

Budget Overview

The Labour Government delivered its third Budget on Tuesday 11 May 2010. It follows the Global Financial Crisis in 2009 which witnessed \$42bn in stimulus spending by the Australian Government, coupled by a return to very strong demand for Australian resources in 2010 and is delivered in an election year.

In general this is fiscally a very conservative budget, aimed at ensuring the Government doesn't add inflationary pressures, while returning the budget to surplus three years ahead of schedule. It does not, however, deliver any material benefits to the agricultural sector in NSW.

Economy overview

- The Australian economy is set to continue its strong trend and grow by 3¼ per cent in 2010-11 and 4 per cent in 2011-12;
- Australia's net debt is expected to peak lower and earlier than previously expected, at 6.1 per cent of GDP in 2011-12. This is less than one tenth the average of the major advanced economies.

Budget at a glance

1. **Department of Agriculture, Forestry and Fishery (DAFF)** – Modest overall Department funding increase of 1.7 per cent however disadvantages the sector in a number of project cutbacks:
 - Caring for our Country funding decrease of \$81.3 million over 4 years in reduced duplication savings;
 - Grains Industry funding decrease of 10 per cent to \$113m with Wheat Exports Australia seeing a funding decrease of 7.5 per cent to \$3.8m; and
 - Rural Financial Counselling Service - \$12m, a funding decrease of 15 per cent. Some benefits for the sector including:
 - Quarantine and Export Services: \$486m, an increase of 4.7 per cent (\$347m for biosecurity);
 - Climate Change adaptation, adjustment and research programs modest 5 per cent increase to \$51m; and
 - Commitment to continue supporting farmers currently receiving Exceptional Circumstances assistance including \$18 million to support a 12 month trial of major new drought support measures, covering part of Western Australia;
2. **Infrastructure** – \$1.2 billion to maintain and upgrade the road and rail infrastructure across regional Australia with relevance for regional NSW:
 - \$70.7 million to complete the detailed planning on the Moorebank Intermodal Freight Terminal Project in Sydney's South West (construction expected to start in 2013); and
 - \$996 million of equity into the Government-owned Australian Rail Track Corporation (ARTC) for predominantly mining servicing lines of the NSW North Coast (easing of curves to increase capacity and decrease journey times) Goulburn — Moss Vale — Glenlee and Gheringhap — Maroona (the provision of passing loops to allow overtaking) and Broken Hill — Parkes (replacing timber sleepers with concrete sleepers).
3. **Health** - \$1 billion to improve regional and rural health outcomes and critical health infrastructure through the Health and Hospitals Fund;
4. **Food Security** – Fails to allocate any specific funding (claims to be addressed via other Departments - research and development etc.);

5. **Telecommunications** – Support for regional NSW via the previously announced \$43 billion eight year National Broadband Network construction to connect 90 per cent of all homes, schools and workplaces with optical fibre, fibre to the premises or 'FTTP';
6. **Cutting the Company Tax rate** –The company income tax rate will be reduced to 29 per cent for the 2013-14 income year, and to 28 per cent from the 2014-15 income year.¹ Small businesses will be given a head start on the cut with their company tax rate decreased to 28 per cent from the 2012-13 income year. However, with less than 10 per cent of farm businesses being incorporated, the overall benefit for the sector will be minimal;
7. **Small business instant asset write-off** – Positive announcement for the sector by enhancing and expanding on the existing capital allowance concessions available for small businesses by allowing small businesses to immediately write off assets valued at under \$5,000;
8. **Superannuation changes** – Significant cost implications for the sector by increasing the superannuation guarantee rate from 9 to 12 per cent by July 1 2019.

Further Budget details

DAFF- Modest overall funding increase of 1.7 per cent to \$1,631,446, including:

- RIRDC - \$19.5m an increase of 2 per cent increase;
- GRDC - \$133m, a decrease of 3 per cent;
- Australian Pesticides and Veterinary Medicines Authority - \$25m a decrease of 3.5 per cent; and
- Wheat Exports Australia - \$3.8m, a decrease of 7.5 per cent.

