



Australian Government

BUDGET

OVERVIEW

13 MAY 2008

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Budget at a glance

This is a responsible Budget that delivers for working families and invests in Australia's future. It funds a substantial \$55 billion Working Families Support Package; meets the Government's commitments; and begins a new era of responsible long term investment to strengthen our economy, fight inflation, and meet our future challenges from a position of strength.

Delivering for working families

Working families are under pressure from rising costs of living. The Government is helping them make ends meet by:

- cutting personal income tax
- reducing child care and education costs by lifting the Child Care Tax Rebate and introducing a new Education Tax Refund
- improving housing affordability, through the First Home Saver Account, the National Rental Affordability Scheme and the Housing Affordability Fund
- improving access to high-quality health care, education and training.

Meeting our commitments for Australia's future

The Government is laying the foundations for Australia's future.

By reprioritising spending, the Government is investing in priority areas of education, health and the environment, to build prosperity in the future. The Government will put in place the transport, communications, education and hospital infrastructure necessary for future growth.

The 2007-08 and 2008-09 surpluses will be used to invest \$40 billion in three nation-building funds – a Building Australia Fund, an Education Investment Fund and a Health and Hospitals Fund.

The Government is taking action now to deal with the nation's long term challenges.

A new era of responsible economic management

The Government is fighting inflation because it hurts the economy and it hurts working families. That's why the Government will deliver a strong surplus of 1.8 per cent of GDP, with every dollar of new spending in 2008-09 more than matched by spending cuts. Growth in real spending will be 1.1 per cent in 2008-09, the lowest rate for nine years.

Over four years, this Budget makes savings of \$33.3 billion, including \$7.3 billion in 2008-09.

Budget aggregates^(a)

	Actual	Estimates		Projections		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Underlying cash balance (\$b)(b)	17.2	16.8	21.7	19.7	19.0	18.9
Per cent of GDP	1.6	1.5	1.8	1.5	1.4	1.3
Fiscal balance (\$b)	17.2	20.4	23.1	22.4	23.3	22.6
Per cent of GDP	1.6	1.8	1.9	1.7	1.7	1.6

(a) The 2006-07 figures have been adjusted to reflect the recognition of GST as an Australian Government tax.

(b) Excludes expected Future Fund earnings.

Major economic parameters^(a)

	Forecasts		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
Real GDP	3 1/2	2 3/4	3	3	3
Employment	2 1/2	1 1/4	1 1/4	1 1/4	1 1/4
Wage Price Index	4 1/4	4 1/4	4	4	4
CPI	4	3 1/4	2 1/2	2 1/2	2 1/2
Nominal GDP	7 3/4	9 1/4	4 1/4	4 1/4	5 1/4

(a) All parameters except the CPI are year average percentage changes. The CPI parameter is through the year growth to the June quarter. As in previous budgets, projections assume a two-year step down in non-rural commodity prices.

Balancing countervailing forces

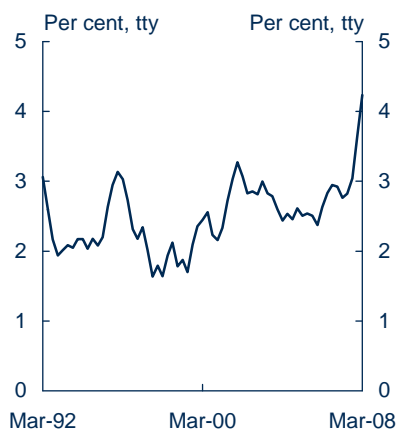
This Budget is framed at a challenging time of countervailing forces, with high inflation at home and financial market turbulence abroad. Global growth could weaken further due to stresses in international financial markets. Counteracting this, Australia's terms of trade will surpass 50-year highs, boosting incomes and prices.

High inflation

Price pressures have intensified in recent years, with consumer prices rising 4.2 per cent this past year, the highest underlying inflation figure in over 16 years.

Rising coal and iron ore prices will drive the largest increase in our terms of trade in a generation. This will raise incomes and add to price pressures.

This makes fighting inflation the Government's number one priority.



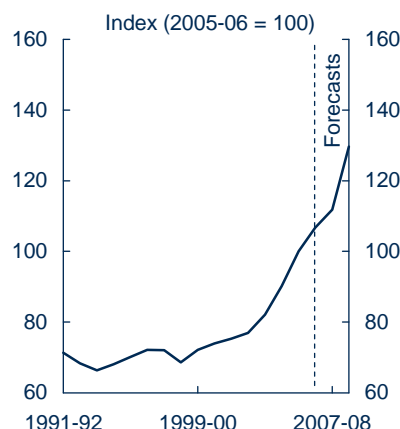
High underlying inflation

Financial market turbulence

Turbulence in world financial markets is having a widespread impact on the global economy.

These developments are resulting in slower global growth and higher borrowing costs with some impact on our economy.

While we are not immune from the effects of financial market turbulence, Australia is better placed than most to weather the fallout.



Record high in the terms of trade

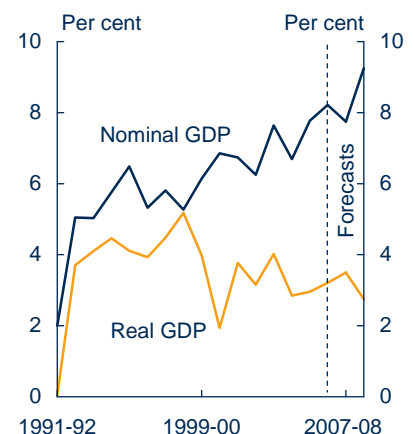
Balancing forces

Weaker global growth and higher interest rates are having an impact on the Australian economy, with growth forecast to slow to 2¾ per cent in 2008-09.

However, strong terms of trade will add to price pressures.

Nominal GDP is forecast to rise by 9¼ per cent in 2008-09, the fastest rate in 19 years.

Our tight fiscal policy will play a role in these circumstances, bearing down on inflation, while investing to sustain productivity and growth.



Diverging real and nominal GDP

Inflation pressures have intensified

In recent years, there has been a significant build-up in underlying inflationary pressures. The fight against inflation requires responsible budgeting that refocuses the Government's spending on measures that increase the economy's supply capacity for the future.

Inflation is high

Prices for many essential items have gone up, putting pressure on the budgets of Australian families.

The build-up in underlying inflationary pressures is the result of several years of strong growth in demand that has not been met by increases in the supply capacity of the economy.

In response, the Reserve Bank of Australia has lifted official interest rates eight times in just over three years. Australians are feeling the effects of this through their mortgage repayments.

Maintaining sustainable growth

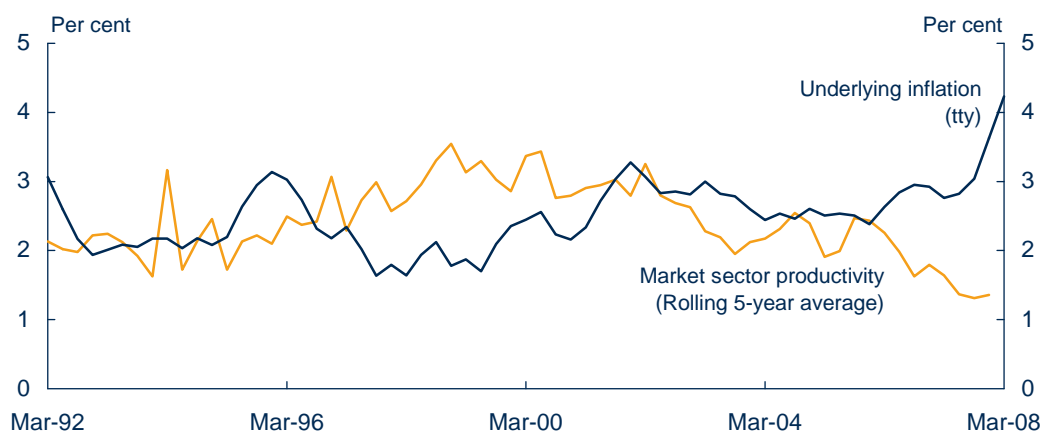
Governments need to avoid wasteful spending that puts unnecessary pressure on the economy and makes the Reserve Bank's job of controlling inflation harder.

Productivity growth has fallen to its lowest rate in over 17 years, so government spending needs to be firmly focused on measures that boost the economy's productive potential. This reinforces the economy's ability to deliver strong and sustainable growth without triggering inflationary pressures.

Government policies

The Government has framed this Budget with these priorities in mind. Tighter monetary and fiscal policies are expected to gradually ease inflation from 16-year highs.

This Budget delivers for working families and invests in the supply capacity of the economy. Reprioritising spending towards education, health and infrastructure is an investment in Australia's future.



High inflation and low productivity

Responsible economic management

In this Budget, the Government is putting downward pressure on inflation and providing a buffer against the effects of international financial turbulence. The Government has made tough decisions in the long-term national interest by reprioritising government spending and taxation arrangements. This marks the end of short-term irresponsible spending and the start of responsible investment in Australia's future.

Fiscal strategy

A strong surplus in 2008-09 is required to:

- bear down on inflationary pressures in the economy
- provide funds for long term investment in the infrastructure, education and training, and health and hospital needs of the nation
- ensure a strong budget at a time of heightened uncertainty in the global economy.

The Budget honours the Government's commitment to responsible economic management. The Government is budgeting for a surplus in 2008-09 of 1.8 per cent of GDP, with all tax receipt

windfalls since the election banked, rather than spent. Global financial market turbulence has limited the extent of upward revisions to taxation receipts from commodity price rises.

Spending growth has been reined in to 1.1 per cent in 2008-09, the lowest growth rate in nine years.

Responsible spending

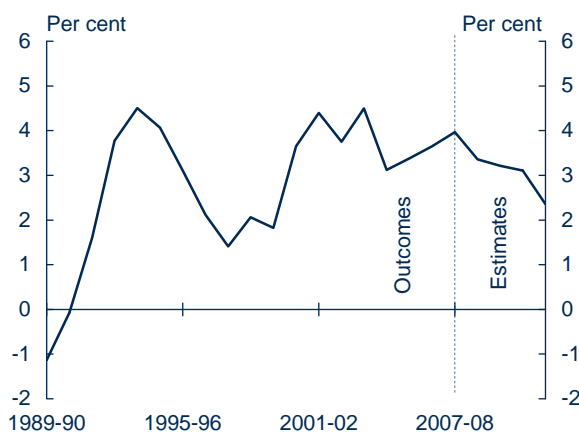
Spending has been reprioritised to implement election commitments in areas like health, child care and education to meet the needs of a modern Australia. New spending in 2008-09 is offset by spending cuts.

Funding future challenges

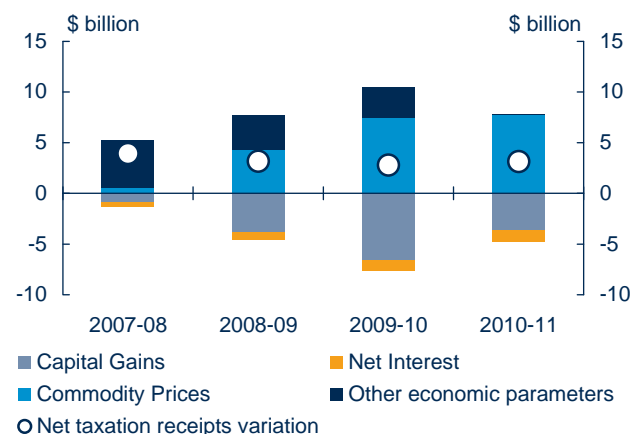
The Government will establish a Building Australia Fund, an Education Investment Fund and a Health and Hospitals Fund, using the 2007-08 and 2008-09 budget surpluses, and future surpluses as appropriate, to finance investment in infrastructure, education and health for our future.

Reducing the tax share

The Government has reduced tax as a share of GDP from 24.7 per cent in 2007-08 to 23.8 per cent in 2008-09. This meets the Government's medium term objective of keeping taxation as a share of GDP on average below the level for 2007-08.



Four year trend growth in real spending



Variations to taxation receipts since the election

Savings offset new spending

The Government is finding savings to offset new spending in the 2008-09 Budget. Savings have been found by cutting back inefficient and wasteful programs, better targeting benefits to those who need them most, closing loopholes used to exploit the benefits and tax system, and making government more efficient.

The Government has identified savings of \$33.3 billion over four years, including \$7.3 billion in 2008-09.

Reprioritising spending

In this Budget, the Government is

- replacing Australian Industry Productivity Centres with the Enterprise Connect Innovation Centres
- closing the Commercial Ready program.

The Government will continue to examine spending and taxation in the second stage of its expenditure review and the comprehensive review of Australia's tax system.

Better targeting tax and benefits

The Government is putting fairness back into the tax and benefits systems to direct support where it is needed most.

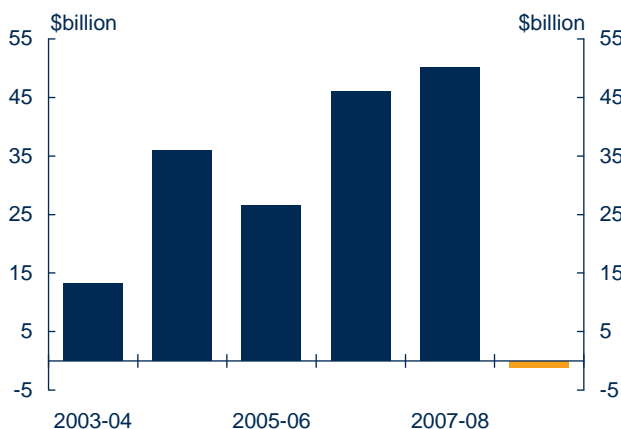
In this Budget, the Government is:

- introducing an income test of \$150,000 on the Family Tax Benefit Part B and dependency tax offsets
- broadening the definition of income for income-tested benefits to include salary sacrificed super contributions, net financial losses and reportable fringe benefits
- applying fringe benefits tax to 'meal card' benefits and work laptops used mainly for private purposes
- lifting the luxury car tax

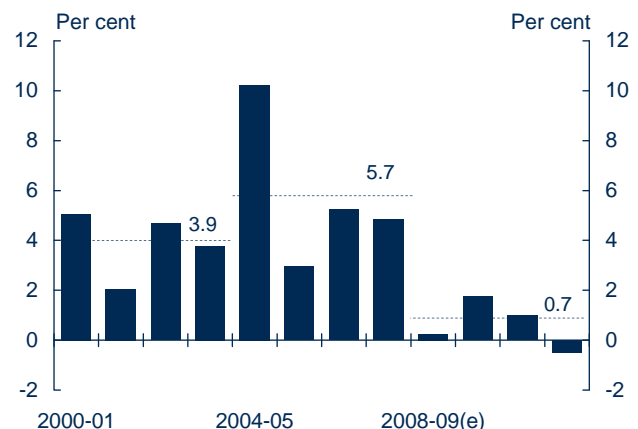
- removing the minimum rate of the Child Care Benefit for high income earners
- tightening rules for choosing when employee shares and rights are assessed to ensure income is properly included in tax assessments
- depreciating capital expenditure on computer software over four years, the same as hardware.

Efficient government

Government administration needs to be as efficient as possible. The Government is applying an additional efficiency dividend in 2008-09 of 2 per cent to most Government agencies, achieving savings of \$1.8 billion over five years.



Four year net policy decisions included in each Budget



Growth in government operating expenses

Long term challenges

The Government is focusing on improving productivity by investing in skills and infrastructure and encouraging participation by strengthening incentives for work and increasing skilled migration. The Government is also putting in place an emissions trading scheme and other measures to address the challenges of climate change.

