

2011-12 Federal Budget Overview



A message from the CEO

One of the great challenges for Government is to balance the need to answer short term pressures with the requirement to set a longer term agenda.

Often budget analysis concentrates on the short term issues such as relief from the cost of living, changes to PAYE tax rates and new initiatives and programs. Whilst we cannot ignore the value of these initiatives, I believe we need to look at the broader and longer term issues facing the nation.

As the Budget Papers highlight, Australia is in the midst of an unprecedented resources boom. Commodity prices are at record highs, the Australian dollar is currently trading above parity with the US Dollar, skills shortages are re-emerging and wage pressures are close at hand. Yet at the same time, we are seeing sluggish retail spending, declining competitiveness outside of the resources and commodities sectors, and most worryingly, falling productivity.

We believe the Budget needs to be assessed against the critical longer term parameters of efficiency, competitiveness, investment in infrastructure, training and education, strengthening the workforce, improving the tax system, guarding against inflation and securing the budget for the longer term.

The Budget goes some of the way to addressing these issues, but continues a broader policy timidity, one that seems to have infected both sides of politics in recent times.

However, there are a number of initiatives that should be acknowledged:

- > The immediate write-off for assets worth up to \$5,000 will provide a greater incentive for small business to invest in income producing assets and at the same time, simplify tax calculations.
- > The commitment to cut small business company tax to 29% from 2012-13 will alleviate pressures many small businesses throughout Australia are experiencing.
- > The decision to set the increase in small business PAYG instalments in 2011-12 at 4% will provide a significant cash flow benefit to small business.
- > The increase in funding for Infrastructure Australia projects by 40% over the coming four years recognises that we are suffering from significant capacity constraints.
- > The decision to increase Australia's yearly skilled migration intake by 16,000 workers a year will strengthen the economy and take pressure off wages growth and help to reduce the 80,000 job vacancies in NSW.

In terms of training and skills, whilst I acknowledge that overall funding levels and direction of the Government's policies are sound, I do have grave concerns about the decision to redirect training incentives from occupations perceived to be of 'low economic value'. Many of these positions are in entry-roles and the Government is running the risk of harming the most vulnerable in our workforce.

It should also be noted that the Budget was free of major tax reform. I am disappointed that some of the broader opportunities offered for tax reform that were detailed in the 2010 Henry Tax Review continue to be ignored – and others have been excluded from the promised tax summit.

Given that the Budget anticipates that unemployment will fall to 4.5% during 2012-13 and the resources boom will continue, I believe this Budget could have tightened fiscal policy further. Whilst I dispute some of the wilder claims about Australia's indebtedness, an earlier shift to surplus would have provided some protection from further interest rate increases. It would have also ensured that some of the benefits of the resources boom were quarantined for the longer term.

Overall, we have seen in this Budget significant and welcome decisions in skills, infrastructure and small business. However, I believe it paid insufficient attention to the longer term challenges facing Australia and as such, represents a missed opportunity for all of us.

Yours sincerely



Stephen Cartwright
CEO, NSW Business Chamber

Budget Overview

Key Statistics of the 2011–12 Budget

	2011–12	2012–13
Surplus	-\$22.6bn	\$3.5bn
Net debt (as % of GDP)	7.2%	6.7%
GDP	4%	3¾%
Unemployment	4¾%	4½%
Inflation	2¾%	3%

Other key points:

- > New spending of \$23.4 billion largely offset by savings of \$22.2 billion.
- > Real growth in payments held to 0.5% in 2011–12 and -0.1% in 2012–13.

Key Initiatives of the 2011–12 Budget

Skills

There are a number of initiatives in the 2011–12 Budget, reflecting the Government's priorities on skills and workforce participation. These include:

- > Training and skills
- > Australian apprenticeships
- > Skilled migration
- > Training reform
- > Foundational skills

Infrastructure

- > Changes to Infrastructure Australia
- > Regional priorities
- > NSW specific initiatives
- > Deferral and reprioritisation

The overall economic outlook has been affected by the number of natural disasters, the ongoing resources boom and commodity prices, and the level of the Australian dollar.

