

BUDGET SPEECH 1999-2000
DELIVERED ON 11 MAY 1999 ON THE SECOND
READING
OF THE APPROPRIATION BILL (NO. 1) 1999-2000
BY
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TREASURER OF THE COMMONWEALTH OF
AUSTRALIA

Mr Speaker, I move that the Bill now be read a second time.

This is the Budget for the last year of the Century.

In putting together this Budget, the Government wanted to achieve a number of things:

- We wanted to deliver the election commitments we made last October.
- We wanted an economic framework which would help families by keeping home mortgage rates low.
- We wanted to deliver increased services to rural and regional Australia.
- We wanted to build the nation's educational and research capacity.
- We wanted to keep Australia strong — having come through the first two years of the Asian economic and financial crisis.
- We wanted to keep the Budget in surplus.

We wanted to frame a Budget which would set us up to enter the next Century much as we entered this one — a world leader in living standards, prosperous, free, and with all the potential of a dynamic young nation.

Mr Speaker, this Budget is right for the times. The Commonwealth Government, this year, budgets again to spend within its means.

Mr Speaker, for the third year in a row, the Budget will be in surplus — a surplus of more than \$5 billion. And that means that this year, again, we can pay off debt.

In the last five years before the Coalition was elected, Labor ran up Commonwealth debt by nearly \$80 billion. We had to raise \$9 billion in taxes just to pay the Government's interest bill. The Coalition put an end to that spiral of deficit and debt. This is the fourth Budget I have presented on behalf of the Coalition Government. In those four Budgets, in net terms, we have not borrowed a dollar.

And we have repaid over \$24 billion of Labor's debt.

If the Senate passes the Government's legislation — legislation to implement policies we put to the electorate last October — by 2002-03, we could repay all of Labor's debt. And the Commonwealth Government could be debt free.

We could begin the next Century, as we began this one: No Commonwealth debt — a clean sheet — and no interest bill to pay. We would have the chance to lower taxes, and build better opportunities for our people.

The historic turnaround in the Commonwealth Budget was not done by pushing up tax, but by pruning expenses.

The Budget I present tonight, for the fourth year in a row, proposes:

- No increase in rates of income tax.
- No increase in rates of company tax.
- No increase in rates of petrol excise.
- No increase in rates of wholesale sales tax.

THE ECONOMIC ENVIRONMENT

Just under two years ago events beginning in Thailand led to the most severe financial crisis and economic downturn in our region in 50 years. Since then, Japan, Korea, Hong Kong, Singapore, New Zealand — nearly all the countries of our region — went into recession.

Many thought Australia couldn't stand against such a severe regional crisis. Some predicted Australia would be dragged into recession and spiralling unemployment. But sound economic management and sound institutions protected our economy. It didn't go into recession. Our economy grew. In fact it grew faster than the countries of Europe and faster than the developed world, faster than the countries in America. And unemployment fell. In the past year, 180,000 new jobs were created.

Our inflation is as low as we've seen it in 30 years. Home mortgage interest rates are the lowest they've been in 30 years, and unemployment — while still too high — has fallen to its lowest level since the start of the decade.

But we would fool ourselves to think our problems are now all over. Our region is still in trouble. The world economy is still weak. Next year the Government forecasts economic growth at 3 per cent — this is faster than most of the major economies of the world — but a little slower than the very high growth of 4¼ per cent this year. Our current account deficit — widened by weak export prices and a strong consumer demand for imports — is forecast at 5¼ per cent of GDP. This is a little better than this year. But it means we cannot afford to be complacent.

The world economy is still a very uncertain place.

Just as the economic reform of three years ago gave us the strength to ride out the challenges of the last year, the reforms of today will determine how we ride out the challenges of tomorrow. If we want the growth, the living standards, and the jobs in the next decade, we must rise to the challenges of today.

And, of course, the reform of the Australian taxation system is our greatest reform challenge.

With a strong year behind us, new challenges now upon us, and with great opportunities before us, the Government has carefully drawn up its initiatives and set its priorities for the coming year. Our economic strategy is responsible, fair and prudent.