Productivity

Growth in productivity means we can produce more goods and services with the same resources, and is the key to improving living standards. Benchmarked against other developed economies, Australia's productivity has slipped below par in the past few years. Policies that lift productivity are a key part of the Government's reform agenda, including investment in key economic and social infrastructure. Investment in skills is also vital to help us work more productively. A workforce with the right mix of skills leads to higher productivity and participation, lower unemployment, and increased incomes and living standards.

The Government is investing in these areas through the Budget and will use surpluses to finance future investment through new nation building funds.

Participation

Australia ranks in the bottom half of OECD countries in terms of labour force participation of prime-aged workers. Policies that increase workforce participation, particularly for women and older workers, will assist Australia in meeting future demand for labour.

Population

Australia also needs an expanded and flexible migration program to ensure that we have access to people with the diverse skills and experience needed to build long-term economic growth.

Demographic change

Ageing is a longer-term challenge facing the economy. As the population ages and the proportion of people in the workforce falls, economic growth is likely to slow while pressures on the budget increase. This Budget starts to put in place policies to address this.

Climate change

Climate change will have significant economic consequences. We must reduce our emissions and adapt to climate change sooner rather than later. To meet this challenge, the Government is introducing an emissions trading scheme in 2010 and a range of climate change programs in this Budget.

Infrastructure

- Building Australia Fund
- Health and Hospitals Fund
- Education Investment Fund
- Infrastructure Australia

Skills

- Skilling Australia for the Future
- Trade Training Centres in Schools
- Increased Skilled Migration
- Skills Australia

Incentives

- Personal income tax cuts
- Child Care Tax Rebate
- Education Tax Refund
- Job Network reforms

Productivity

Participation

Population

Government action ...

... to expand productive capacity

Funding for Australia's future priorities

The Government is meeting its commitment to Australia's future by investing current and future budget surpluses in three nation building funds — the Building Australia Fund, the Education Investment Fund and the Health and Hospitals Fund — to finance roads, rail and ports, broadband, universities and TAFEs, and hospitals and health projects.

The Government is taking a strategic approach to the investment of budget surpluses by creating three new funds. These funds will meet capital shortages in infrastructure, education and health. Initially, the Government will invest \$40 billion in these priorities, largely from the 2007-08 and 2008-09 surpluses.

Building Australia Fund (BAF)

Based on current estimates, the BAF will receive \$20 billion over the next two years to fund shortfalls in national transport (roads, rails and ports) and broadband. The Communications Fund will be closed and its assets of \$2.4 billion transferred to the BAF.

Education Investment Fund (EIF)

The Government will invest \$5 billion to establish the EIF. The EIF will absorb and extend the Higher Education Endowment Fund, bringing total funding to around \$11 billion. The EIF will fund capital expenditure in Australia's higher education institutions.

Health and Hospitals Fund (HHF)

The Government will allocate \$10 billion to the HHF to finance the renewal and refurbishment of the nation's hospitals and to fund major medical research facilities and projects.

Fund structure and management

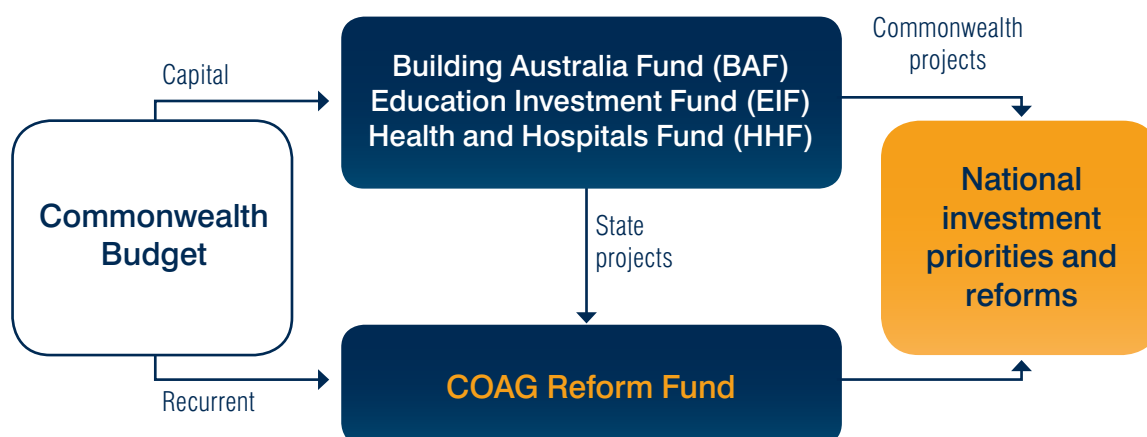
Each new fund will have its capital and earnings available for drawdown over

time after specific projects are identified. This substantially increases the financing available in coming years from these three funds.

The assets of each fund will be managed by the Future Fund and invested in line with a mandate provided by Government. The Future Fund will receive \$3.9 billion to help it fully offset the Government's superannuation liability by 2020.

COAG Reform Fund

The Government will establish a COAG Reform Fund as a vehicle through which funds are transferred to the States from the BAF, EIF and HHF (for capital expenditure) or direct from the Budget (for recurrent expenditure on COAG reforms).



Making provision for future priorities

Working Families ...

Working families are the backbone of our economy. The \$55 billion Working Families Support Package rewards families for their hard work and helps them cope with the rising costs of living.

Tax cuts

The Government is helping ease the burden on working families by providing personal income tax cuts worth \$46.7 billion over four years. This will significantly increase the take home pay of all taxpayers and help ease financial pressures from rising costs.

Education

The Government is giving working families the opportunity to provide a better future for their children by investing in their wellbeing and education. Measures to achieve this include a 50 per cent Education Tax

Refund and ensuring universal access to early learning for all four year olds by 2013.

Child care

The Government recognises the difficulties families face in meeting child care costs. This Budget will help ease these difficulties by increasing the Child Care Tax Rebate, and implementing measures to ensure that parents who choose to return to work are financially rewarded.

Housing affordability

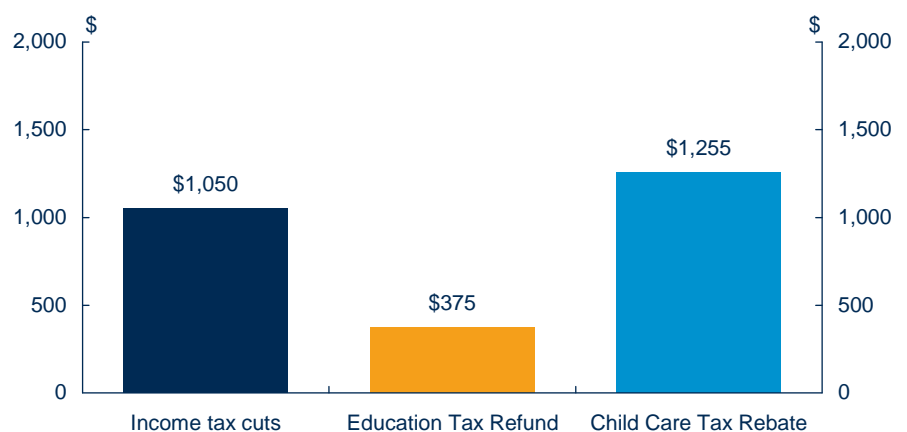
The Government understands the financial pressures created by poor housing affordability.

Recognising that working families are finding it increasingly hard to purchase a first home and rents have been rising strongly, the Government is introducing measures to help first home buyers save for a deposit, improve housing supply and encourage the construction of affordable rental housing.

Cost of living

To help ensure families get a fair deal on petrol and groceries, the Government is introducing a National FuelWatch Scheme and monitoring grocery prices. Additional funding is being provided for financial counselling services, including for mortgage stress.

Primary earner on \$60,000 and part-time secondary earner on \$27,000 with two children aged 4 (in long day care) and 6 (in outside school hours care)



Working Families Support Package delivers

... Support Package

The Government is ensuring working families have high quality health services, and a fair and flexible workplace that allows them to balance work and family. The Budget also delivers for seniors, carers and the disadvantaged in our community.

Health

When family members are sick, it can be a major drain on a family, both emotionally and financially. In this Budget, the Government is taking action to ensure all families have access to high quality and affordable health care.

Initiatives are being introduced across a range of areas, including reforming the public health system, boosting the health workforce, and introducing GP Super Clinics. The Government is introducing the Teen Dental Plan to help working families meet the costs of dental check-ups for their teenage children.

The Government is improving fairness in health by ensuring that fewer people have to pay the Medicare Levy Surcharge, and increasing funding for health and aged care into the future.

Workplace

Australians work hard. The Government is putting in place a simple, flexible and fair workplace relations system to help Australians better balance paid work with family and caring responsibilities. The Government will also provide a strong safety net of relevant and enforceable minimum wages and conditions.

Business needs flexibility in the workplace to boost productivity and

employees need job security, the protection of minimum conditions and time with family. The Government's workplace relations laws provide both fairness and flexibility.

Delivering for all Australians

In framing the Budget, the Government has made sure that policies are inclusive of all in our community.

A particular focus of the Budget is supporting carers and older Australians, who play a key role in our community.

The Government is providing targeted programs to address the needs of the most disadvantaged, including Indigenous Australians and the homeless.

In this Budget, the Government delivers for families by:

1. Providing **\$46.7 billion** of tax relief over the next four years.
2. Introducing an Education Tax Refund to help with the costs of educating their kids — at a cost of **\$4.4 billion**.
3. Increasing the Child Care Tax Rebate from 30 to 50 per cent and paying it quarterly — at a cost of **\$1.6 billion**.
4. Acting on the housing affordability crisis with a **\$2.2 billion** package covering First Home Saver Accounts, a National Rental Affordability Scheme and a new Housing Affordability Fund.
5. Providing a Teen Dental Plan at a cost of **\$491 million**.
6. Making the Medicare Levy Surcharge fairer.
7. Implementing the first National FuelWatch Scheme.

Reducing personal income tax

The Government is implementing its election policy to reduce personal income tax to enhance workforce participation and ease the financial pressures on families. All Australian taxpayers will share in personal tax cuts worth \$46.7 billion over four years.

The tax cuts will increase disposable incomes and provide additional incentives to participate in the workforce.

From 1 July 2008:

- The 30 per cent threshold will be raised from \$30,001 to \$34,001
- The low income tax offset (LITO) will be increased from \$750 to \$1,200
- The 40 per cent threshold will increase from \$75,001 to \$80,001
- The 45 per cent threshold will increase from \$150,001 to \$180,001.

Someone earning \$50,000 a year will have a tax cut of \$1,000 in 2008-09 compared to the previous year.

From 1 July 2009:

- The 30 per cent threshold will be raised to \$35,001
- The LITO will be increased to \$1,350
- The 40 per cent tax rate will be reduced to 38 per cent.

From 1 July 2010:

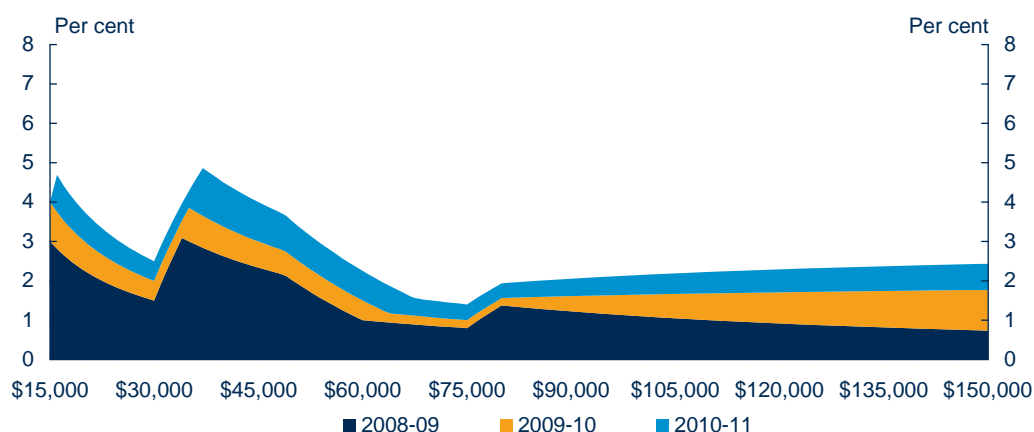
- The 30 per cent threshold will be raised to \$37,001
- The LITO will be increased to \$1,500
- The 38 per cent rate will be reduced to 37 per cent.

The increase in the LITO creates an effective tax-free threshold for

low-income earners of \$14,000 in 2008-09, \$15,000 in 2009-10 and \$16,000 in 2010-11.

From 1 July 2008, senior Australians eligible for the senior Australians tax offset will pay no tax on their annual income up to \$28,867 for singles and \$24,680 for each member of a couple. By 1 July 2010, these thresholds will rise to \$30,685 for singles and \$26,680 for each member of a couple.

The Government's goal is that by 2013-14 the number of personal income tax rates will be reduced to three (15 per cent, 30 per cent and 40 per cent) and the LITO will be further increased.



Tax cuts as a per cent of taxable income

Helping with child care and education costs

The Budget helps parents care for their children and invest in their education. Access to affordable high quality child care plays an important role in improving children's education and development, and helps parents who choose to return to work.

Increase in Child Care Tax Rebate

The Government will increase the Child Care Tax Rebate (CCTR) from 30 per cent to 50 per cent at a cost of \$1.6 billion over four years. This will ensure that, in addition to any Child Care Benefit payable, half of a family's total out-of-pocket child care costs will be met every year. The cap on the amount that can be paid each year will also be lifted from the current amount of \$4,354 to \$7,500 per child.

The Government will also pay the 50 per cent CCTR every three months, instead of once a year, providing support closer to when the bills come in.

Improving access and quality

The Government will invest \$115 million over four years to build the first 38 of 260 planned child care centres in priority areas. The remaining 222 centres will form part of a National Partnership agreement with the States.

The Government will invest \$22 million over four years to develop new national quality standards for child care.

Education Tax Refund

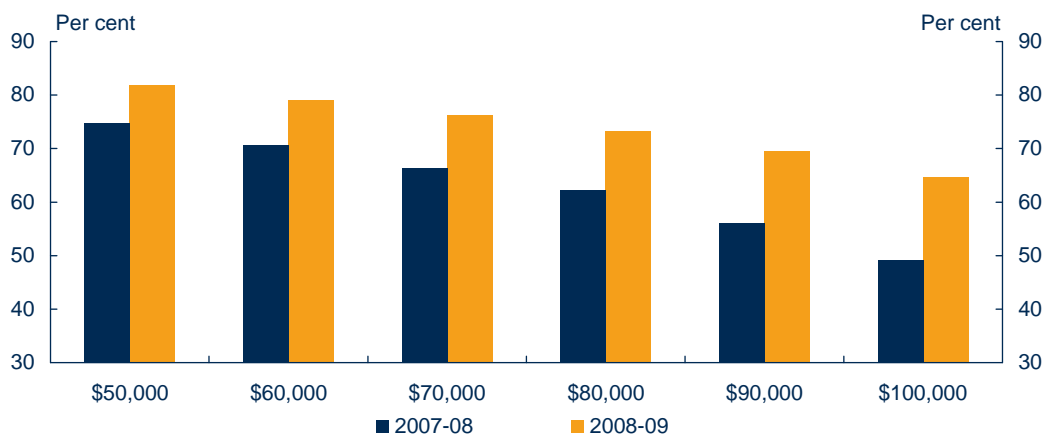
The Government will provide eligible parents with a 50 per cent Education Tax Refund (ETR) from 1 July 2008, at a cost of \$4.4 billion over four years.