Fiscal Aggregates and Economic Outlook

Economic Outlook

Collectively, the floods and cyclones in Australia and the earthquakes in New Zealand and Japan are expected to detract around 0.75 of a percentage point from Australia's real GDP growth in 2010-11. However, this impact is expected to be temporary, with the resumption of activity and commencement of reconstruction expected to add to real GDP growth from 2011-12.

While the high Australian dollar and legacy effects from the global financial crisis are weighing particularly heavily on some sectors, the overall growth outlook is strong. The economy is expected to grow at an above-trend rate over the next two years and the unemployment rate is forecast to fall. However, with the unemployment rate already low, capacity pressures are also expected to re-emerge.

Real GDP is forecast to grow by 4% in 2011-12 and 3.75% in 2012-13, with the unemployment rate falling to 4.5% over the same period. While a slight deterioration on the forecasts presented by the Government in November, they nonetheless remain solid. The Government also expects inflation to remain within, though at the upper end of, the Reserve Bank's 2-3% target band.

Fiscal Outcomes

The fourth Swan Budget is projected to deliver an underlying cash balance deficit in 2011-12 of \$22.6 billion, or 1.5% of GDP. This represents a deterioration of \$10.3 billion since the Government's last economic forecasts were published.

The underlying cash balance is a broad indicator of the Government's cash flow requirements and excludes proceeds from asset sales and other one-off or abnormal items. The projected fiscal balance for 2011-12 is a deficit of \$20.3 billion, or 1.4% of GDP. This represents a deterioration of \$9.4 billion since the Government's last economic forecasts were published in November.

The fiscal balance is the difference between Government savings and investment, and indicates the impact of the Government's operations. Running a fiscal deficit indicates that the Government is borrowing from the rest of the economy.

The Government has retained its forecast of returning the Budget to surplus by 2012-13, with a surplus of \$3.5 billion now forecast for that year.

However, the increase in the size of the 2011-12 deficit, relative to the forecasts published by the Government in

late 2010, does have the capacity to place further upwards pressure on interest rates in the short-term.

Revenues

The outlook for Government revenues in 2011-12 has deteriorated by \$5.4 billion since the last round of Budget forecasts was released in November. Total revenue for 2011-12 is expected to be \$350.0 billion, with 43% coming from individuals' income taxation and 22% coming from company and petroleum resource rent taxation. Much of the deterioration in revenues has been driven by a weaker outlook for tax receipts due to the more subdued near term economic outlook and larger than anticipated losses associated with the global financial crisis.

Spending

Total expenses for 2011-12 are expected to be \$365.8 billion, with 33% going to social security and welfare and 16% to health. Real growth in payments in 2011-12 is forecast to be 0.5%, with total payments in this year representing 24.5% of GDP, slightly above the average of the last decade. Much of the restraint in spending growth is the result of the withdrawal of the Government's temporary fiscal stimulus over this period.

New spending decisions announced by the Government in this Budget total \$19 billion over the forward estimates, with a further \$4.4 billion in natural disaster payments. This spending has been largely offset by savings of \$22.2 billion over the same period.

Debt

The Federal Government's fiscal and deficit exit strategies remain unchanged. The medium-term fiscal strategy remains to:

- > achieve budget surpluses, on average, over the medium term;
 - > keep taxation as a share of GDP below the level for 2007-08 (23.5% of GDP), on average; and
 - > improve the Government's net financial worth over the medium term.
- > The details of the deficit exit strategy also remain unchanged. With the economy now having returned to above trend growth, the Government has committed to:

Fiscal Aggregates and Economic Outlook (continued)

- > allowing the level of tax receipts to recover naturally as the economy improves, while keeping taxation as a share of GDP below the 2007-08 level on average; and
- > holding real growth in spending to 2% a year until the budget returns to surplus.