It is right for the times.

Our priority is our election commitments. We are able to announce tonight how the Government will deliver those commitments. And tonight we outline some exciting new initiatives for our country and our future.

EDUCATION

Mr Speaker, we cannot, with certainty, predict all the challenges our children will face in the future. We cannot with certainty, predict the work skills they will need for the jobs they will do — but we do know that the best possible way to prepare them is a strong education.

The Commonwealth, in this forthcoming year, will spend \$4.8 billion on the education of primary and secondary children. The Government is committed to ensure that all young people have access to a strong basic education and a quality pathway from school to further training, further education, and employment. A key Government priority is to ensure that every Australian school child is able to read and write. This Budget builds on previous initiatives by allocating \$131 million over four years for literacy and numeracy programmes in schools. For the first time, literacy and numeracy programmes will extend to the middle years of schooling. Parents want their children to be able to read and write. We want to help schools do it. Funding of \$78 million is being provided for a Quality Teacher Programme

to help teachers focus on professional development in literacy, numeracy, mathematics, science, information technology and vocational education.

Additional funding of \$553 million over five years has been provided for Catholic systemic schools, implementing our election commitment made last October. This decision followed an independent assessment of the needs of this system conducted by the Non-Government Schools Funding Review Committee.

In this Budget we are announcing a new formula for distributing recurrent funding to non-government schools. The new system will be based on the needs of the parents, taking into account the resources of the community that a school serves. It will provide a fairer and better treatment. It will boost funding for needy schools. The new system will be phased in to operate fully by 2004. Schools which could have been disadvantaged by the new arrangements will be protected. They will have their existing per capita grants adjusted in line with cost rises. This guarantee and the increased grants going to more needy schools will increase funding by around \$561 million over the 2001-04 school quadrennium.

Mr Speaker, if we are to educate our children for life, we must also educate them about the evils in our society.

The Government rejects the inevitability of increasing damage to individuals and the community from illicit drugs. To date the Government has committed to a range of new measures in the fight against drugs, as part of the National Illicit Drug Strategy. In this Budget \$80 million over four years is announced for interception, treatment and a National School Drug Education Strategy: to teach our children the dangers, and hopefully protect them from the scourge of illicit drugs. This Budget also provides a further \$221 million over four years to allow police to compulsorily divert illicit drug users from the criminal justice system to counselling and treatment. We do not accept that drug addiction cannot be treated. This Budget provides funds to expand treatment services for drug users.

A SAFER COMMUNITY

The Government will establish a National Crime Information System (Crimtrac) to build a National DNA Criminal Intelligence Database and a National Child Sex Offender Database. Crimtrac will provide access to the most up to date and efficient technology to store and retrieve information to help police stop crime and protect the public. The Government will also be establishing a National Crime Prevention Programme aimed at finding and promoting ways of preventing crime and violence in the community.

To enhance an equitable and accessible system of federal law and justice, additional counselling and mediation dispute resolution services will be provided and access to justice for disadvantaged people in rural and regional areas will be extended. The Commonwealth will establish a new Federal Magistrates Service to deal with less complex Federal cases. A Commonwealth Law Courts building will be constructed in Adelaide.

FAMILIES

Mr Speaker, the Government has before the Parliament legislation to provide around \$2½ billion of extra family assistance each year.

Associated with the introduction of the new tax system from 1 July next year, over two million Australian families will qualify for additional assistance — at least \$140 per child, and in a one income family with a dependent child under five, \$490 per child.

This is in addition to income tax cuts now contained in legislation before the Senate. The Government's legislation proposes to cut income tax for every Australian taxpayer.

In addition to the increased benefits provided to families as part of the Government's tax reform — *A New Tax System* — from 1 July 2000, eligibility for Family Tax Benefit, Part A will be extended further than is contained in the legislation. The benefit will be payable for dependent young people up to the age of 21 years who are not receiving Youth Allowance, or if they are receiving part Youth Allowance, the benefit will be topped up for qualifying families to the maximum rate of \$37.50 per fortnight.