Parents who receive Family Tax Benefit Part A with children attending

either primary or secondary school or whose school children receive Youth Allowance or related payment, will be able to claim the ETR every financial year for eligible education expenses. The amount that can be claimed is up to:

- \$750 for each child attending primary school, giving a refund of up to \$375 per child, per year
- \$1,500 for each child attending secondary school, giving a refund of up to \$750 per child, per year.

Families will first receive the ETR when they complete their 2008-09 income tax returns or lodge a claim with the Australian Taxation Office.



Per cent at different incomes of child care costs met by the Government (dual income family, two children in care)

Making housing more affordable

The Government understands that it has become increasingly hard to purchase a first home and that rents have been rising strongly. The Government is introducing a \$2.2 billion housing affordability package to assist first home buyers and renters and to boost housing supply to meet demand.

Helping first home buyers

Saving for a deposit is a major barrier to buying a first home.

The Government will provide \$1.2 billion over four years in the Budget to assist first home buyers to save for a home.

Enhanced First Home Saver Accounts will provide a simple, tax effective way for Australians to save for their first home. The Government will provide people saving for a first home with direct contributions into the accounts and only tax earnings in the account at a low rate. The first \$5,000 of individual contributions to these accounts each year will now attract a 17 per cent Government contribution, providing

more assistance to average income earners. Earnings will be taxed at a low rate of 15 per cent. Withdrawals from the account will be tax free when used to buy or build a first home.

Helping renters and boosting housing supply

The Government is committing \$623 million over four years to the National Rental Affordability Scheme to encourage the construction of affordable rental housing.

The Scheme will provide investors with \$8,000 annually for ten years for each new dwelling that is rented out to low income tenants at least 20 per cent below the market rate.

The Housing Affordability Fund will help improve housing supply and reduce costs to home buyers by cutting red tape and reducing the costs of providing new housing-related infrastructure, at a cost of \$500 million over five years.

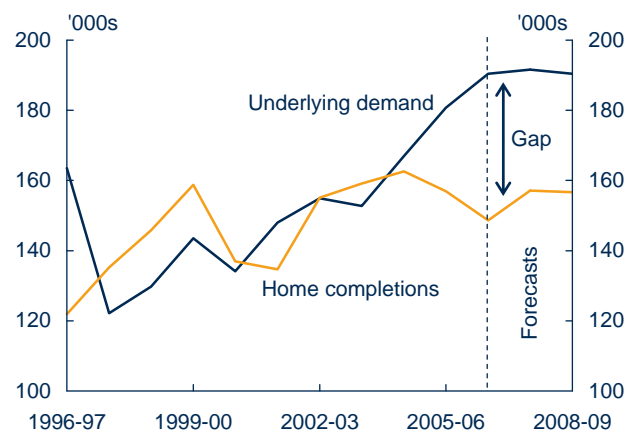
Up to \$30 million of the Fund has been committed to rolling out the Electronic Development Assessment project to speed up planning approval processes.

In addition, the Government will identify surplus Commonwealth land that could be used for new housing.

The Government will also establish a National Housing Supply Council, which will assess the adequacy of housing supply over the next 20 years.



Housing affordability is at record lows



Housing supply has not kept pace with demand

Easing cost of living pressures

The Government is taking action to ensure that Australian working families are not paying a cent more than they have to at the checkout counter and at the petrol bowser and providing financial counselling services to those in need.

Groceries

The Government has directed the Australian Competition and Consumer Commission (ACCC) to undertake an inquiry into the competitiveness of grocery prices in Australia. The inquiry covers all aspects of the grocery supply chain — from the farm gate to the checkout counter. The Government has also instructed the ACCC to undertake a monthly survey of grocery prices for typical shopping baskets across Australia. This will help consumers locate the cheapest supermarket chain in their area.

The Government has made it easier for retailers to enter the Australian market by relaxing restrictions that previously

limited their capacity to acquire and hold vacant land to build new supermarkets.

Petrol

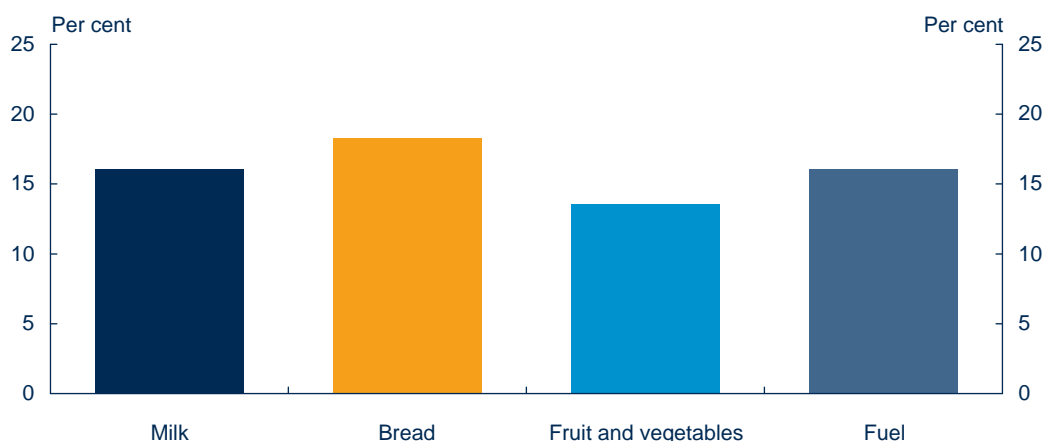
The Government has given the ACCC tough new powers to conduct formal monitoring of the prices, costs and profits relating to the supply of unleaded petrol products and to provide an annual report of its findings. This will help improve retail price transparency for consumers.

The Government has appointed a Petrol Commissioner to oversee the ACCC's formal price monitoring and establish a National FuelWatch Scheme. FuelWatch will commence on 15 December 2008,

and will require petrol retailers to notify the ACCC of their next day's prices by 2 pm each day and to maintain this advised price for a 24-hour period. This will ensure consumers can make an informed decision about where to buy the cheapest petrol in their area.

Financial counselling

The Government is doubling funding for financial counselling services. This funding is aimed at increasing the numbers of financial counsellors available in high need areas. Funding will provide for practical tools and resources to help individuals and families better manage their mortgages and personal financial affairs.



Price increases over the past two years

More support for older Australians and carers

The Government understands that many older Australians and carers are struggling with the increasing cost of living and will provide \$2.4 billion in additional support in 2007-08 to help both groups with a range of household bills. The Government also understands the sacrifices made by carers and is providing additional support in recognition of the important role they play in the community.

Helping make ends meet

To assist seniors and carers to meet rising costs, the Government will provide one-off lump-sum payments of \$500 to eligible senior Australians, \$1,000 to Carer Payment recipients and \$600 to Carer Allowance recipients, by 30 June 2008, at a cost of \$1.8 billion.

The Government has also extended eligibility for the Utilities Allowance to Carer Payment and Disability Support Pension recipients, and increased the following yearly allowances:

- The Utilities Allowance has been increased from \$107.20 to \$500 and will be paid quarterly to better coincide with these bills.

- The Seniors Concession Allowance has been increased from \$218 to \$500.
- The Telephone Allowance has been increased from \$88 to \$132 for those with an Internet connection.

The Government will increase the Conditional Adjustment Payment to residential aged care providers to 8.75 per cent of the basic subsidy, costing \$408 million over four years.

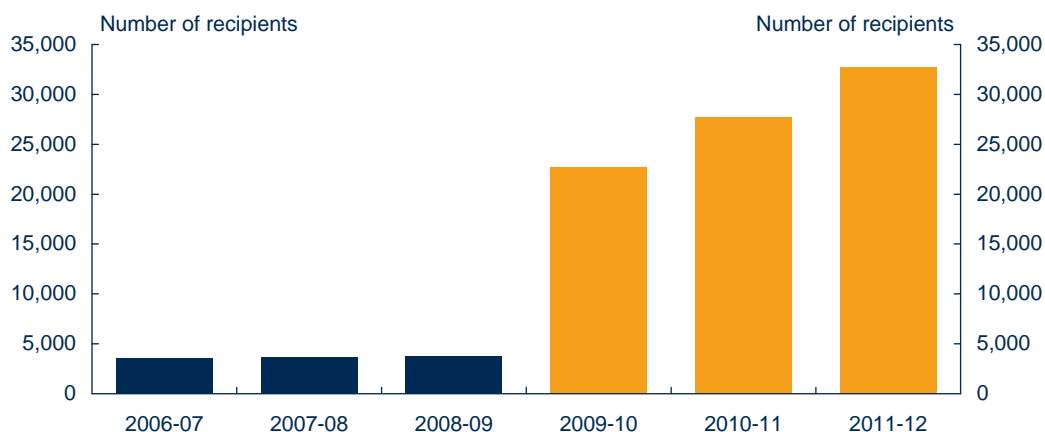
Recognising seniors' concerns about the rising cost of living, the Age Pension will be indexed to the highest of the Consumer Price Index, the Male Total Average Weekly Earnings benchmark, or the Living Cost Index for Age Pensioner Households.

Recognising and rewarding carers

The Government will introduce fairer assessment of the Carer Payment (child) from 1 July 2009, costing \$274 million over five years. As a result, an additional 19,000 carers of children with a severe disability are expected to be able to access the Carer Payment in 2009-10.

The Government has also allocated a further \$20 million to help families adjust when a child has experienced a catastrophic event, such as a severe illness, a major disability or an injury due to an accident.

People with disabilities will benefit from \$100 million to be provided to the States by June 2008 for additional supported housing.



An extra 19,000 carers of children with severe disability are expected to access the Carer Payment (child) in 2009-10

Closing the gap for Indigenous Australians

The Government has committed to halve the Indigenous disadvantage gap within a decade in key indicators of wellbeing, including: infant mortality; reading, writing and numeracy; employment outcomes and Year 12 or equivalent attainment; to providing universal access to early learning for all four year olds within five years; and to closing the 17-year life expectancy gap within a generation.

Better outcomes

Through COAG, the Government has embarked on an ambitious program to drive better outcomes for Indigenous Australians, including closing the life expectancy gap.

The Government is committing \$321 million to ensure measures initiated under the Northern Territory Emergency Response continue in 2008-09, ahead of a review later in 2008.

As nearly 60 per cent of Indigenous Australians are under 25, building life skills and creating opportunities are particularly important. To assist in the important early years, the Government

will provide \$90 million over five years for child and maternal health services.

Education

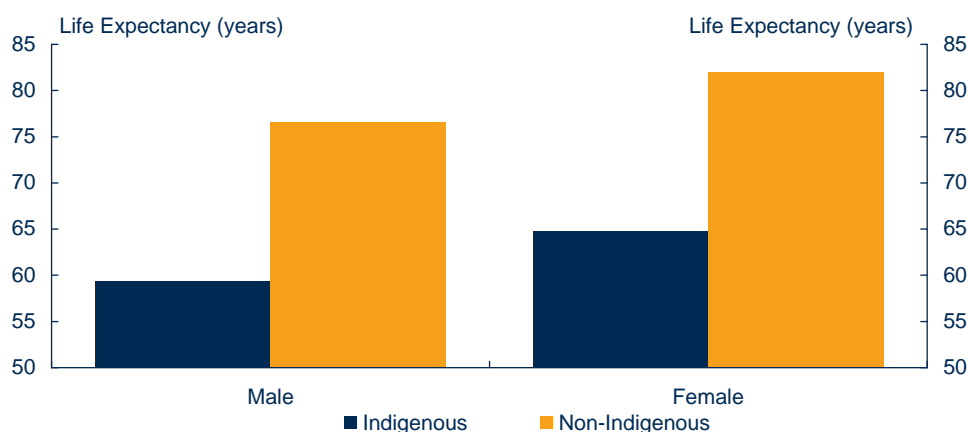
The Government's Education Revolution aims to provide all Australians with the same opportunities to acquire education and skills. Reflecting this commitment, an additional \$56 million is being invested over four years for an expansion of evidence-based literacy and numeracy programs. This includes professional development support for teachers to enable them to prepare and maintain Individual Learning Plans for all Indigenous students.

The Government is also investing \$99 million over five years for

additional teachers to assist in the education of Northern Territory children who are not currently enrolled in school. Three new secondary boarding colleges will also be established in the Northern Territory at a cost of \$29 million over four years.

Economic participation

Workforce participation is essential to improving the lives of Indigenous Australians. The Government has committed \$75 million over two years to expand welfare and employment reforms in the Northern Territory to increase skills development and access to jobs.



17-year Life Expectancy gap between Indigenous and non-Indigenous Australians

An Education Revolution ...

The Government's Education Revolution will provide quality learning opportunities for all Australians, reduce entrenched disadvantage and help boost productivity and participation in the economy. Significant reform is required across the whole education and training system to achieve this. The Government will establish an Education Investment Fund to ensure funding for education and training priorities.

Why an Education Revolution?

The capabilities and skills of Australians are key to building a strong, flexible and dynamic economy for our future.

Education and training allow people to participate more fully in employment throughout their lives and ensure that they are productive in their work. This contributes to individual wellbeing and to the wellbeing of all Australians by allowing the economy to grow and respond to changing demands.

International evidence highlights that it is not just access to education, but the *quality* of that education, that matters most. Higher income countries with the highest quality education systems — where students excel — achieve higher

economic growth and prosperity over time. That is why the Government is delivering an Education Revolution — pursuing long-term reform across the whole education system, including early childhood education and care, schooling, vocational education and training, and higher education.

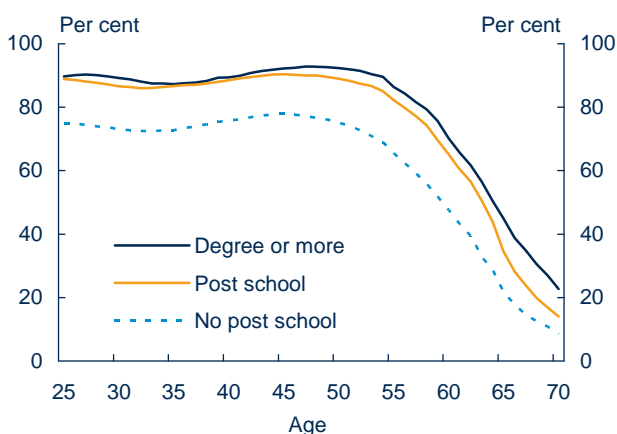
Education Investment Fund

To ensure funding for all these areas, the Government will establish an Education Investment Fund (absorbing the Higher Education Endowment Fund). This fund will receive an initial allocation of around \$11 billion to be spent on higher education and vocational education and training facilities.

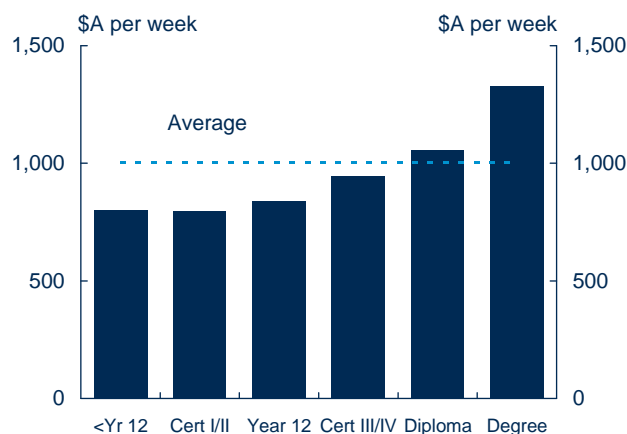
A cooperative approach

The necessary reform of the education system cannot be delivered by the Commonwealth alone. The Government is working with the States through COAG to develop long-term reform plans to boost the quality of education and training. The key goals include:

- improving access to high quality early childhood education and care
- providing greater flexibility to schools to lift student outcomes
- lifting teaching quality
- creating a flexible and competitive national vocational training system
- boosting the skill level of the Australian workforce.