Once the Budget returns to surplus, and while the economy is growing at or above trend, the Government will maintain expenditure restraint by retaining a 2% annual cap on real spending growth, on average, until surpluses are at least 1% of GDP.

The Government has delivered a Budget which offsets new spending decisions, holds real growth in spending to 2% a year, and forecasts a modest surplus in 2012-13.

Net debt is now projected to peak at 7.2% of GDP in 2011-12, and to be eliminated completely by 2019-20. The Government's net debt remains extremely low by international standards. While Australia's net debt is forecast to peak at less than 10% of GDP, the average net debt level in the major advanced economies is projected to be around 80% of GDP in 2011 (though noting that Australia's net debt levels are higher when State debt is included).

Business Announcements

PAYG Tax changes

The Government will provide additional cash flow benefits to small businesses through the tax system. The Government will reduce income tax instalments paid under Pay As You Go (PAYG) using the gross domestic product (GDP) adjustment method for one year. This change will deliver a \$700 million cash flow benefit from lower tax payments in 2011-12, mainly to small businesses.

PAYG instalments in 2011-12 will be set at 4 per cent above a small business's taxable income for the previous year, half the statutory rate that would otherwise have applied. This is a one-year benefit and the statutory rate will apply as normal from 2012-13.

The depreciation and PAYG changes will apply to all small businesses, including sole traders and businesses operating through trusts, partnerships and companies. These reforms will make tax simpler for small business, while increasing cash flows so they can reinvest and grow their businesses.

Small business depreciation for motor vehicles

The Government will allow small businesses to claim up to \$5,000 as an immediate deduction for motor vehicles, with effect for vehicles acquired from the 2012-13 income year. The remainder of the motor vehicle value will be pooled in the general small business pool (depreciated at 15% in the first year and then 30%).

Small businesses will benefit from accelerated depreciation for motor vehicles through increased cash flow and a reduction in tax payable, which will allow them to reinvest in their businesses' growth and expansion.

FBT on Cars

As part of the Henry Tax Review, the Government had announced changes to the Fringe Benefits Tax which applies to vehicles, removing the unintended incentive for vehicles to be driven further than they need to. The Government will replace the current rates with a single flat rate of 20% that applies regardless of the distance travelled. Compared to the current statutory rates, a single rate of 20% will:

- > increase the tax concession provided for vehicles driven less than 15,000 kilometres a year;

- > maintain the current tax concession provided for vehicles driven between 15,000 and 25,000 kilometres a year; and
- > decrease the tax concession provided for vehicles driven more than 25,000 kilometres a year

Entrepreneurs' Tax Offset

The Government will abolish the Entrepreneurs' Tax Offset, with effect from the 2012-13 income year. This measure has an ongoing gain to revenue estimated to be \$365 million over the forward estimates period.

Small Business Support Line

Continuation of the small business support line, with a commitment of \$7.1 million in new funding over the next four years has been confirmed. The service provides advice to small businesses, including those in regional and remote areas of Australia, on issues such as: obtaining finance; cash flow management; retail leasing; personal stress and hardship counselling; and promotion and marketing. The support line will refer small businesses to specialist advisers for more complex and detailed advice.

Buy Australian at home and abroad initiative

A new 'Buy Australian at home and abroad' initiative will provide \$34.4 million over four years to encourage better linkages between major projects in the resources sector and capable Australian firms. This includes:

- > \$12.1 million over four years to expand the Supplier Advocates Program to engage an additional four supplier advocates to target sectors where capability gaps and opportunities are identified;
- > \$15.5 million over four years to expand the Enterprise Connect program by engaging an additional 11 business advisers and increasing the number of tailored advisory services implementation grants and group development projects;
- > \$4.4 million over four years to expand the Supplier Access to Major Projects program to position an industry capability specialist in the procurement teams of some of Australia's major resources sector projects to ensure that the capabilities of local suppliers are appropriately represented.

