by an amount of \$10 a week, and that workplace bargaining be the principal vehicle for wage increases in the future.

This will protect low paid workers while encouraging employers and employees to accelerate productivity gains.

This will occur in a framework of maintaining Australia's inflation rate at or below that of our major trading partners and matching international best practice.

In the 1990s, as in the 1980s, the Accord between the Government and the trade union movement will ensure that we achieve significant improvements to the economy.

SOCIAL REFORM

This Budget is a budget of action on jobs.

It is a budget of confident resolve to continue the transition to a modern, vibrant economy.

But it remains a budget of care; care for our aged, for the frail, and for the disadvantaged.

In this Budget the Government is building on its proud record of social reform.

The cost of the initiatives to which I now refer have been offset, over this and the forward estimates years, by *program savings* and by *revenue measures*.

Medicare

Important among the changes are the Medicare reforms which the Deputy Prime Minister will announce tonight. They will guarantee that every Australian will have access to the full range of Hospital and Medical Services on a fair basis.

An additional \$1.6 billion will be provided over six years for public hospitals, subject to the States and Territories agreeing to the Government's proposals for the strengthening of Medicare.

These proposals ensure that Australians will have hospital services provided on the basis of clinical need and not on the basis of private health cover.

No longer will private patients be able to jump the queue ahead of public patients in equal need of treatment.

A program, costing \$71 million over two years, will ensure that waiting times for elective surgery are brought down to acceptable levels. Strategies to achieve this will include, where necessary, buying in services from the private sector.

The Government's reforms will ensure that Medicare can meet the 29 per cent increase in public hospital admissions expected over the next decade.

To fund these substantial improvements in health services, the Medicare levy will increase by 0.15 per cent from 1 July 1993.

Australians on average weekly earnings will pay about 80 cents extra a week in their Medicare levy. For this they will receive the benefits of — and improvements to — one of the best health care services in the world. This achievement is one of which this Government and all Australians can be justly proud.

Support for Pensioners and Allowees

In February 1991 the Government gave a commitment to provide a real increase in pensions during the life of this Parliament.

I am now announcing an increase in the single rate of pension of \$6 a fortnight, and \$10 a fortnight for pensioner couples, from late January 1993.

This increase incorporates the adjustment otherwise due in March 1993 and includes an additional amount.

This additional amount will be provided to the older, long-term unemployed, and to most of the *unemployed with dependants*.

From April 1993, all full and part pensioners and older long-term allowees will be eligible to receive the range of fringe benefits provided by the Commonwealth, including hearing aids and a telephone allowance.

\$44 million will be provided for nursing homes over the next four years and a home equity loan scheme will be established for pensioners.

Housing

Mr President, the Deputy Prime Minister will also be announcing tonight a new long-term housing strategy.

One of the first steps in the strategy will be to provide an extra \$24 million in 1992-93, rising to \$40 million in 1995-96, for rental housing managed by community organisations and local government.

\$48 million will be provided over three years to help 20,000 lower income earners buy equity in the public housing in which they live. This will also release capital to fund new homes for those in need.

And a new structure of rent assistance, to cost \$71 million next year, will benefit 440,000 low-income private renters, including about 300,000 pensioners.

Children

The Government will introduce a package to improve the affordability and efficiency of child care services.

It includes an increase in the existing fee relief ceiling of \$4 a week for each child in care. And it will provide for continued operational subsidies to community-based child care centres and family day care services.

These measures will assist 135,000 families and will cost \$68 million over the next four years.

In a new initiative, up to \$136.50 in family allowance will be available on request as a lump-sum advance to help meet unforeseen expenses.

Disabilities/Carers

In 1990, the Government initiated measures to assist people with disabilities to enter the workforce and to participate fully in the community.

Tonight we are announcing further measures at a cost of \$68 million over four years which will build on those reforms.

Additional funding of \$41 million over four years will be provided for respite services to reduce the burden on carers of frail aged and disabled people.

And the domiciliary nursing care benefit is to be increased to \$26 a week from 6 January 1993 and indexed thereafter.

Aboriginal Australians

The Budget provides for the policies and programs to assist Aboriginal people which the Prime Minister recently announced. It also provides a total of \$19 million over four years for the Council for Aboriginal Reconciliation.

Remote Areas

Australians living in remote areas are often disadvantaged.

The Government has thus decided to increase the income tax remote area zone rebates by 25 per cent from 1 January 1993. For people in the remotest areas of Australia, the base component will be \$235 higher in a full year. Remote Area Allowances will be increased accordingly.

REVENUE

It is now turn to revenue measures.

The major revenue initiatives include the increase in the Medicare levy and an increase of \$5 a kilogram in tobacco excise.

This increase will raise the price of a packet of 30 cigarettes by up to 20 cents and reinforces our policies to reduce the health costs of smoking. It will raise \$80 million this year.

As part of the continuing task of making the tax system fairer, from 1 April 1993, Fringe Benefits Tax will be applied to valuable car parking facilities—mainly in central business districts—that are provided by employers to their employees.

Also, the tax benefits of limited partnerships will be restricted by taxing them on the same basis as companies.

ECONOMIC PROSPECTS

The Budget has been framed with a realistic appreciation of the difficulties before us.

While net borrowing by the public sector is expected to be the same as last year, the Budget deficit will represent an estimated 3.3 per cent of gross domestic product.

The Government will eliminate the deficit as soon as possible. We shall introduce our announced personal income tax cuts. And the budget deficit will fall as economic recovery strengthens.

Outlays will fall over the period to 1995-96. But in the absence of new measures, revenues are also likely to decline.

If the fiscal position nearer to the time is not stronger than is now projected, the Government will consider and implement a number of tax changes to maintain the revenue structure. These changes—referred to in the Budget Statements—would allow for the 1995-96 deficit to be between 1/2 per cent and 1 per cent of gross domestic product.

Australia will grow more quickly this year than last. Australia is once again on the move.

Output is forecast to increase by \$22 billion in 1992-93, creating around 160,000 jobs.

Recovery this year will continue to be aided by growth in private consumption, in housing and in public sector investment.

And business investment in plant and equipment, which is crucial to long-term job growth, is expected to turn around during 1992-93, making a modest contribution to the recovery.

Low inflation will continue to be the top priority of monetary policy.

Low inflation will take pressure off interest rates and thereby keep low the cost of borrowing to firms and families.

Low inflation will fortify our competitive position and so spur economic and employment growth.

The current account deficit is forecast to widen to 3 3/4 per cent of gross domestic product, in part owing to investment growth. This is below the levels experienced in earlier years, due in no small part to our impressive export performance.

CONCLUSION

Over the past decade, this Government has progressively reformed the Australian economy.

We are working to see our *manufacturing and service sectors emulate the great record* of our mining and rural industries by becoming dynamic and outward looking.

This Government also saw that our education system had to be reformed: from the *school system through to universities*.

With that reform, young Australians can acquire the skills necessary for the challenging jobs of the future.

The Government has reformed the capacity of the public sector to support the process of economic and social transition.

Much has already been achieved.

Australia, our companies and all working men and women are now better able to seize the opportunities offered by a changing world.

We need only the resolve to seize those opportunities.

This Budget shows that resolve.

But that resolve must continue to be matched by our care for those in the community who won't immediately benefit from those economic opportunities.

This Budget demonstrates that care.

And while Australia is better placed for future growth as the world economy recovers, we are *determined* to take action to provide jobs, by using all the means at our disposal.

This Budget takes that action.