Boosting education increases participation rates



Boosting education increases income

... for all Australians

In this Budget, the Government is committing \$5.9 billion over five years to education, from early childhood education and care initiatives to universities. These initiatives lay the foundation for the Government's long-term education reform agenda.

This Budget provides \$5.9 billion over five years for the Education Revolution.

Early childhood education

The Government will spend \$534 million over five years to provide universal access to a preschool year (15 hours per week for 40 weeks per year) for all four year olds by 2013.

\$337 million will also be allocated to further improve quality of, and access to, early childhood education and care, particularly for disadvantaged children.

Schools

Investment in schools includes:

- \$1.2 billion over five years for the Digital Education Revolution to deliver computers and

communications technologies to all Year 9-12 students

- \$2.5 billion over ten years for Trade Training Centres in Schools
- \$577 million to improve literacy and numeracy outcomes for students
- \$62 million over three years for the National Asian Languages and Studies in Schools Program
- \$20 million to establish a National Curriculum Board.

These initiatives will assist in lifting the Year 12 or equivalent attainment rate to 90 per cent by 2020.

Higher education

To help universities upgrade and maintain teaching, research and other

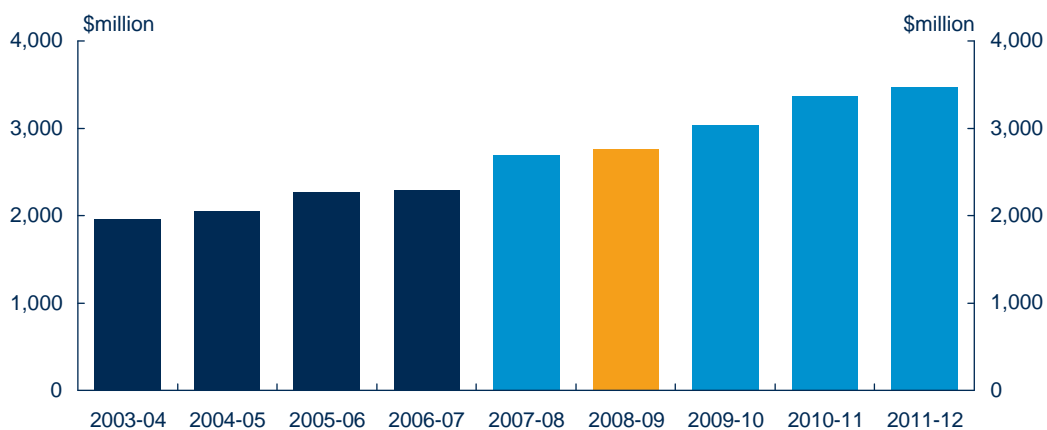
student facilities, the Government will provide \$500 million by 30 June 2008.

The Government will also spend \$626 million to reduce the cost of studying maths and science at university and to reduce HECS-HELP repayments for science and maths graduates who undertake work in a related field.

The Higher Education Review, due later this year, will shape the next steps in the Education Revolution for universities.

Skills and workforce development

The Government is committed to improving skills, including through \$1.9 billion to deliver up to 630,000 additional training places over five years.



Investment in quality vocational education and training will increase to lift the skill level of the population

Tackling climate change

The Government has ratified the Kyoto Protocol and is moving to put in place an emissions trading scheme by 2010 as well as implement its 20 per cent Renewable Energy Target. Recognising that the costs of inaction far outweigh the costs of action, this Budget includes \$2.3 billion over five years to reduce greenhouse gas emissions, adapt to unavoidable climate change and enable Australia to play a global leadership role.

Climate change poses a fundamental environmental and economic challenge. The Government is committed to Australia making a seamless transition to a low-emissions economy. Ratifying the Kyoto Protocol was the first official act of this Government.

Market mechanisms

The Government will realise its commitment to reduce emissions by 60 per cent on 2000 levels by 2050 by implementing an emissions trading scheme and enacting its 20 per cent by 2020 Renewable Energy Target.

Investing in technology

Innovative technologies will be an important part of the transition to a low-emissions future. The Government

is investing \$500 million over six years in the Renewable Energy Fund, \$500 million over eight years for the National Clean Coal Fund, and \$150 million over four years for the Energy Innovation Fund.

The Government is encouraging the development of low-emissions vehicles through the \$500 million Green Car Innovation Fund, and will support change in business practices through the Clean Business Australia program, at a cost of \$240 million over four years.

Helping households adapt

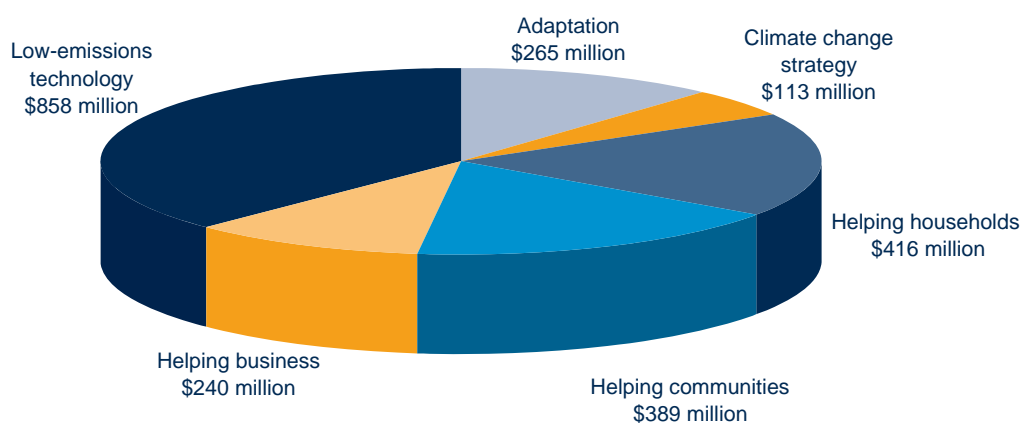
Changing the way households use energy will be vital. The Government is helping by allocating \$300 million over

five years to the Green Loans program, which will help households install solar, water and energy efficient products. A further \$150 million over five years will be provided for installing insulation in rental accommodation.

The Energy Efficiency of Electrical Appliances policy will help households choose energy efficient appliances, at a cost of \$14 million over four years.

International leadership

The Government has committed \$150 million over three years to assist countries in the region to prepare for and adapt to the effects of climate change and will also work with Papua New Guinea to reduce emissions from deforestation and forest degradation.



Australian Government spending on climate change initiatives (over five years from 2007-08)

Securing our natural resources

Australia's water supplies are under significant pressure. The Government's \$12.9 billion Water for the Future plan brings a strategic approach to securing our rural and urban water supply. The Government is also refocusing natural resource management on national priorities to deliver improved environmental outcomes through the new \$2.2 billion Caring for our Country Program.

Water for the Future

The new \$12.9 billion ten year national water policy framework, Water for the Future, will respond to the water challenges facing urban, regional and rural water users, and includes:

- \$1 billion to attract up to \$10 billion of investment in desalination, water recycling and major stormwater capturing projects nationwide
- \$255 million for practical projects to save water in our cities and towns
- \$250 million for the installation of rainwater tanks and other water saving measures.

Recognising the urgency of the situation, the Government is also fulfilling its commitment to accelerate the provision of \$400 million for water efficiency measures and for purchasing water entitlements from willing sellers in the Murray-Darling Basin.

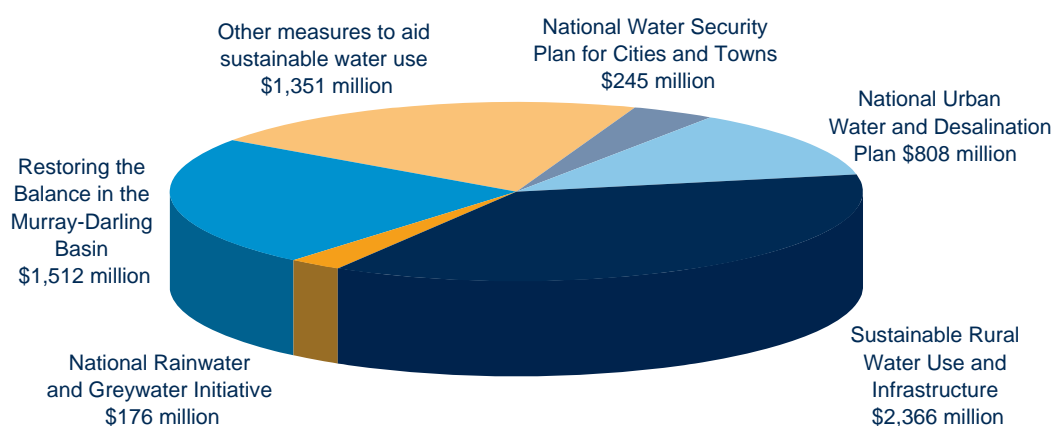
Caring for our Country

The Government will invest \$2.2 billion over five years to better protect, manage and improve the quality of our environmental systems and natural resources.

The Caring for our Country Program will focus investment in six national priority areas:

- the national reserve system
- biodiversity and natural icons
- coastal environments and critical aquatic habitats
- sustainable farm practices
- natural resource management in remote and northern Australia
- community capacity, knowledge and engagement.

Progress against these priority areas will be reviewed and reported each year.



Funding for the first four years for Water for the Future

Better hospitals and health services

A strong public health system is central to ensuring that all Australians have access to high quality and affordable health care. Working with the States, the Government's \$3.2 billion National Health and Hospitals Reform Plan and other initiatives in the Budget will ensure government spending on health reflects the needs of the broader Australian community. The Government will establish a Health and Hospitals Fund to ensure funding for key priorities into the future.

A strong public health system

The \$3.2 billion National Health and Hospitals Reform Plan will revitalise the public health system, with funding to slash elective waiting lists, improve hospital infrastructure and help families meet the costs of dental check-ups for teenage children through the Teen Dental Plan. The Budget also provides an immediate injection of \$1 billion to relieve pressure on public hospitals.

Health and Hospitals Fund

The Government will establish a Health and Hospitals Fund with an initial allocation of \$10 billion, to ensure long-term funding for hospitals, medical technology and research facilities and projects.

Improving patient care

GP Super Clinics are a central plank of the reform plan. The \$275 million for these clinics will improve access and enhance chronic disease management.

Fighting preventable diseases

Healthy habits today lead to lower risks of disease tomorrow. The Government is addressing the binge drinking epidemic among young Australians.

A National Cancer Plan

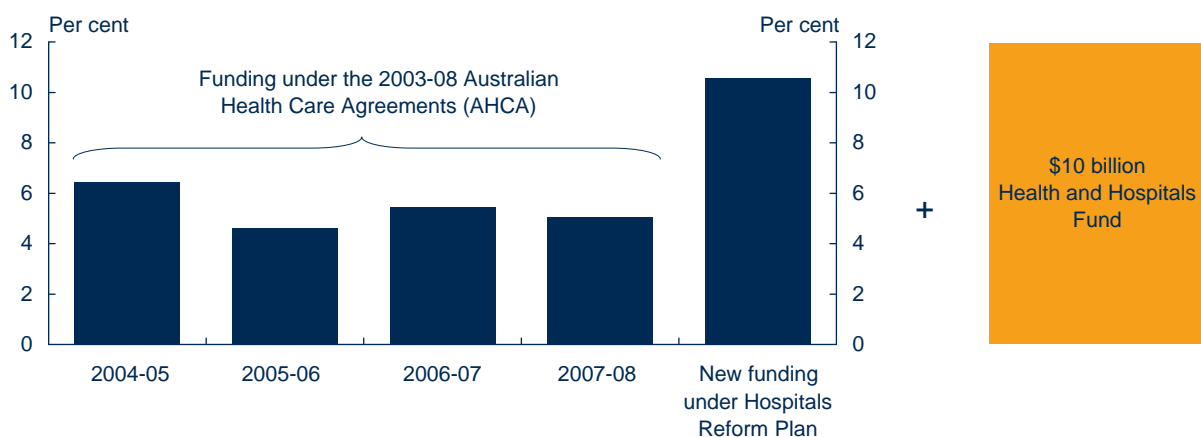
The National Cancer Plan provides \$249 million for research, screening and clinical and emotional care. This includes \$87 million to expand bowel cancer screening to 50 year olds in addition to 55 and 65 year olds.

Fairer Medicare Levy Surcharge

The Government will make the Medicare Levy Surcharge fairer by raising the income thresholds from \$50,000 a year to \$100,000 for single people and from \$100,000 to \$150,000 for couples. Singles without private health insurance will save up to \$1,000 and couples will save up to \$1,500 from these changes. All Australians who choose appropriate health insurance will continue to benefit from the private health insurance rebate.

Boosting the health workforce

The frontline of the public health system will be strengthened, with \$39 million to bring nurses back into the workforce and \$100 million that Queensland will use for health workforce and facilities.



Increased Australian Government spending on public hospitals

Investment in infrastructure

The Government is investing in the nation's infrastructure to boost the productive capacity of the economy. Infrastructure Australia will provide leadership in the planning and coordination of investment in infrastructure. The Government is investing in infrastructure projects across the country and establishing the Building Australia Fund to finance infrastructure into the future.

Investment in infrastructure is critical to expand Australia's productive capacity, addressing supply bottlenecks and supporting future economic growth.

To ensure that investment in the nation's future can start now, the Government is funding infrastructure feasibility studies with the States on high-priority projects.

Infrastructure Australia

Infrastructure Australia has been established to develop a strategic blueprint to unlock infrastructure bottlenecks and modernise the nation's key infrastructure assets. During 2008-09 Infrastructure Australia will:

- complete a National Infrastructure

Audit and develop an Infrastructure Priority List to guide public and private investment

- develop best practice guidelines for Public Private Partnerships.

Building Australia Fund (BAF)

The Government will establish the BAF to finance critical national transport and communications infrastructure which cannot be delivered by the private sector or the States. The BAF will receive an initial allocation of \$20 billion, largely from the 2007-08 and 2008-09 surpluses. BAF capital and earnings will be invested in key infrastructure projects.

The Government will provide up to

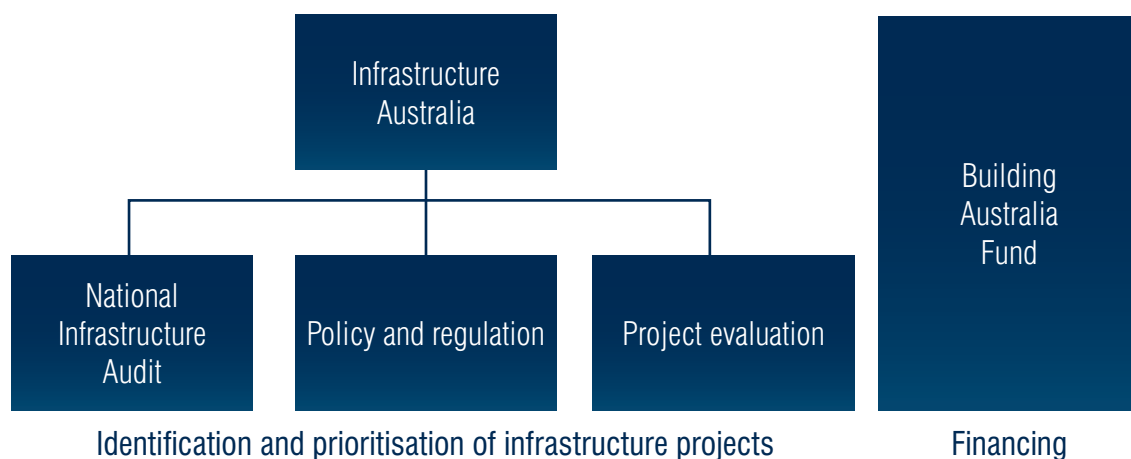
\$4.7 billion from the BAF for a National Broadband Network that will offer high speed broadband to 98 per cent of Australian households and businesses.