Business Announcements (continued)

Solar Cities

\$13.7 million over two years to deliver the objectives of the solar cities program, in trialling new sustainable models for electricity supply and use in Adelaide, Alice Springs, Blacktown, Central Victoria, Moreland, Perth, and Townsville.

Film and Television Industry

The Government will provide \$56 million in targeted assistance for Australia's film, television and documentary production industry. The \$56 million restructure and funding boost over four years is made up of changes to the Screen Production Incentive worth \$43 million, direct funding to small budget documentaries of \$11 million and \$2 million for a comprehensive screen industry survey.

Australia – China Science and Research Fund

\$9.0 million over three years to establish the Australia China Science and Research Fund as part of a targeted science and research collaboration strategy with China. The fund will assist collaboration between Australian and Chinese scientists by providing support for building bilateral research relationships, linking Australian and Chinese research institutions and researchers, and supporting collaborative research activities.

Reductions to existing programs

- > \$20.7 million over two years from the Collaborative Research Networks (CRN) program.
- > \$33.4 million over four years from the Cooperative Research Centres (CRC) program.
- > \$6.0 million over three years from the Enterprise Connect program. Funding of \$101.3 million over four years will remain available to continue to provide assistance for the program.
- > \$96 million from the LPG Vehicle grants program by capping grants to 25,000 per annum
- > \$601 million over the life of the program by scrapping the Green Car Innovation Fund. A component of these cuts was redirected to Queensland flood reconstruction efforts.

Infrastructure

Infrastructure Australia expansion

The Government will provide \$36.0 million over four years to continue and strengthen the activities of Infrastructure Australia (IA). This will ensure the continued capability of IA to review national infrastructure priorities, assess projects and provide advice on infrastructure financing and reforms that promote productive investment in Australian infrastructure.

This measure provides a \$2.5 million per annum increase in IA's funding to enable IA to develop more comprehensive infrastructure project and priority assessments, including through a top down analysis of nationally significant infrastructure needs. It will also enable IA to develop further opportunities for private investment in nationally significant infrastructure and to continue its reform work, including on the National Ports Strategy and the National Freight Network.

Infrastructure Investment Incentive Package

The Government announced the Infrastructure Investment Incentive Package to encourage private sector investment in the IA Priority List. The package is designed to encourage private investment in up to \$25 billion of projects to 30 June 2017. The Government will undertake detailed consultations with industry over the next few months to finalise the package, including the development of appropriate legislation and governance arrangements.

Sustainable Australia

Major Urban Renewal

The Government will provide \$20.0 million over two years to help improve the planning and design of the outer suburbs and major regional centres that are experiencing population growth pressures and housing and transport affordability cost pressures. The program will seek to improve the capacity of regional cities to undertake strategic planning in line with the Council of Australian Governments (COAG) agreed criteria. The program will also support the development of demonstration projects within capital cities that drive innovation and urban renewal through working in partnership with the Council of Capital City Lord Mayors.

Managed Motorways

The Government will provide \$61.4 million over three years to fund smart infrastructure technologies to reduce congestion and improve traffic demand management and the overall efficiency of the transport network in major cities.

An initial set of projects that would be eligible for funding have been identified by Infrastructure Australia, which includes:

- > M4 (Western Motorway) in Sydney – feasibility/project development funding for the introduction of a managed motorway system, including ramp metering and potential freight prioritisation, on this existing motorway.

All projects will be jointly funded by the Commonwealth and the relevant state and territory Government. Funding will be subject to state and territory Governments signing National Partnership Agreements on the establishment of Single National Jurisdictions for heavy vehicles, interstate rail operations and maritime regulation.

NSW-Specific Project Announcements

Additional Funding for the Pacific Highway

The Government will provide an additional \$1.02 billion as a further contribution towards the duplication of the Pacific Highway.

Of the contribution, \$700 million had been previously provisioned for in the Budget, with \$400 million brought forward from 2014-15 to 2011-12 (\$81.0 million), 2012-13 (\$99.0 million) and 2013-14 (\$220.0 million) to accelerate planning, route assessment and other works.