The Government's focus on helping families includes a range of specific initiatives including increased relationship support services, assistance to resolve family disputes, developing approaches to reduce domestic violence, expansion of children's contact services, a new suicide prevention strategy and support for carers of young people with disabilities. The Government will implement a new youth homelessness early intervention programme and provide increased funding for the Supported Accommodation Assistance Programme which provides transitional support and accommodation to help homeless people and those at risk from domestic violence.

The Government's economic strategy is directed squarely at helping Australian families. The average Australian family with a mortgage is saving over \$320 a month as a result of interest rate falls under this Government. More young Australians can buy homes. More families can pay the mortgage to keep their home. Good economic policy is good family policy.

HEALTH

The Government is working to improve the health and medical care of all Australians. We are committed to a balanced health system with Medicare, a strong public hospital system and the opportunity for more Australians to take out private health insurance.

We are working with the States and Territories to ensure continued improvement in the efficiency and quality of services in public hospitals. To encourage private health insurance, from 1 January this year, every Australian taking out private health insurance is eligible to have 30 per cent of the premium paid by the Commonwealth.

To build on this initiative, and to further encourage people to take out health insurance, Lifetime Health Cover will be implemented from 1 July 1999. This system will allow registered health funds to charge different premiums, depending on the age at which a person first joined a health fund. People taking out cover early in life will pay lower premiums. The new system rewards early and continuous membership. The premium will be set at the age a person first joined, and once set, remains at a lower rate, relative to people entering at an older age. We want young people to make health insurance a habit. There will be a 12 month grace period from 1 July to allow those not yet insured to do so. If they do, they will be credited with the lowest possible joining age. In addition, special provisions will protect people aged 65 or more on 1 July 1999 by ensuring that they can take out hospital cover at any time and be credited with the minimum joining age.

In this, the International Year of the Older Person, the health care of older Australians is a particular priority. The Budget provides funding of \$228 million for an Enhanced Primary Care Package, targeted to older Australians and those with chronic conditions. The package is designed to better coordinate health services and to improve people's self-reliance and capacity to manage their own conditions. For example, the Government will provide for voluntary annual health assessments for those Australians aged 75 and over. We will put in place a programme to help prevent injuries to elderly people arising from falls. Separately, \$82 million has been provided to expand the provision of respite care for carers of people with dementia and other cognitive and behavioural problems. These measures are designed to support carers and by supporting them, to support those with disability.

The Government will provide additional funding of \$210 million over the next four years for hearing rehabilitation services, including the provision of hearing aids for eligible persons. The funding will enable a further 67,000 Australians to be assisted each year. While this will mainly benefit older Australians, a component of this funding will be directed towards the ongoing delivery of high quality hearing services to children and others with special needs.

The Government will continue to work toward addressing the huge disparity in the health of our indigenous people. Aboriginal and Torres Strait Islander primary health care funding is to be increased by \$79 million over four years. The Army/ATSIC Community Assistance Programme which provides environmental and health infrastructure delivered by defence personnel to indigenous communities will also be extended.

RURAL AND REGIONAL AUSTRALIA

The Government is strongly committed to rural and regional Australia. We know the many challenges that country people face. So tonight, in this Budget, there are a number of initiatives seeking to help strengthen the social and economic fabric of rural and regional areas.

We are working with Australia's primary industries to secure their profitability, sustainability, and competitiveness. Part of this is the ongoing Supermarket to Asia Strategy to develop Australia as the food supplier to the region. To add to this, a new Food and Fibre Supply Chain Programme will be established. These programmes will open up markets for Australia's farmers. Resources are also being provided for the Northern Australian Quarantine Strategy and regional flood mitigation programmes. The Government will provide \$32 million over five years to restore ground water pressure in the Great Artesian Basin, a major water resource for the country, supporting pastoral and mining enterprises.