Land transport

In addition to the BAF, the Government will invest \$22.3 billion in land transport infrastructure from 2009-10 to 2013-14 under AusLink 2, including \$2.6 billion to projects in Victoria and \$2.5 billion to upgrade the Pacific Highway in New South Wales.

Market reforms

The Government, with the States, is pursuing national market and pricing reforms to improve efficiency in the development and use of infrastructure.



A new architecture for infrastructure

An innovative future for Australian industry

Innovation is a key driver of productivity and economic growth. The Government is introducing important initiatives to promote innovation, including the establishment of Enterprise Connect Innovation Centres, Future Fellowships for mid-career researchers and the Green Car Innovation Fund.

The Government is introducing new measures to boost innovation in Australian business.

New ideas and new technology

The Government will provide \$251 million over five years to establish Enterprise Connect Innovation Centres to connect businesses with new ideas and new technology.

The Government will also provide \$42 million over four years to 36 Business Enterprise Centres to help them provide advisory services to small businesses.

Support for research

To strengthen the link between research and innovation, the Government will boost Australia's research capacity by providing:

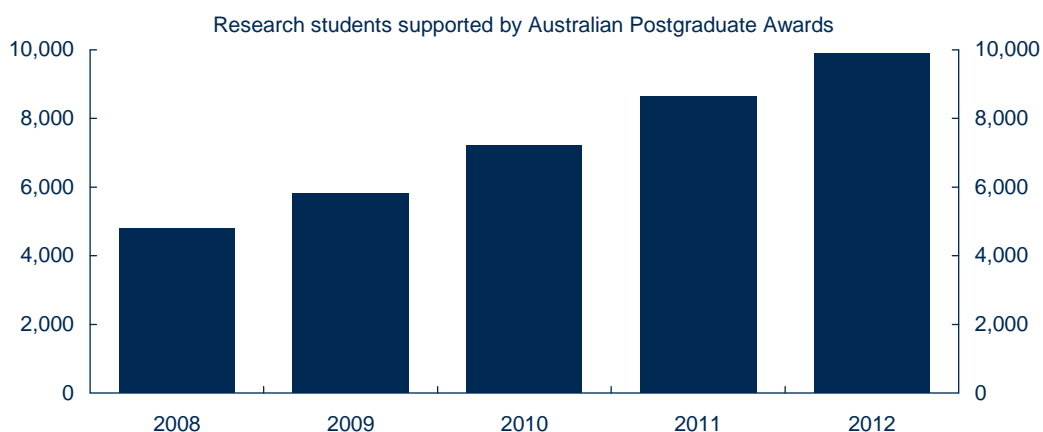
- \$326 million over four years to fund four year Future Fellowships valued at up to \$140,000 a year for 1,000 of Australia's top mid-career researchers
- \$209 million over four years to double the number of Australian Postgraduate Awards for PhD or Masters by Research students.

Innovation for climate change

The Government's \$500 million Green Car Innovation Fund will encourage the development and manufacture of low-emission vehicles in Australia, promoting innovation and sustainability in the Australian automotive industry.

Reviewing existing policies

The Government has initiated reviews of the national innovation system, the automotive industry, and the textile, clothing and footwear industries. A key objective of these reviews is to ensure that future policies encourage innovation and productivity growth.



Boosting Australia's research capacity

Regional development for a sustainable future

The Government will spend \$176 million to implement its Better Regions election commitments and \$130 million to assist the agricultural sector adapt and respond to climate change.

Better infrastructure and services

The Government has established Regional Development Australia to engage with local communities to deliver regional solutions.

This Budget allocates \$176 million over four years from 2007-08 to the Government's Better Regions initiative, which will improve infrastructure and services in regional Australia, including regional sporting facilities, community infrastructure and tourist attractions.

The Government will provide \$271 million over four years to fund the Australian Broadband Guarantee, which will ensure all Australians, particularly those in regional and rural areas, have equitable access to metro-comparable broadband services.

The Government will continue the Remote Air Service Subsidy Scheme, at a cost of \$25 million over four years, to provide 239 remote and isolated communities with services including transport, medicines and fresh food.

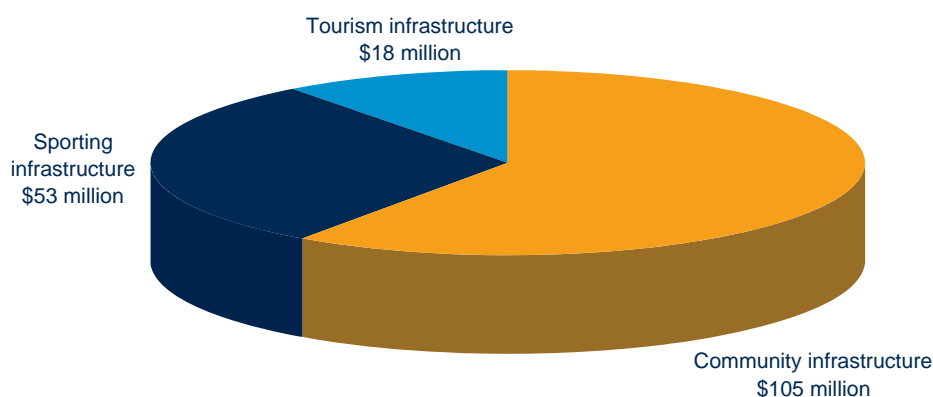
The Government will spend \$8 million over four years to establish the Office of Northern Australia, with offices in Darwin and Townsville. It will advise the Government on issues relevant to northern Australia, including sustainable development outcomes.

The Building Australia Fund will finance critical national transport and communications infrastructure in regional areas.

Climate adaptation strategies

The Government will provide \$130 million over four years for the Australia's Farming Future initiative to assist the agricultural sector adapt and respond to climate change, including:

- \$60 million over four years to develop partnerships to help primary producers respond to climate change challenges
- \$55 million over four years for primary producers experiencing hardship due to climate change
- \$15 million over four years for adaptation research for primary producers.



Better Regions funding

Addressing skill needs with migration

While the Education Revolution will assist in addressing Australia's medium to longer-term skill needs, immigration provides a more immediate response. The Government is significantly boosting Australia's Migration Program as well as improving the temporary migration system to help address skill and labour shortages.

Migration Program

Australia enjoys a range of economic and cultural benefits from immigration. Skilled migration assists in addressing skill shortages.

As migrants are younger on average than the resident population they also help address the challenges of ageing.

In 2008-09, the Government will increase skilled migration by 31,000 places, taking the skilled stream of the Migration Program to 133,500 places. The overall Migration Program will rise to 190,300 places. This significant increase will provide social and economic benefits to Australia, increase revenue and address skill shortages.

Improving the 457 visa subclass

The temporary 457 visa subclass helps address skill shortages in the economy, as it provides businesses with access to skilled workers when the labour market is tight.

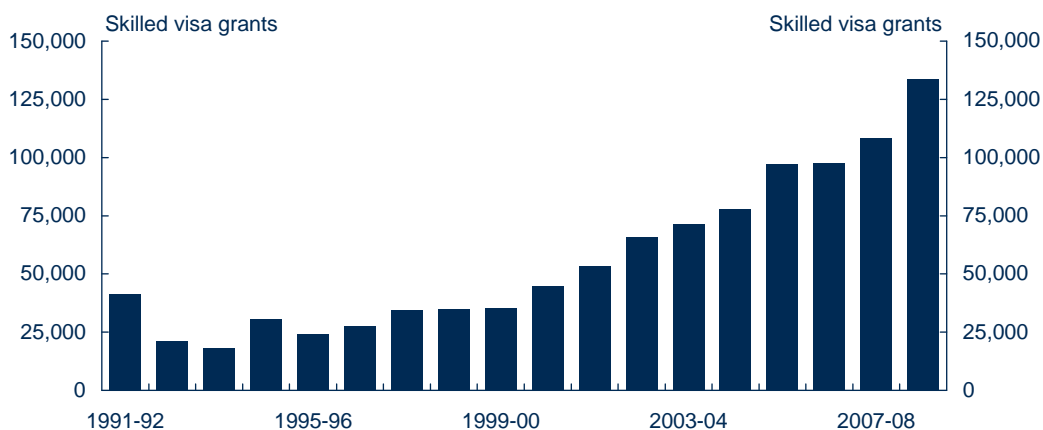
The Government will spend \$20 million over four years to improve the integrity and responsiveness of temporary working visas. This includes developing a framework for longer-term reform to help meet Australia's future labour market needs.

Humanitarian Program

In 2008-09, the Government will provide a one-off additional 500 places for Iraqi refugees affected by the conflict in Iraq, taking the total Humanitarian Program to 13,500 places.

The Government will provide permanent resettlement in Australia to up to 600 Iraqis, including their families, who are at risk partially because of their work with Australian troops in Iraq. These places are in addition to the Humanitarian Program places.

From 2009-10, the Government will increase the Humanitarian Program by 750 places to 13,750 places.



Expand skilled migration places to assist labour supply

Fairness and integrity in the transfer system

The Government will put fairness and integrity back into the income support system by targeting assistance to those who need it most and improving administration and delivery. Fairer systems will deliver budget savings and support delivery of the Government's social policy agenda in a fiscally responsible manner.

The Family Tax Benefit (FTB) Part B, Baby Bonus and Child Care Benefit (CCB) are currently available to families with high incomes. The Government will make these payments fairer by targeting them better, to where they are needed most.

Family Tax Benefit Part B

From 1 July 2008, FTB Part B will only be paid to families in which the principal earner has an annual income up to and including \$150,000. There will be a corresponding change to dependency tax offsets. All these thresholds will be indexed annually.

Baby Bonus

On 1 July 2008, the Baby Bonus will be

increased to \$5,000 and indexed annually.

From 1 January 2009, the Baby Bonus will be:

- only available where family income is not greater than \$75,000 in the six months from the birth of a child (annualised \$150,000), indexed annually
- paid in fortnightly instalments over six months for all recipients
- available to parents who adopt children under 16 years of age.

Child Care Benefit

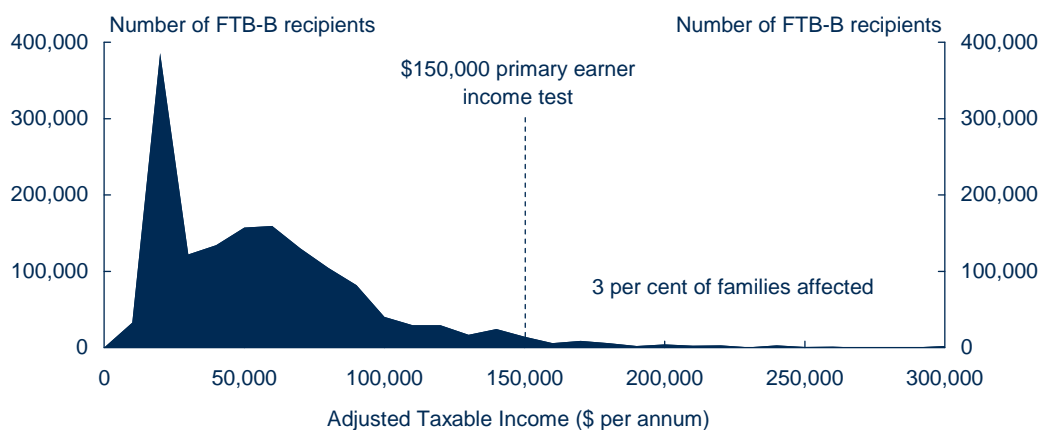
Only higher income families currently receive the minimum rate of CCB. This

will be abolished for approved care after 1 July 2008. Previous minimum rate recipients will be eligible for the Child Care Tax Rebate at the increased rate of 50 per cent.

Better administration

The administration of family payments will also be improved.

- Administration of most aspects of family assistance will be based in Centrelink (instead of the Australian Taxation Office).
- FTB payments received by families will more accurately reflect their income when their circumstances change.



Better targeting of Family Tax Benefit Part B – impact of income test

Delivering a fairer tax system that ...

The Government will deliver fiscal restraint while putting fairness and integrity back into the tax system. Income testing arrangements for government assistance will be made more comprehensive and the fringe benefits tax and employee share scheme provisions tightened to address unintended outcomes.

Australia needs a broad based and fairer tax system.

Income testing

Income testing arrangements for accessing government financial assistance have not kept pace with the range of remuneration and investment structuring options available to Australians. This has enabled some high income earners to manage their affairs to access Government benefits.

The Government will improve fairness by broadening what is defined as income to include certain salary sacrificed contributions to superannuation, net financial investment and rental property losses and reportable fringe benefits.

Fringe Benefits Tax (FBT)

FBT improves tax fairness by taxing non-cash remuneration. Tax planning arrangements and changes in technology have eroded the fairness and integrity of the FBT system, which will be addressed by:

- subjecting 'meal card' type arrangements to FBT — where an employer pays for meals provided to an employee for consumption at the employer's premises, as part of a salary package arrangement
- removing the FBT exemption for work-related items used mainly for private purposes such as laptops

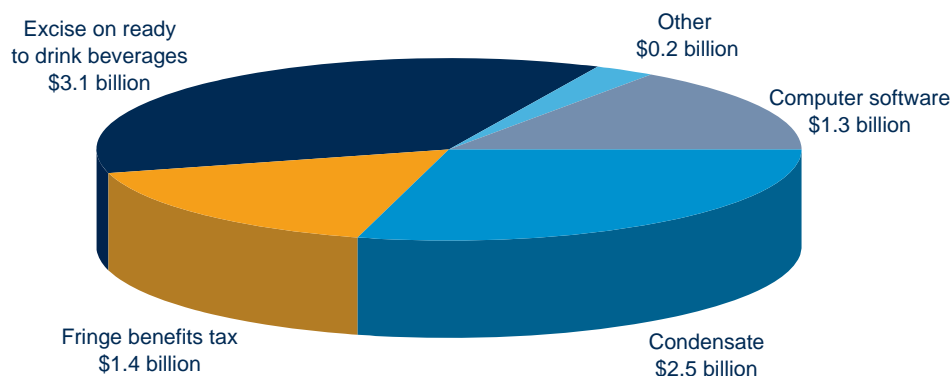
- removing the double benefit from employee depreciation deductions on FBT exempt items used mainly for work purposes
- ensuring that FBT applies to employee arrangements involving jointly held assets.

Employee share schemes

A loophole in the rules for choosing when shares and rights are assessed will be closed to restore the intended outcome and prevent inappropriate tax minimisation.

Luxury Car Tax

The rate of tax on luxury cars will be increased from 25 per cent to 33 per cent.



Composition of the \$8.5 billion revenue saving from tax expenditure measures

... closes loopholes and improves equity

The Budget confirms a number of tax changes that enhance tax fairness and productivity, by closing loopholes, encouraging better investment decisions, and getting a fairer return on Australia's non-renewable assets. Realigning excise on 'ready-to-drink' alcoholic beverages (RTDs) with full strength spirits is consistent with Government initiatives to reduce binge drinking.

Tax savings

This Budget will reduce the drain on tax revenue from tax concessions by around \$8.7 billion while promoting fairness.

This builds on the Government's election commitments which produced tax savings of over \$6 billion, including deferring tax cuts for high income earners and increasing Tax Office compliance work on high wealth individuals and large corporations.

Condensate production

The Government will remove the crude oil excise exemption for condensate — a light crude oil extracted from natural gas — so that it is treated like crude oil.

This will increase the return to the community from extracting this non-renewable resource, without affecting fuel prices.

Better investment decisions

The Government will remove tax concessions for some assets.