An additional \$50 million has been provided in 2011-12 Budget, and a further \$270 million has been redirected, with the agreement of the NSW Government, from the NSW allocation of the Nation Building Program. Additional funding for the Pacific Highway is conditional on the NSW Government also making an appropriate contribution to the cost of this work.

Commission the Richmond Bridge Approaches Congestion Study

Work scheduled to commence on this project in 2011-12, using funding from within the allocation for the existing Nation Building Program.

New England Highway

Commence planning work in 2011-12 on the Tenterfield Bypass and Bolivia Hill Upgrade along the New England Highway, with funding from within the allocation for the existing Nation Building Program.

Infrastructure (continued)

Scone Level Crossing

The Government will bring forward \$1.8 million to 2010-11 for the Scone Level Crossing study for planning work necessary to build an overpass for the rail line on the New England Highway in Scone in New South Wales. This payment will be made from the Regional Infrastructure Fund.

Regional Infrastructure Fund

The Government will provide \$7.6 million over four years for the Department of Infrastructure and Transport to administer the Regional Infrastructure Fund, with funding from 2014-15 subject to the passage of the Minerals Resource Rent Tax.

Deferrals

F3 to Sydney Orbital feasibility study

The Government will defer its contribution to a feasibility study into the F3 to Sydney Orbital project until 2015-16. This will reduce expenses by \$150.0 million in 2013-14. Savings from this measure will be redirected to support other Government priorities.

Natural Disaster Recovery and Rebuilding – deferral of other infrastructure projects

The Government will defer three infrastructure projects in Victoria and New South Wales to make funds available for rebuilding after the natural disasters in 2010-11.

This measure will defer spending beyond the forward estimates of \$620 million, comprising:

- > \$500 million for the Victorian Regional Rail Link;
- > \$20 million for the Princes Highway East (Traralgon to Sale); and
- > \$100 million for the North Sydney Freight Line.

Funding for the upgrade of the Princes Highway between Traralgon to Sale will recommence in 2013-14, the Victorian Regional Rail project funds will be paid in 2015-16, and the Northern Sydney Freight Corridor rail project will be paid from 2014-15.

Additional Funding for National Transport Regulators

The Government will provide \$25.2 million over two years to establish national regulators for heavy vehicles, rail safety and maritime safety, and for an expanded rail and national maritime safety investigatory function.

National transport regulation reform is part of the national partnership agreement reached by the Council of Australian Governments (COAG) to deliver a seamless national economy.

Regional Aviation Access Program – airstrip upgrades – extension

The Government will provide \$28.0 million over two years to extend the program of aviation safety upgrade works at remote and isolated airstrips across Australia. Under the program, grants are generally provided to aerodrome owners for aviation upgrades on a co-funding basis, although grants of up to 100% of the cost may be provided for works at identified remote Indigenous communities.

The upgrades will help ensure that the remote communities served by these airstrips have access to passenger transport services, as well as medical services and essential supplies. They also help to ensure compliance with Civil Aviation Safety Authority's runway standards.

Water Infrastructure and Efficiency

The Government will invest \$845 million in the coming year to deliver water infrastructure projects and manage water sustainability in communities across Australia. Projects will support sustainable water use, create water savings for the environment and improve farming efficiency. Support for infrastructure forms part of more than \$12 billion the Government is investing under the 10-year Water for the Future initiative to deliver infrastructure funding, voluntary water purchases for the environment and improved water management arrangements. The Government will continue to support irrigation communities in the Murray Darling Basin.

Infrastructure (continued)

Sustainability

- > The Government will provide \$10.1 million over four years to enable the development of and reporting against, sustainability indicators for Australia. Sustainability impact statements will also be developed to assist the Government's consideration of new policy proposals.
- > The Government will provide \$100.0 million over four years to assist state and local Governments to plan and provide for employment hubs to support local jobs, close to residential areas in order to reduce travel times to work and services.
- > It will also provide grants to companies who fund innovative ways to use the National Broadband Network to reduce travel times.
- > The program will focus on the outer suburbs of our major cities that are experiencing pressures from population growth and transport affordability.