People living outside capital cities must have access to quality health care. During the 1998 election campaign, the Government committed itself to a series of measures to improve rural health services in the short and longer term. This budget delivers on those promises. An additional 30 Regional Health Service Centres will be established in rural communities across Australia over the next four years. These centres will draw together health, aged care, and other community services to a central location; based on community need, providing a mix of services to best meet local priorities.

And we know rural Australia needs more doctors. The Government will spend \$43 million over four years to pay retention money for long serving GPs as an incentive for them to continue practice in rural and remote areas. The Government will establish a clinical school based in Wagga Wagga and a medical school at James Cook University in Queensland. We will establish a Rural Australia Medical Undergraduate Scholarships Scheme for rural students to train as doctors. Rural people trained as doctors are more likely to serve in rural Australia. We will establish a fly-in female general practitioner service for women in rural and remote areas who currently do not have access to a female GP.

To ensure that students from rural and regional areas have access to education, this Budget provides a number of initiatives including increasing boarding allowance under the Assistance for Isolated Children Scheme and extending eligibility for the student financial loan supplement.

Two new Centrelink call centres will be established, in Maryborough in Queensland and Port Augusta in South Australia. The new call centres will tailor services to customers in regional and rural Australia.

As part of the social bonus to be funded from the sale of the second tranche of Telstra, the Government will fund the establishment of up to 500 rural transactions centres at a cost of \$70 million over five years. This means small rural communities can establish centres that provide access to services, such as banking, post, phone, fax and Medicare from the one centre. This goes a long way to defeating the distance that makes it hard for rural and regional Australians to access services.

An efficient and integrated transport sector is vital to underpinning economic growth, creating investment and providing services to people in both urban and regional Australia.

The Government has allocated an additional \$195 million over four years to upgrade the National Highway System and roads of national importance. Increased funding is also being provided for bridge upgrades to facilitate the introduction of increased mass limits for heavy vehicles. These programmes will enhance the efficiency of our road transport system, with consequential national and regional economic benefits. The Black Spot Programme is also being extended for a further two years in order to make our roads safer and reduce the social trauma and human costs of road crashes.

TRAINING AND EMPLOYMENT

Mr Speaker, one of the most significant structural changes introduced by this Government was the concept of mutual obligation — the obligation of the community to the individual, and the obligation of the individual, in return, to the community.

That is why the Government introduced the Work for the Dole scheme. It has been immensely successful.

The Government is pursuing a wide range of labour market reforms to achieve sustained reductions in the level of unemployment. As part of an integrated approach to employment, the scope of activities that satisfy the mutual obligations of unemployment beneficiary recipients will be increased. Work for the Dole will be extended to those aged between 25 and 34 years who have been in receipt of unemployment payments for twelve months or more. Work for the Dole will also be expanded to Year 12 school-leavers in receipt of unemployment payments for more than three months. In total, this will involve a doubling of Work for the Dole places from 25,000 in 1998-99 to 50,000 by 2000-01.

Employers in rural and regional areas will be provided with an additional incentive payment of \$1000 to progress new apprentices to higher skill levels in trades and occupations experiencing skill shortages.

To combat the severe employment problems faced by Aboriginal and Torres Strait Islander people, the Government will introduce the Indigenous Employment Policy. The package of additional initiatives to address the severe employment situation faced by indigenous Australians will double the funding for indigenous programme initiatives from \$25 million to \$50 million per annum.

FRONTIERS IN SCIENCE AND RESEARCH

Mr Speaker, advances in health care and quality of life in the future will come from new knowledge and new scientific breakthroughs. Australia has a proud history of science and medical research. Australian pioneers — the Howard Floreys, the Macfarlane Burnets, the Victor Changs — led the world. We want to build a culture that will bring forth new pioneers in the new century, who will expand the frontiers of knowledge and advance just like their predecessors.

In an historic commitment, the Government has decided to invest an additional \$614 million over the next six years into health and medical research funded through the National Health and Medical Research Council. No previous Australian Government has ever given health and medical research such a high priority.