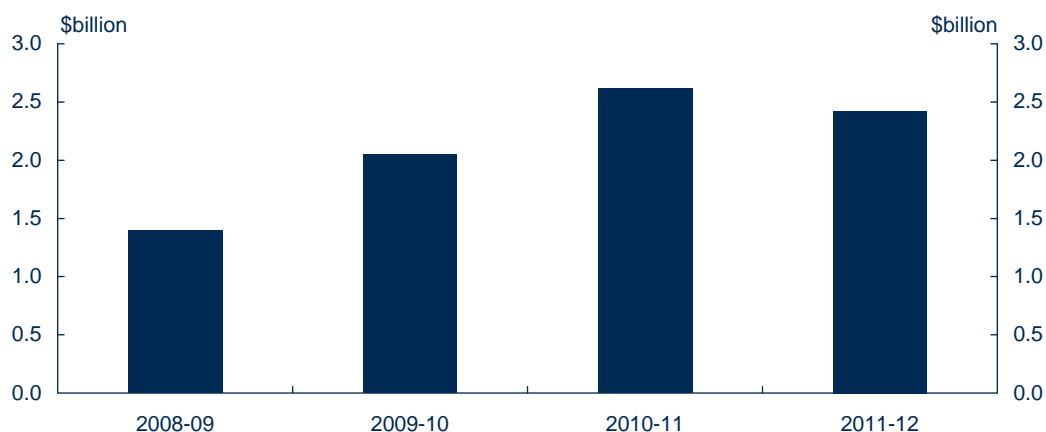
The interest expense apportionment rules for capital protected borrowings will be changed to more accurately reflect the interest component.

Capital expenditure on computer software will be depreciated over four years, the same period as computer hardware.

'Ready-to-drink' beverages

The Government is concerned about the growth in RTD consumption, particularly among teenagers, and has closed the loophole where the spirits in pre-mixed drinks were taxed at a lower rate than bottled spirits.

By restoring the alignment between the rates of excise on RTDs and full-strength spirits, the Government is sending a clear price signal consistent with its other initiatives to reduce binge drinking. A proportion of this revenue will be redirected to preventative health through the National Health Prevention Strategy with the States.



Revenue gains from tightening tax expenditures in the 2008-09 Budget

Positioning Australia's tax system for ...

Australia needs a fairer, simpler and more efficient tax system that supports the global competitiveness of our economy, provides incentives, minimises distortions and supports fiscal responsibility.

The future of tax

The 2020 Summit proposed that the Australian Government undertake a comprehensive review of State and Federal taxes, which will consider measures to harmonise and simplify taxes, reduce inefficient taxes, ensure a progressive system and address negative interaction with the welfare system.

The Government's review of Australia's tax system will be broad ranging and cover taxes levied by the Australian Government and the States.

A complete Australian tax review, including State taxes, has not been undertaken for over 50 years.

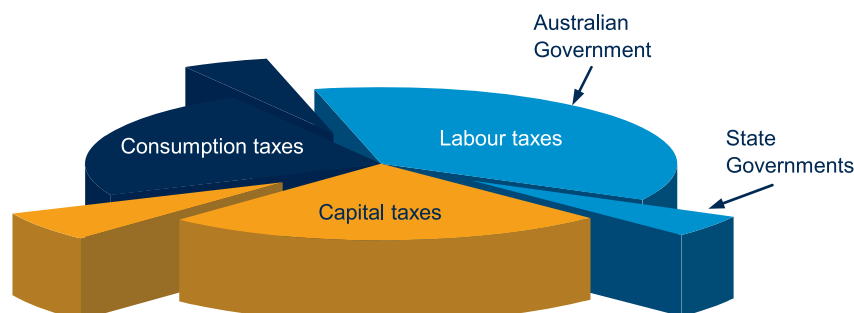
In the spirit of the 2020 Summit, community engagement will be an integral part of the review process.

The review will consider:

- The balance of taxes on work, investment and consumption and the role for environmental taxes
- Further improvements to the tax and transfer system facing individuals, working families and retirees

- The taxation of savings, assets and investments, including the role and structure of company taxation
- The taxation of consumption (except GST) and property and other state taxes
- Simplifying the tax system, including across the Australian Federation
- Interrelationships between these systems as well as the proposed emissions trading system.

The review will release an initial discussion paper by the end of July 2008 and will provide a final report to the Treasurer by the end of 2009.



Composition of Australian Government and State tax revenue 2006-07

... the challenges of the 21st century

The Government will undertake a comprehensive review of Australia's tax system to create a tax structure that will position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century. The review will encompass Australian Government and State taxes and interactions with the transfer system, while observing the Government's commitment not to increase the GST and its aspirational goals for the income tax scale.

Positioning Australia's tax system

The 21st century will pose some significant challenges and opportunities for Australia, including:

- demographic shifts associated with an ageing population
- the rise of China, India and other emerging market economies
- responding to climate change and the introduction of an emission trading system.

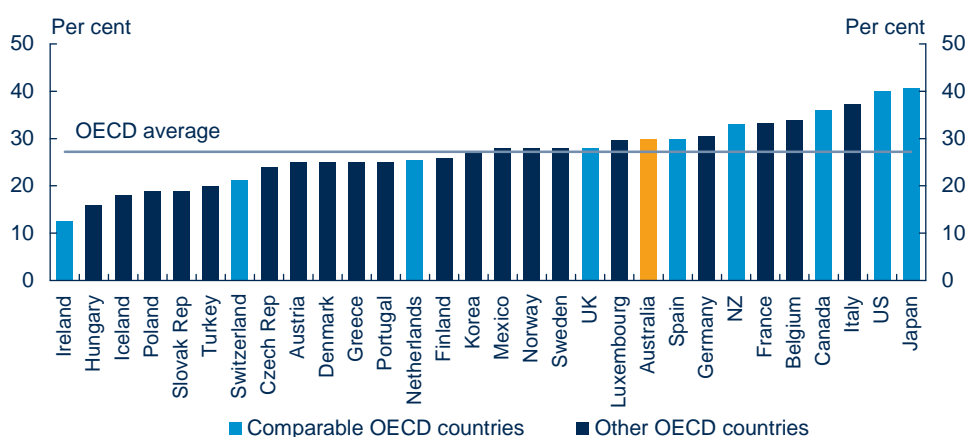
With increasing globalisation, differences between countries in terms of factors such as legal frameworks,

political stability, and infrastructure are diminishing, bringing tax into sharper focus as a determinant of international competitiveness. As such, the impact of our personal and business tax regimes on economic performance is sensitive to how it compares with that of other countries.

While Australia's tax settings are comparable to those in countries with Governments of similar size and function, we cannot afford to be complacent. Across the OECD, and more broadly, there is ongoing interest in maintaining tax competitiveness.

Within this context, the review will make recommendations to enhance the overall economic, social and environmental wellbeing of Australians. It will do this within the context of:

- not raising the rate or broadening the base of the GST
- preserving tax-free superannuation payments for those over 60 years of age
- the Government's announced aspirational personal income tax goals.



Corporate tax rates in Australia and the OECD 2008

Securing Australia as a financial services hub

The Government is securing Australia's place as a financial services hub in the Asia-Pacific region. A new internationally competitive tax regime for the managed funds industry will ensure that it is well-placed to meet future challenges and maintain the integrity of the tax system.

Australia is internationally recognised as one of the major markets for managed funds. Forward looking superannuation policies, introduced by the previous Labor Government, have overseen significant growth in funds under management. Continued success will depend on the extent to which the industry capitalises on global opportunities. The Government has a role in responding to the needs of this dynamic industry.

Improving tax arrangements

The 30 per cent non-final withholding tax rate that applies to certain distributions of property income and capital gain is a key impediment to future foreign investment.

The Government will replace this with a final withholding tax at a reduced rate but, in order to safeguard the integrity of the tax system, will restrict it to countries with which Australia has effective exchange of information agreements. Foreign investors resident in such countries will be subject to a withholding tax for distributions at the rate of 22.5 per cent from 2008-09, 15 per cent from 2009-10 and 7.5 per cent from 2010-11.

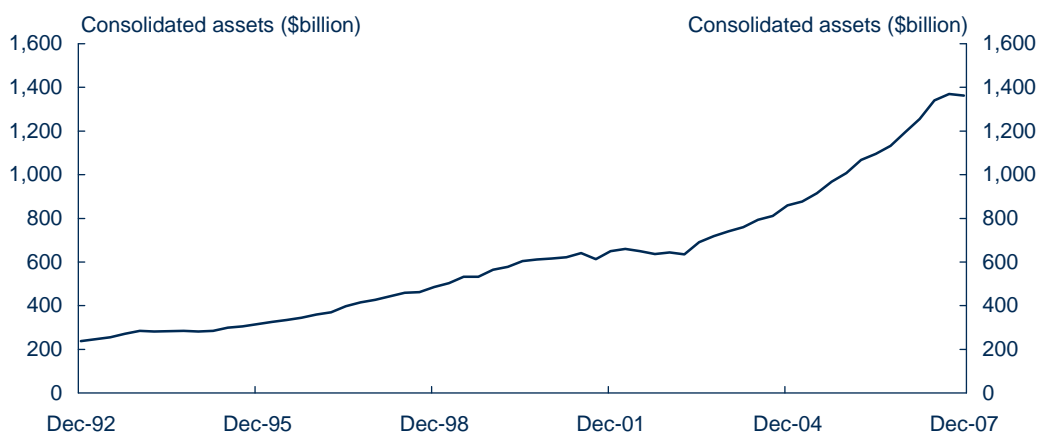
Foreign investors in countries without effective exchange of information will be subject to a 30 per cent final withholding tax.

This is a strong statement of Australia's non-tolerance of international tax evasion and avoidance.

Other initiatives to support the industry include the current Board of Taxation review of the taxation arrangements for managed funds and changes to clarify and modernise the eligible investment rules, which will predominantly assist property trusts.

Protecting market integrity

While the current regulatory system has done well in the recent financial market turbulence, changes are required to ensure the integrity and stability of our markets. To maintain the attractiveness of Australia as an investment destination, the Government will ensure greater transparency of covered short selling and will review disclosure requirements for equity derivatives.



The new withholding tax regime will support continued growth in managed funds

A modern Australian federation

Australians expect their system of government to work properly. The Australian Government is working with the States to deliver better services and produce the right outcomes on matters that affect the daily lives of Australians.

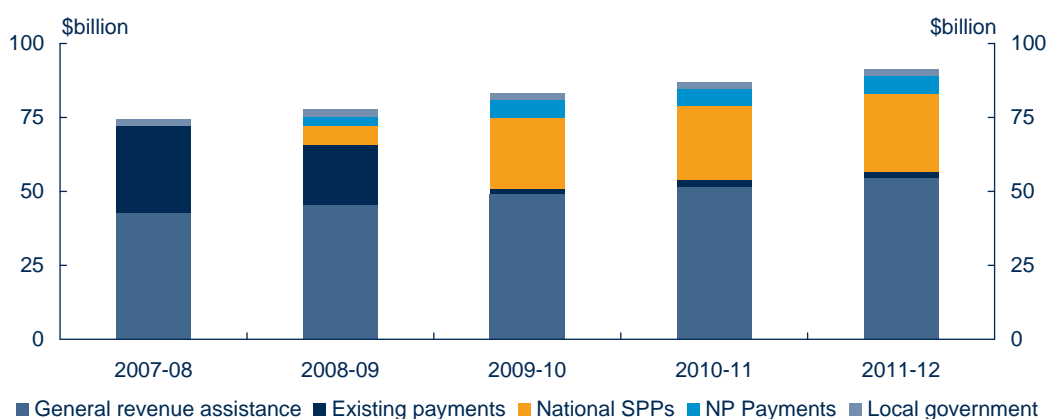
Working with the States, through COAG, the Government will bring financial relations between the Commonwealth and the States into the 21st century. COAG's reforms involve:

- rationalising more than 90 specific purpose payments (SPPs) into just 5 to 6 new national SPPs, without reducing overall funding
- mutually-agreed objectives and outcomes, roles and responsibilities for each new SPP
- National Partnership (NP) payments to support the delivery of projects such as roads
- NP payments to facilitate or reward economic and social reforms
- on-going SPPs with regular reviews of funding adequacy and policy objectives
- a new COAG Reform Fund to disburse NP payments to the States, including from the budget, the Building Australia Fund, the Education Investment Fund, and the Health and Hospitals Fund
- simpler, standardised and more transparent performance reporting
- flexibility for the States to efficiently deliver higher quality services, while ensuring they are accountable for the services they deliver.

The new framework will provide the foundation for a new era of economic and social reforms. COAG is developing an ambitious reform agenda, to be agreed by the end of 2008, covering:

- health and ageing
- education, skills and training
- climate change and water
- infrastructure
- business regulation and competition
- housing
- Indigenous disadvantage.

In 2008-09 the States will receive \$78.6 billion in total payments from the Commonwealth, an increase of 4.8 per cent over 2007-08.



Increasing value of payments to the States

Building a defence force for the future

The Government is ensuring that the Australian Defence Force (ADF) is well placed to protect Australia and its interests — now and into the future — by improving strategic capability planning and Defence budget management. Support to ADF personnel and their families will also be enhanced in this Budget.

The Government is delivering on its commitment to a modern and well-equipped ADF by providing adequate funding and ensuring more effective use of Defence dollars.

This Budget meets the Government's commitment to provide 3 per cent real growth per year on average in Defence's underlying funding base to 2015-16. To provide even greater funding certainty, the Government has extended this funding guarantee to 2017-18.

Growth rates in total Defence spending vary between years due to slippage in acquisitions and other factors. Real growth in total Defence spending is expected to average 4 per cent per year over the next four years as the Defence White Paper is implemented.

The White Paper and an audit of the Defence budget will ensure best use of the growing Defence budget and better strategic capability planning into the future. This Budget also provides \$5 million for annual independent checks of the management of major acquisition projects.

The Government has committed to finding further efficiencies and savings and to reinvesting these in priority Defence projects, while ensuring no adverse impact on operational capacity.

The Government has established an operations reserve to fund Defence's overseas operations in 2008-09.

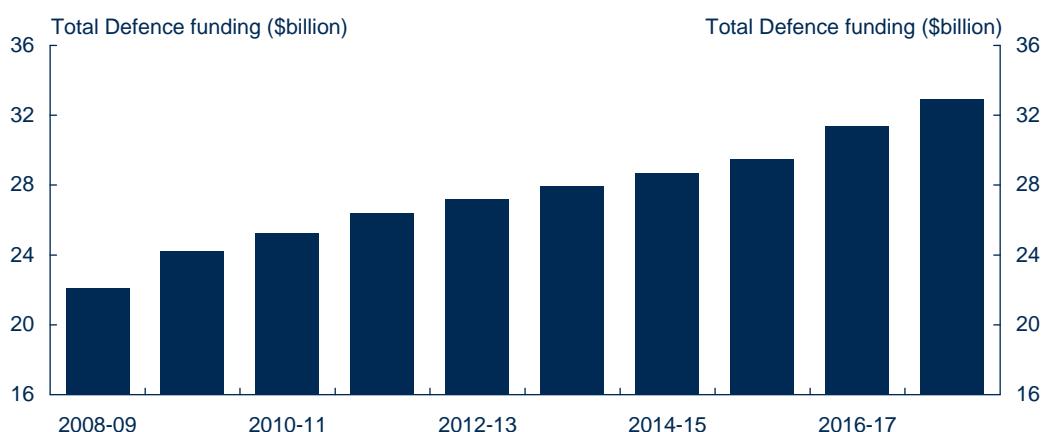
This new reserve will be drawn from internal resources and funding and

demonstrates a responsible approach to Defence budget management.