Regional infrastructure Initiatives

The Government will deliver over \$4.3 billion of initiatives commencing 1 July 2011 to ensure that individuals and communities across regional Australia share in the nation's prosperity. These include:

- > \$1.8 billion over six years to provide critical infrastructure upgrades to hospitals and health services for regional Australians
- > \$500 million over five years to strengthen regional higher education and vocational education and training institutions, through the regional priorities round of the Education Investment Fund
- > \$109.9 million over four years for universities with regional campuses through increased and better targeted loading payments to regional areas
- > \$916 million for the first projects under the Regional Infrastructure Fund to help unlock the economic potential of our regions
- > \$1 billion over five years through the Regional Development Australia Fund to finance infrastructure projects.

Skills and Workforce Participation

Training and Skills

- > \$359.3 million over four years as part of the establishment of the National Workforce Development Fund. The Fund will support enterprise based training in critical occupations in identified 'high need' sectors in the economy. Industry will be required to make a co contribution toward the cost of training places based on the size of the enterprise.
- > \$25.0 million over three years to establish the National Workforce and Productivity Agency.

Australian Apprenticeships

- > \$100.0 million over four years to assist industry in developing and implementing strategies that lead to the incorporation of competency based progression in Australian Apprenticeships.
- > \$101.4 million over four years to provide mentoring support services to Australian Apprentices.
- > The Government will realign the Australian Apprenticeships Incentive Program to better target incentives.

Skilled Migration

- > The Government will increase the 2011-12 Migration Program to 185,000 places, up from 168,700 places for 2010-11. The program will comprise 125,850 skill stream places, 58,600 family stream places and 550 special eligibility places.
- > Allocate 16,000 skilled migration places to the regions, complemented by Regional Migration Agreements for communities with skill shortages, and introduction of Enterprise Migration Agreements for large resource projects in return for a financial contribution to train Australians for the future.

Training Reform

- > Review the Commonwealth's \$1.4 billion per annum investment in the National Agreement on Skills and Workforce Development to secure reform outcomes and develop a whole of Government commitment to training.
- > \$1.75 billion over five years from 2012-13 under a new National Partnership with the states and territories, conditional on reforms to the VET system.

Foundation skills

- > \$20.0 million over four years to expand the Workplace English Language and Literacy program to support businesses who want to boost the basic employment skills of their workers.
- > \$143.1 million (including capital funding of \$1.3 million) over four years to fund approximately 30,000 additional training places under the Language, Literacy and Numeracy Program (LLNP).

Workforce Participation

- > \$80 million for additional training places for single and teenage parents.
- > \$20 million to ensure disadvantaged job seekers can access the Australian Apprenticeships Access Program.
- > Extending the 'Earn or Learn' requirements and eligibility for Youth Allowance (other) to unemployed young people aged 21, and increasing their rewards to work.
- > \$45.2 million over two years to extend the current Priority Employment Area initiatives, including Jobs and Skills Expos and Local Employment Coordinators, to 30 June 2013.

Youth transitions

- > \$67.6 million over four years (including capital funding of \$0.3 million in 2011-12) to deliver transitional activities for early school leavers aged 15-21 years who do not have a year 12 certificate or equivalent qualification.
- > Revise the number of projects to be funded from the Trade Training Centres in Schools Program between 2011-12 and 2014-15. This will provide savings of \$102.8 million over four years. This measure will impact both Government and non-Government schools.

Regional education

- > \$500 million over five years to strengthen regional higher education and vocational education and training institutions, through the regional priorities round of the Education Investment Fund.
- > \$109.9 million over four years for universities with regional campuses through increased and better targeted loading payments to regional areas.