This will more than double the Council's existing funding level by the year 2005. A significant part of this investment will be for the development of an enhanced national medical genomics capacity, which will have the potential to look for ways to cure major illnesses such as cancer and heart disease. This capacity, along with other research initiatives I am announcing tonight, will ensure that Australia can maintain its place at the cutting edge of biotechnology. This is a new frontier for innovative, knowledge-based industries in health, agriculture and many other related areas. Most importantly, this funding will enable our best and brightest to pursue opportunities in science and medicine, here in Australia. In addition, new funding of \$20 million over the next two years will develop enhanced physical facilities in Australia's leading health and medical research institutes.

This significant boost in funding for health and medical research flows, in part, from the recommendations of the Wills Review, the most comprehensive report ever undertaken into medical research. These measures will consolidate Australia's position in the top 10 OECD countries in terms of health and medical research investment.

Biotechnology will have a major impact on many commercial activities and has the potential to improve the lives of Australians through new medical treatments, safer and more nutritious food, reductions in the use of chemicals and more sustainable land use practices. We are going to assist the biotechnology industry to maximise its contribution to the Australian economy. This will be done through a one-stop-shop named Biotechnology Australia, supported by a Council of Ministers, to advance developments and harness discoveries in this area. The Government will also establish the Office of the Gene Technology Regulator, operating with existing

mechanisms to ensure Australia has a nationally consistent system to regulate food, agriculture and therapeutic goods to develop public confidence and ensure public safety in reaping benefits from this cutting edge area of science.

To help ensure that Australia maintains its strength in scientific and industrial research and innovation, the Government will maintain higher baseline funding for the CSIRO. Research infrastructure funding for universities will be increased and new science lectureships will be established. This complements the Strategic Partnerships-Industry Research and Training programme for which additional funding has previously been announced.

LEADING FINANCIAL SERVICES

Australia's system of financial regulation leads the world. The stability shown in the banking and corporate sector, notwithstanding the Asian financial crisis, is evidence of how well placed the regulatory reforms have proved. To enhance Australia's capacity to participate fully in the strong global growth in the financial services industry, the Government has allocated \$3.5 million in each of 1999-2000 and 2000-01 for initiatives to promote Australia as a centre for global financial services.

Australia's public finances are reported and presented on a world class basis. Our Charter of Budget Honesty is now advocated internationally as a model for other countries. This Budget is presented on an accrual basis for the first time. It allows us to properly budget for future expenditures. This puts Australia at the forefront of transparency in the conduct of fiscal policy.

ECONOMIC OUTLOOK

Mr Speaker, after two years of economic growth in excess of 4 per cent, growth of around 3 per cent is expected in 1999-2000. Growth over the year to the June quarter 2000 is expected to be around 3½ per cent. This is a remarkable achievement given the crisis in Asia and the slowdown in world growth. Economic growth in Australia will remain stronger than all the G7 economies and the average of the OECD countries and more favourable than most countries in the region.

In 1999-2000 we are expecting stronger growth in both exports and investment in plant and equipment as the international economy gradually improves.

Employment growth is set to be strong enough to keep intact the very significant gains this Government has made on reducing the unemployment rate. The unemployment rate should remain around its current level. The outlook is for inflation to remain low, averaging 2 per cent in 1999-2000.

As exports and commodity prices respond to a gradual strengthening in world growth, the current account deficit will ease in 1999-2000 to average around 5¼ per cent of GDP.

CONCLUDING COMMENTS

Within the space of four budgets the Coalition has positioned Australia for the next century. We now have very sound fundamentals: strong growth, low inflation, the budget in surplus and the prospect of completely eliminating Commonwealth net debt.

Our next Budget will begin the story of the 21st century. By then we should have a new tax system — *A New Tax System* for the new century. A new tax system will fund and sustain our hopes and aspirations in health care, in education, in care for the old, and care for the young.

The next decade could be a special one for Australia — a step up in growth, in jobs, in our community infrastructure, in our services, for those in need, in our living standards, leading the region and, in many respects, leading the world.

Good economic policy will determine our capacity to meet these important social objectives. This is a budget for those objectives. This is a budget right for these times.

I commend the Budget to the House.