Supporting Defence families

A strong Defence force requires the best personnel. This Budget includes new measures to support ADF personnel and their families.

The Government will provide \$12 million to trial free provision of basic medical and dental care to ADF dependants in five locations. A further \$2 million will be provided to improve prevention and early intervention on mental health in the ADF, from recruitment through to discharge. These initiatives will be funded by reinvesting internal savings.



Delivering an average 3 per cent real growth per year in the underlying Defence funding base over the next 10 years

Enhancing security and development assistance

The Government will meet Australia's international responsibilities by making significant contributions to international security in Afghanistan, Iraq and Timor-Leste, and through the Regional Assistance Mission to the Solomon Islands (RAMSI). The 2008-09 Budget is the first step in the Government's long-term commitment to expand Australia's Official Development Assistance (ODA) program.

Strengthening security

This Budget contains funding to boost international security efforts. Defence funding includes:

- \$429 million to extend Australia's military involvement in Afghanistan
- \$166 million to extend our military presence in Timor-Leste
- \$14 million for support to RAMSI.

The Government will meet its commitment to withdraw the main land combat force from Iraq, beginning mid-year, with other contingents to remain, at a total cost of \$155 million.

Federal Police funding includes:

- \$53 million to strengthen

Afghanistan police counter-narcotics measures

- \$54 million to provide capacity building assistance to the Timor-Leste police
- \$75 million to assist Pacific policing, including in Samoa, Nauru and Papua New Guinea.

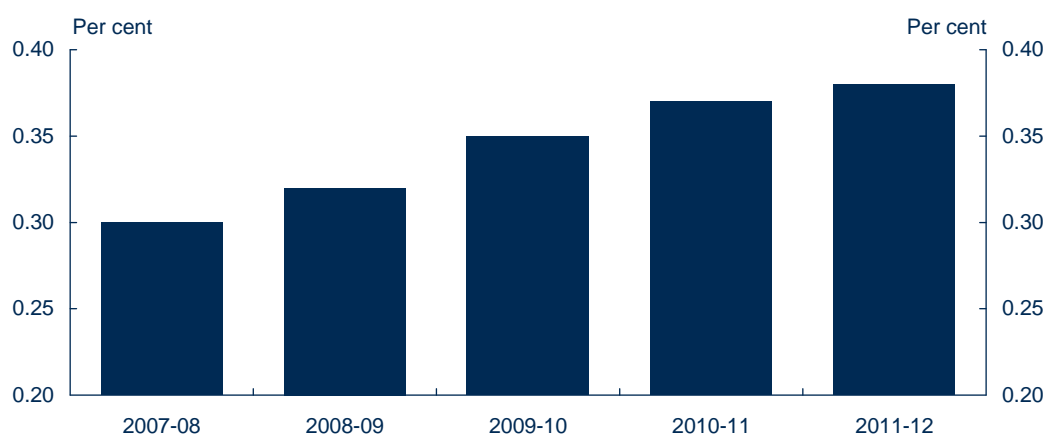
Expanding overseas development assistance

To reduce poverty and enhance stability in our region, Australia's ODA will increase to around \$3.7 billion in 2008-09. The Government is taking a step toward achieving its long-term commitment to a ratio of ODA to Gross National Income of 0.5 per cent by

2015 by meeting its interim target of 0.35 per cent a year early in 2009-10, and continuing to increase to 0.38 per cent in 2011-12.

As a means of achieving the Millennium Development Goals (MDGs), the Government will support economic growth in developing countries. Initiatives include:

- \$300 million for clean water and sanitation in the Asia Pacific
- \$200 million to support UN agency leadership on global efforts to reach the MDGs
- \$127 million to establish a Pacific Region Infrastructure Fund to improve basic infrastructure.



Australia's expanding Official Development Assistance to Gross National Income ratio

Australian Government budget aggregates

The table below shows the main cash and accrual budget aggregates for the Australian Government general government sector over the period 2006-07 to 2011-12.^(a) The underlying cash surplus is estimated to be \$21.7 billion in 2008-09. In accrual terms, a fiscal surplus of \$23.1 billion is expected.

	Actual	Estimates		Projections		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue (\$b)	278.0	303.8	319.5	336.9	350.9	366.9
Per cent of GDP	26.6	26.9	25.9	26.2	26.2	26.1
Expenses (\$b)	258.9	280.6	292.5	310.5	323.1	339.2
Per cent of GDP	24.7	24.9	23.8	24.2	24.1	24.1
Net operating balance (\$b)	19.4	23.3	27.0	26.4	27.8	27.7
Net capital investment (\$b)	1.9	2.8	3.9	4.1	4.5	5.1
Fiscal balance (\$b)	17.2	20.4	23.1	22.4	23.3	22.6
Per cent of GDP	1.6	1.8	1.9	1.7	1.7	1.6
Underlying cash balance (\$b)(b)	17.2	16.8	21.7	19.7	19.0	18.9
Per cent of GDP	1.6	1.5	1.8	1.5	1.4	1.3
<i>Memorandum item:</i>						
Headline cash balance (\$b)	26.7	25.4	23.6	20.9	20.5	20.5

(a) The 2006-07 figures have been adjusted to reflect the recognition of GST as an Australian Government tax.

(b) Excludes expected Future Fund earnings.

Assessment against the fiscal target

The Government has delivered on its commitment to achieve an underlying cash surplus in 2008-09 of at least 1.5 per cent of GDP without relying on upward revisions to tax receipts. All tax receipt revisions since the *Pre-Election Economic and Fiscal Outlook 2007* have been saved, adding to the 1.5 per cent starting point to achieve a surplus of 1.8 per cent of GDP.

In cash terms, all new spending for 2008-09, including the Government's election commitments since the *Pre-Election Economic and Fiscal Outlook 2007*, has been more than offset by savings. For 2008-09, the Government has identified gross savings of \$7.3 billion, of which \$1.6 billion are election commitments. These savings offset new policy decisions of \$5.3 billion.

Excluding new tax measures and associated GST payments to the States, the Government has offset all new payment spending of \$5.3 billion in 2008-09 with spending cuts of \$5.3 billion.

	2008-09 \$m
2007 PEFO underlying cash balance	14,319
Per cent of GDP	1.2
Effect of policy decisions (a)	
Spending	-5,261
Receipts	13
Payments	-5,274
Savings	7,257
Receipts	1,918
Payments	5,338
Total effect of policy decisions	1,996
Parameter and other variations (excluding tax)	2,426
Surplus (before banking of tax variation)	18,741
Per cent of GDP	1.5
Tax receipt variations	2,962
2008-09 Budget underlying cash balance	21,703
Per cent of GDP	1.8

(a) Excludes GST receipts and payments of \$371 million, which have no net impact on policy decisions.

Benefits for families

The tax cuts for 2008-09, 2009-10 and 2010-11 will significantly improve the disposable incomes of families and individuals.

Improvements in disposable income from tax cuts in 2008-09, 2009-10 and 2010-11

Private income (a)	Single income couple, no children	Dual income couple, no children (50/50 income split)	Sole parent, 2 children aged 3 and 8	Single income couple, 2 children aged 3 and 8	Single income couple, 3 children aged 3, 8 and 10	Dual income couple, 2 children aged 3 and 8 (67/33 income split)	Single person
\$10,000	\$0	\$0	\$0	\$684	\$684	\$255	\$750
\$20,000	\$0	\$1,367	\$750	\$750	\$750	\$990	\$750
\$30,000	\$750	\$1,500	\$1,329	\$750	\$750	\$1,353	\$750
\$40,000	\$1,800	\$1,500	\$1,800	\$1,800	\$1,800	\$1,080	\$1,800
\$50,000	\$1,750	\$1,500	\$1,750	\$1,750	\$1,750	\$2,025	\$1,750
\$60,000	\$1,350	\$1,500	\$1,350	\$1,350	\$1,350	\$2,550	\$1,350
\$70,000	\$1,050	\$3,000	\$1,050	\$1,050	\$1,050	\$2,550	\$1,050
\$80,000	\$1,550	\$3,600	\$1,550	\$1,550	\$1,550	\$2,356	\$1,550
\$90,000	\$1,850	\$3,600	\$1,850	\$1,850	\$1,850	\$2,088	\$1,850
\$100,000	\$2,150	\$3,500	\$2,150	\$2,150	\$2,150	\$2,270	\$2,150
\$110,000	\$2,450	\$3,100	\$2,450	\$2,450	\$2,450	\$2,745	\$2,450
\$120,000	\$2,750	\$2,700	\$2,750	\$2,750	\$2,750	\$3,362	\$2,750
\$130,000	\$3,050	\$2,300	\$3,050	\$3,050	\$3,050	\$3,563	\$3,050
\$140,000	\$3,350	\$2,100	\$3,350	\$3,350	\$3,350	\$3,764	\$3,350
\$150,000	\$3,650	\$2,100	\$3,650	\$3,650	\$3,650	\$3,935	\$3,650
\$160,000	\$4,450	\$3,100	\$4,450	\$4,450	\$4,450	\$4,004	\$4,450
\$170,000	\$5,250	\$3,400	\$5,250	\$5,250	\$5,250	\$4,073	\$5,250
\$180,000	\$6,050	\$3,700	\$6,050	\$6,050	\$6,050	\$4,142	\$6,050
\$190,000	\$6,050	\$4,000	\$6,050	\$6,050	\$6,050	\$4,211	\$6,050
\$200,000	\$6,050	\$4,300	\$6,050	\$6,050	\$6,050	\$4,280	\$6,050

(a) Private income is from sources other than government transfer payments, such as earnings or from interest on savings. At lower private incomes, taxable income may be higher than private income because of taxable income support payments.

Detailed family outcomes

The tables below show the benefits being delivered to families in 2008-09. For couple families with children with a primary earner at a given income level, they show the gains at different days worked by a secondary earner, after taking account of child care costs. For sole parent families, they show the family gains at different days worked for the parent, after accounting for child care.

Couple families with children

Family private income	Second earner works ...	Disposable income - before Budget	Gains from tax cuts	Change in assistance for child care	Education Tax Refund and Teen Dental Plan	Disposable income - after Budget	Change in disposable income	Change in disposable income (\$ per week)
Couple with two children aged 4 (in long day care at \$5.60 per hour) and 6 (in outside school hours care at \$4.40 per hour)								
<i>Primary earner income \$40,000, secondary earner income \$30,000 when working full-time</i>								
\$40,000	No days	\$46,268	\$1,050	\$0	\$375	\$47,693	\$1,425	\$27.40
\$58,000	3 days	\$54,152	\$1,500	\$887	\$375	\$56,914	\$2,762	\$53.12
\$70,000	5 days	\$57,982	\$1,500	\$1,645	\$375	\$61,502	\$3,520	\$67.69
<i>Primary earner income \$60,000, secondary earner income \$45,000 when working full-time</i>								
\$60,000	No days	\$55,969	\$600	\$0	\$375	\$56,944	\$975	\$18.75
\$87,000	3 days	\$70,192	\$1,050	\$1,255	\$375	\$72,872	\$2,680	\$51.54
\$105,000	5 days	\$75,765	\$1,650	\$2,553	\$375	\$80,343	\$4,578	\$88.04
Couple with 2 children aged 10 and 13, no child care								
<i>Primary earner income \$40,000, secondary earner income \$30,000 when working full-time</i>								
\$40,000	No days	\$46,436	\$1,050	\$0	\$1,275	\$48,761	\$2,325	\$44.71
\$58,000	3 days	\$57,445	\$1,500	\$0	\$1,275	\$60,220	\$2,775	\$53.37
\$70,000	5 days	\$64,812	\$1,500	\$0	\$1,275	\$67,587	\$2,775	\$53.37
<i>Primary earner income \$60,000, secondary earner income \$45,000 when working full-time</i>								
\$60,000	No days	\$56,137	\$600	\$0	\$1,275	\$58,012	\$1,875	\$36.06
\$87,000	3 days	\$74,586	\$1,050	\$0	\$1,275	\$76,911	\$2,325	\$44.71
\$105,000	5 days	\$84,700	\$1,650	\$0	\$1,275	\$87,625	\$2,925	\$56.25

Sole parent families

Family private income	Sole parent works ...	Disposable income - before Budget	Gains from tax cuts	Change in assistance for child care	Education Tax Refund	Disposable income - after Budget	Change in disposable income	Change in disposable income (\$ per week)
Sole parent with 2 children aged 4 (in long day care at \$5.60 per hour) and 6 (in outside school hours care at \$4.40 per hour)								
\$0	No days	\$27,690	\$0	\$0	\$375	\$28,065	\$375	\$7.21
<i>Sole parent income \$30,000 when working full-time</i>								
\$18,000	3 days	\$37,238	\$450	\$626	\$375	\$38,689	\$1,451	\$27.90
\$30,000	5 days	\$40,232	\$1,050	\$1,016	\$375	\$42,673	\$2,441	\$46.94
<i>Sole parent income \$45,000 when working full-time</i>								
\$27,000	3 days	\$40,634	\$859	\$626	\$375	\$42,495	\$1,861	\$35.79
\$45,000	5 days	\$44,732	\$1,050	\$1,175	\$375	\$47,332	\$2,600	\$50.00

Major initiatives in the 2008-09 Budget

The table below provides a summary of major initiatives in the 2008-09 Budget.

	2007-08	2008-09	2009-10	2010-11	2011-12	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Taxation						
Personal income tax cuts (a) (b)	-	-7,110.0	-9,790.0	-13,930.0	-15,850.0	-46,680.0
Reduction in withholding tax rate (a)	-	-60.0	-125.0	-210.0	-235.0	-630.0
Australia - Japan double tax convention (a)	-	-40.0	-100.0	-100.0	-105.0	-345.0
Increasing the Medicare levy surcharge thresholds (a)	-	-	-195.0	-235.0	-230.0	-660.0
Education Revolution						
Digital Education Revolution	100.0	400.0	300.0	200.0	200.0	1,200.0
Skilling Australia for the Future	33.3	232.6	412.2	620.3	620.3	1,918.6
Trade Training Centres in Schools Program	-	233.1	242.9	253.1	263.7	992.9
HECS incentives for Maths and Science students	-	37.5	117.7	197.7	272.8	625.8
National Action Plan for Literacy and Numeracy	-	95.5	157.6	160.7	163.5	577.4
Early childhood education - universal access	13.5	40.0	80.0	100.0	300.0	533.5
Building better universities	500.0	-	-	-	-	500.0
Scholarships for a competitive future	-	12.2	77.3	138.2	219.8	447.5
Health and hospitals reform						
Dental Health Programs	5.6	193.5	207.7	234.6	139.3	780.7
Elective Surgery Waiting List Reduction Plan	75.0	155.0	150.0	220.0	-	600.0
Better outcomes for hospitals and community health	142.0	71.9	55.0	57.3	63.3	389.5
GP Super Clinics	33.1	76.6	66.3	49.3	49.8	275.2
Aged Care - transition aged care - additional places	-	12.2	39.7	86.1	155.3	293.2
Climate Change and Water						
National Urban Water and Desalination Plan	-	14.0	158.0	244.0	392.0	808.0
Solar Australia programs	10.0	108.2	147.1	87.9	33.1	386.3
National Clean Coal Fund	15.0	34.8	108.6	124.5	97.8	380.7
Renewable Energy Fund	-	-	55.5	71.0	101.0	227.5
Indigenous Australians						
Closing the Gap for Indigenous Australians	25.8	380.3	92.2	113.9	106.5	718.7
Families and older Australians						
Education Tax Refund - refundable tax offset	-	1,015.0	1,095.0	1,135.0	1,165.0	4,410.0
Child Care Tax Rebate	-	340.3	376.0	410.2	444.5	1,571.0
Seniors bonus	1,374.5	0.5	-	-	-	1,375.0
Carer bonus	426.7	1.4	-	-	-	428.1
Housing affordability						
First Home Saver Accounts	2.7	156.0	241.2	341.4	437.5	1,178.8
Housing Affordability Fund	-	52.2	77.1	77.1	152.8	359.2
National Rental Affordability Scheme	-	23.5	72.2	170.1	356.8	622.6
Broadband						
Australian Broadband Guarantee - extension	-	90.0	76.0	59.9	44.9	270.7
Cyber-safety Plan	-	25.0	51.7	25.5	23.6	125.8
International development						
Overseas development assistance	-	263.6	335.5	408.0	222.0	1,229.1

(a) Revenue measure. A positive sign indicates an increase in the fiscal balance.