Skills and Workforce Participation (continued)

- > \$690 million to regional higher education, training and research infrastructure through the Education Investment Fund.
- > Strengthening national education policies to ensure they meet the needs of regional students.
- > \$19.1 million over three years to engage 34 Regional Strategists to develop regional education, skills and jobs plans aimed at improving access to education, training and employment in 34 non-metropolitan Regional Development Australia areas.

Industry support

- > Continue to fund the Education Training Advisors program which provides funding for industry associations to employ education advisors whose role is to increase their members' understanding of the apprenticeship system and to promote increased take up of Australian Apprenticeships.
- > \$20.1 million over two years to establish the Productivity Education and Training Fund to enhance employee and employer understanding of the benefits of productivity growth and to encourage a commitment to achieving productivity growth within the workforce. The Fund will provide up to \$10.0 million to employer organisations and up to \$10.0 million to unions to enable them to provide tailored information and education resources to their membership.

Indigenous education

- > \$171.3 million over two years to 2013-14 to extend Indigenous education support programs funded under the *Indigenous Education (Targeted Assistance) Act 2000* (IETA Act) until the end of 2013.

Workplace and Fair Work Announcements

Modern awards

- > The Government's announcement to implement competency based progression in Australian Apprenticeships will affect the modern award system with part of \$100.0 million over four years being directed towards the development of a legal clause to be incorporated into modern awards. The Government has indicated that it will consult with industry on how it expects to progress towards competency based progression.

Work Health and Safety

- > The Government will provide \$14.7 million over two years to implement nationally harmonised model work health and safety laws within the Commonwealth's jurisdiction by the end of 2011. The funding will be directed towards education activities and service delivery, including harmonised guidance material and reporting. This announcement follows the NSW Government introducing corresponding work health and safety laws into NSW Parliament.

Superannuation

- > The Government has provided significant funding to implement its reforms to the superannuation industry – MySuper and SuperStream. The Government will provide \$44.5 million over four years to introduce MySuper, a low cost default superannuation product, and to facilitate the transition to SuperStream, which standardises how superannuation contributions are processed. These measures will be partially funded by an increase in the levy on superannuation funds.

Defence

Defence will return to Government:

- > \$1.1 billion in 2010-11 and an additional \$1.3 billion over the next four years by reprogramming Major Capital Investment Program funding; and
- > \$0.4 billion in 2010-11 and an additional \$1.3 billion over the next four years from reduced operating expenditure, adding to savings from the Strategic Reform Program (SRP);
- > \$87 million in 2010-11 and an additional \$111 million over the next four years for lower than planned costs associated with acquiring the fifth C-17 aircraft.

In total, Defence will reduce its call on the budget by \$1.6 billion in 2010-11 and \$2.7 billion over the next four years (2011-12 to 2014-15). The Government says this is necessary to better reflect realistic achievement of delivery payments by industry for capability and infrastructure projects. This accommodates anticipated delays in project delivery from industry.

Spending and spending approvals to include

- > Over the next 12 to 18 months, Defence is developing First and Second Pass approvals of Defence Capability Plan projects worth over \$6 billion.
- > Expenditure on enhanced force protection capabilities for troops in Afghanistan includes \$480 million of expenditure in 2011-12. Over the period 2009-10 to 2012-13, the Australian Government will invest \$1.1 billion in this package.
- > Australia's ongoing commitments to Defence operations in Afghanistan and the wider Middle East, Solomon Islands, and East Timor, will continue with a budget allocation of \$1.9 billion in 2011-12.

Trade

No new revenue or expenditure measures

2011 Federal Budget Luncheon

with The Hon. Wayne Swan MP, Treasurer



Find out first hand the key issues of the 2011 Budget and how they impact your business

Join the NSW Business Chamber and Sydney's business leaders
for the annual Federal Budget Luncheon with the Treasurer, The Hon. Wayne Swan MP.

Event Details

Date: Monday 16 May 2011
Venue: The Westin
No.1 Martin Place,
Sydney 2000
Time: 12:00pm to 2:00pm

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