(b) The full impact of the Government's personal tax cuts are shown. These are already factored into the forward estimates.

Major savings in the 2008-09 Budget

The table below provides a summary of major savings in the 2008-09 Budget. More comprehensive information is provided in Budget Paper No. 2, Budget Measures 2008-09.

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	Total \$m
Fairness and integrity in the tax system						
Personal income tax cuts - better targeting (a)	-	-	1,150.0	2,000.0	2,160.0	5,310.0
Increased rates on 'other excisable beverages' (a)	97.9	640.1	716.0	799.3	892.6	3,145.9
Crude Oil excise - condensate (a)	93.8	564.0	635.4	625.7	625.7	2,544.6
Australian Taxation Office compliance dividend (a)	-	105.0	295.0	785.0	795.0	1,980.0
Depreciation for computer software (a)	-	15.0	300.0	681.0	318.0	1,314.0
Fringe Benefits Tax - tighten exemptions (a)	-	164.0	320.0	425.0	520.0	1,429.0
Increasing the Luxury Car Tax (a)	-	130.0	140.0	140.0	145.0	555.0
Increase in the Passenger Movement Charge (a)	-	106.3	111.2	117.7	124.1	459.3
Realising efficiencies						
Efficiency Dividend	-96.1	-411.9	-414.4	-416.4	-420.3	-1,759.1
Access Card	-246.5	-309.8	-246.3	-258.5	-184.3	-1,245.4
Australia Connected – cancellation of the OPEL contract	-99.1	-634.2	-226.0	-	-	-959.3
Better targeting and delivery of Family Tax Benefit	42.1	-120.3	-77.5	-330.1	-371.5	-857.3
Better targeting and delivery of Baby Bonus	-	-52.4	-96.5	-101.0	-104.7	-354.5
Corporation payments to the States - termination	-	-179.8	-184.3	-188.9	-193.6	-746.5
Adjusting the funding for specific health programs	-	-113.0	-137.8	-130.1	-122.9	-503.7
Fraud and compliance - assessments	-	-102.1	-145.2	-165.8	-176.2	-589.2
Heavy vehicle road user charging	-	-40.0	-110.0	-150.0	-190.0	-490.0
Health and Medical Investment Fund - redirection	-	-	-103.8	-122.4	-125.5	-351.7
Employment services for 2009-10 to 2011-12	..	58.4	-34.7	-147.1	-156.4	-279.8
Medibank Private Limited - not proceeding with the sale	-0.7	-13.3	-50.0	-101.3	-103.8	-269.1
Ministerial and Opposition staff - 30 per cent reduction	-15.4	-27.0	-27.5	-28.7	-27.7	-126.3
Practice Incentive Programs	-	-32.3	-56.7	-56.7	-56.0	-201.7
Australia Post - special dividend (a)	-	150.0	-	-	-	150.0
Visa application charge - increase (a)	-	39.1	43.4	46.6	50.2	179.4
Reprioritising funding to better programs						
Work skills vouchers	-16.3	-190.4	-190.4	-190.6	-190.6	-778.3
Green Vouchers for Schools	-99.6	-149.1	-51.3	-34.3	-	-334.2
Dental treatment - Medicare items	-41.4	-116.8	-97.6	-113.5	-122.2	-491.4
Commercial Ready	-	-70.0	-200.2	-213.8	-223.2	-707.2
National Literacy and Numeracy Vouchers Program	-	-60.6	-131.9	-134.7	-137.4	-464.7
Growing Regions Program	-2.5	-30.0	-40.0	-75.0	-52.5	-200.0
Regional Partnerships	-10.9	-22.9	-69.1	-66.1	-67.2	-236.2
Protecting Australian Families Online	-46.7	-50.7	-26.1	-19.8	-19.8	-163.0
Australian Industry Productivity Centres	-13.5	-36.0	-35.6	-36.1	-35.9	-157.0
Australian Technical Colleges - rationalisation	-	-32.7	-31.5	-17.1	-18.2	-99.5
Summer Schools for Teachers Program	-	-24.9	-23.3	-23.7	-24.2	-96.2
Other saving initiatives	488.1	2,441.6	812.7	882.8	787.5	5,412.8
Total savings (b)	1,326.5	7,116.7	7,331.3	9,624.8	9,542.1	34,941.3

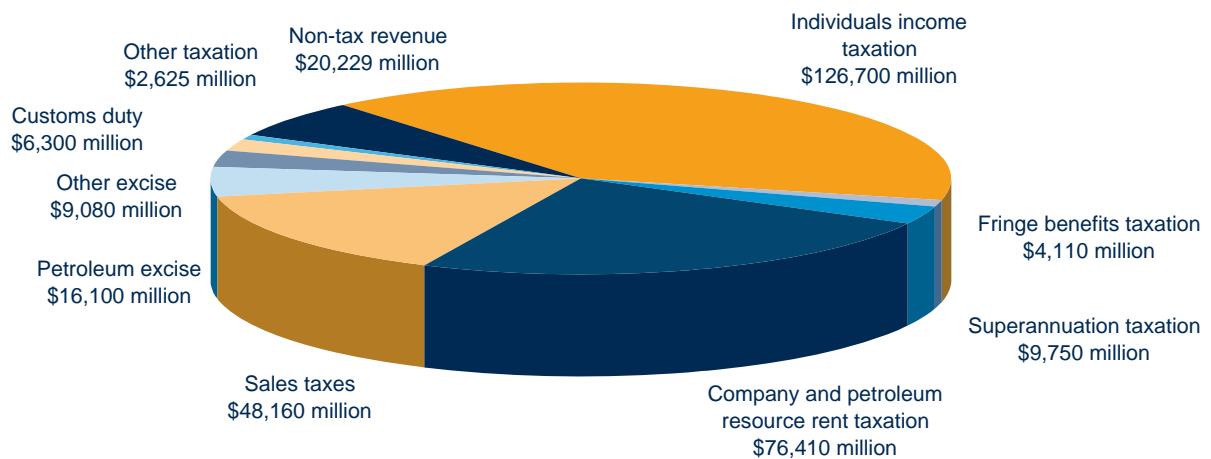
(a) Revenue measure. A positive sign indicates an increase in the fiscal balance.

(b) The table above shows the impact of total savings on the fiscal balance. The Government has made cash savings of \$1.3 billion in 2007-08, \$7.3 billion in 2008-09, \$7.2 billion in 2009-10, \$9.5 billion in 2010-11 and \$9.4 billion in 2011-12.

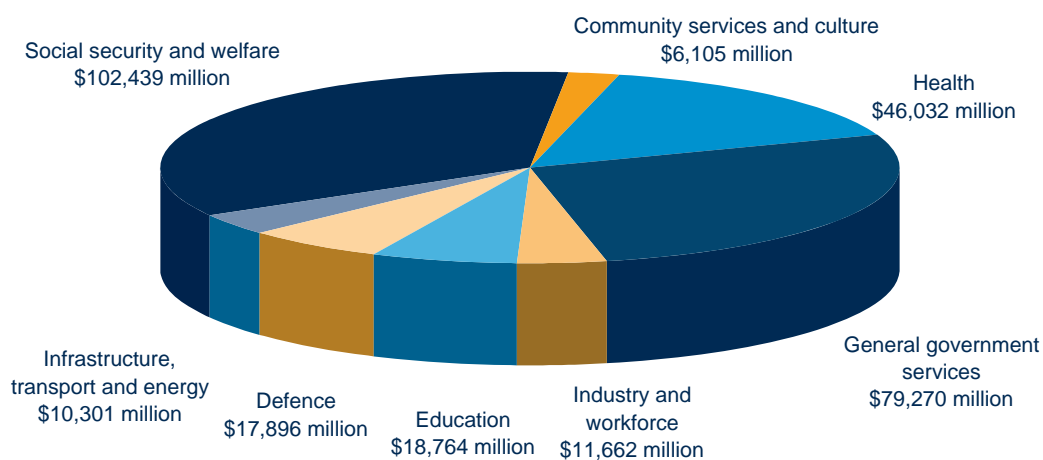
Australian Government taxation and spending

The charts below summarise Australian Government revenues and expenses for 2008-09 on an accrual basis. Total revenue for 2008-09 is expected to be \$319.5 billion, an increase of 2.8 per cent on estimated revenue since the *Pre-Election Economic and Fiscal Outlook 2007*. Total expenses for 2008-09 are expected to be \$292.5 billion, a decrease of 0.6 per cent on estimated expenses since the *Pre-Election Economic and Fiscal Outlook 2007*.

Where revenue comes from



Where taxpayers' money is spent



Detailed economic forecasts for 2008-09

The table below shows the Government's macroeconomic forecasts. The Australian economy is expected to grow by 2¾ per cent in 2008-09. More comprehensive information is provided in Budget Paper No. 1, *Budget Strategy and Outlook 2008-09*, Statement 2.

	Outcomes(a)	Estimates	Forecasts	
	2006-07 year average	2007-08 year average	2008-09 year average	Four quarters to June 2009
Demand and output(b)				
Household consumption	3.6	4 1/2	2 3/4	2 1/2
Private investment				
Dwellings	2.4	2 1/2	2	1
Total business investment(c)	6.7	9 1/2	8 1/2	4 1/2
Non-dwelling construction(c)	12.4	8 1/2	5 1/2	3
Machinery and equipment(c)	2.9	9 1/2	11	4 1/2
Private final demand(c)	4.0	5 1/4	4	3
Public final demand(c)	4.3	4 3/4	3	2 3/4
Total final demand	4.1	5 1/4	3 3/4	2 3/4
Change in inventories(d)	0.1	1/4	- 1/4	0
Gross national expenditure	4.2	5 1/2	3 1/2	2 3/4
Exports of goods and services	3.8	3	6	7 1/2
Imports of goods and services	8.9	11	9	7
Net exports(d)	-1.2	-2	-1	- 1/4
Real gross domestic product	3.2	3 1/2	2 3/4	2 3/4
Non-farm product	3.9	3 3/4	2 1/4	2
Farm product	-22.8	2	20	36
Nominal gross domestic product	8.2	7 3/4	9 1/4	6 1/2
Other selected economic measures				
External accounts				
Terms of trade	6.7	4 3/4	16	3 1/4
Current account balance (per cent of GDP)(e)	-5.6	-6 1/4	-5	-5 3/4
Labour market				
Employment (labour force survey basis)	2.7	2 1/2	1 1/4	3/4
Unemployment rate (per cent)(e)	4.5	4 1/4	4 1/2	4 3/4
Participation rate (per cent)(e)	64.8	65 1/4	65 1/4	65
Prices and wages				
Consumer Price Index(f)	2.1	4	3 1/2	3 1/4
Gross non-farm product deflator	4.8	4	6 1/4	4 1/4
Wage Price Index	4.0	4 1/4	4 1/4	4 1/4

(a) Calculated using original data.

(b) Chain volume measures, except for nominal gross domestic product which is in current prices.

(c) Excluding second-hand asset sales from the public sector to the private sector and including the impact of the privatisation of Telstra.

(d) Percentage point contribution to growth in GDP.

(e) The estimate in the final column is the forecast rate in the June quarter 2009.

(f) Through the year growth rate to the June quarter for 2006-07 and 2007-08.

Source: Australian Bureau of Statistics and Treasury.

Historical budget and net financial worth data

The table below provides historical data and forward estimates for Australian Government general government sector cash receipts, cash payments, the underlying cash balance and net financial worth. More comprehensive information is provided in Budget Paper No. 1, *Budget Strategy and Outlook 2008-09*, Statement 10.

	Receipts		Payments		Underlying cash balance(a)		Net financial worth	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1975-76	18,727	22.9	20,225	24.8	-1,499	-1.8	na	na
1976-77	21,890	23.2	23,157	24.6	-1,266	-1.3	na	na
1977-78	24,019	23.4	26,057	25.3	-2,037	-2.0	na	na
1978-79	26,129	22.5	28,272	24.3	-2,142	-1.8	na	na
1979-80	30,321	23.0	31,642	24.0	-1,322	-1.0	na	na
1980-81	35,993	24.1	36,176	24.2	-184	-0.1	na	na
1981-82	41,499	24.1	41,151	23.9	348	0.2	na	na
1982-83	45,463	24.5	48,810	26.3	-3,348	-1.8	na	na
1983-84	49,981	23.9	56,990	27.2	-7,008	-3.3	na	na
1984-85	58,817	25.4	64,853	28.0	-6,037	-2.6	na	na
1985-86	66,206	25.9	71,328	27.9	-5,122	-2.0	na	na
1986-87	74,724	26.7	77,158	27.6	-2,434	-0.9	na	na
1987-88	83,491	26.2	82,039	25.7	1,452	0.5	na	na
1988-89	90,748	25.0	85,326	23.6	5,421	1.5	na	na
1989-90	98,625	24.8	92,684	23.3	5,942	1.5	na	na
1990-91	100,227	24.5	100,665	24.6	-438	-0.1	na	na
1991-92	95,840	23.0	108,472	26.0	-12,631	-3.0	na	na
1992-93	97,633	22.3	115,751	26.4	-18,118	-4.1	na	na
1993-94	103,824	22.6	122,009	26.5	-18,185	-4.0	na	na
1994-95	113,458	23.3	127,619	26.2	-14,160	-2.9	na	na
1995-96	124,429	24.0	135,538	26.2	-11,109	-2.1	na	na
1996-97	133,592	24.5	139,689	25.6	-6,099	-1.1	na	na
1997-98	140,736	24.4	140,587	24.3	149	0.0	na	na
1998-99	151,974	25.0	148,041	24.4	3,934	0.6	na	na
1999-00	166,089	25.7	153,030	23.7	13,059	2.0	-67,649	-10.5
2000-01	182,804	26.5	176,833	25.7	5,970	0.9	-72,987	-10.6
2001-02	187,495	25.5	188,478	25.6	-983	-0.1	-79,210	-10.8
2002-03	204,552	26.2	197,066	25.2	7,486	1.0	-85,244	-10.9
2003-04	217,722	25.9	209,686	24.9	8,036	1.0	-75,483	-9.0
2004-05	235,943	26.3	222,327	24.8	13,616	1.5	-66,824	-7.4
2005-06	255,903	26.5	240,060	24.8	15,792	1.6	-64,297	-6.6
2006-07	272,584	26.0	253,242	24.2	17,208	1.6	-49,928	-4.8
2007-08(e)	295,622	26.2	275,090	24.4	16,815	1.5	-25,838	-2.3
2008-09(e)	312,961	25.4	287,764	23.4	21,703	1.8	-3,608	-0.3
2009-10(p)	330,095	25.7	307,253	23.9	19,669	1.5	18,045	1.4
2010-11(p)	343,705	25.7	321,417	24.0	18,996	1.4	40,408	3.0
2011-12(p)	359,018	25.5	336,729	23.9	18,870	1.3	62,078	4.4

(a) Excludes expected Future Fund earnings from 2005-06 onwards.

(e) Estimates.

(p) Projections.

na Data not available.