Individual DAFF Programs:

- Australia's Farming Future – Climate Change: overall funding increase of 5.3 per cent to \$51.5m;
- Natural Resources: Overall funding decrease of 10 per cent to \$58m: including:
 - Caring for our Country: cuts of \$81.3 million over 4 years (from reduced duplication savings); and
 - Farmready training reimbursement grants of up to \$1,500 for farmers and \$80,000 for industry groups, totaling \$7.6m.
- Horticulture Industry: \$87.8m, overall funding increase of just 0.02 per cent;
- Wool Industry: \$43m, an overall funding increase of just 2 per cent;
- Grains Industry: \$113m, an overall funding decrease of 10 per cent;
- Dairy Industry: \$47m, an overall funding decrease of 4 per cent;
- Meat and Livestock: \$176m, an overall funding increase of 2.2 per cent;
- Drought Programs: \$420.3 million in drought support packages, including:
 - \$18 million to support a 12 month trial of major new drought support measures, covering part of Western Australia;
 - Government has also honoured its commitment to ensure support continues for those farmers currently receiving Exceptional Circumstances assistance; and
 - a considerable cut in professional advice for farmers suffering from drought of 45 per cent to \$15m (from \$28m).
- Rural Programs: \$15m, a decrease of 15 per cent, including:
 - Rural Financial Counselling Service - \$12m, a funding decrease of 15 per cent.
- Quarantine and Export Services: funding increase of 4.7 per cent to \$486m including \$347m for biosecurity and \$1.1m over two years through the Live Trade Animal Welfare Partnership; and
- Plant and Animal Health: \$15m, a decrease of 1.6 per cent.

Department of Infrastructure, Transport, Regional Development and Local Government

Beneficial announcements for the sector with an overall funding increase of 40 per cent to \$5.5b, including:

- \$1.3b for infrastructure investment, a 28 per cent increase on last year's levels (\$5.6 billion over the next 10 years with \$700 million per year linked to the Resource Super Profits Tax);
- \$1.2 billion to maintain and upgrade the road and rail infrastructure across regional Australia, including:

¹ This will place Australia's corporate tax rate at about the mid-range level compared with other OECD countries

- \$996 million of equity into the Government-owned Australian Rail Track Corporation (ARTC). The lines that are being upgraded are predominantly mining servicing lines around the NSW North Coast (easing of curves to increase capacity and decrease journey times) Goulburn — Moss Vale — Glenlee and Gheringhap — Maroona (the provision of passing loops to allow overtaking) and Broken Hill — Parkes (replacing timber sleepers with concrete sleepers);
 - upgrades to the North-South and East-West rail corridors;
 - \$70.7 million to complete the detailed planning on the Moorebank Intermodal Freight Terminal Project in Sydney's South West which is proposed to take more than one million trucks off Sydney's roads (construction expected to start in 2013);
 - \$201.5 million to 2009-10 for the Holbrook Bypass; and
 - Around \$235 million in funding for rural and remote councils through the Roads to Recovery program.
- \$200 million to improve security arrangements at airports, including major regional airports, and a further \$5.9 million to upgrade more airstrips in remote communities;
 - \$25m for Regional Aviation Access,² an increase of over 300 per cent;
 - \$31m for road safety, an increase of 3 per cent;
 - \$2.35b to assist rural and regional councils and shires deliver their services, maintain local roads and upgrade local community facilities, including:
 - \$2 billion in Financial Assistance Grants for local government infrastructure and services (an increase of almost \$100 million from last year); and
 - \$350 million for maintenance and safety upgrades to country roads and suburban streets through the Roads to Recovery program (over five years, this program will deliver \$1.75 billion).
 - \$246m for Regional Development,³ an increase of 45 per cent; and
 - \$1.7b for Local Government, a decrease of 26 per cent.

Rural and Regional Health

Some positive announcements for regional Australia including:

- \$1 billion to improve regional and rural health outcomes and critical health infrastructure through the Health and Hospitals Fund;
- \$120 million over four years in capital funding to increase the number of sub-acute beds in rural and remote multi-purpose services;
- ensuring that half of new GP and specialist training places continue to be provided in rural and remote communities;
- \$34 million over four years in rural services for nurses and allied health professionals to allow them to continue their professional development; and
- \$6.5 million over four years to provide a further 100 clinical placement scholarships per annum for allied health students in rural and other areas of need.

Renewable Energy

- establishment of the \$652.5 million Renewable Energy Future Fund to support renewable energy projects through partnerships with the private sector (primarily for wind, solar and biomass);
- expanding the Clean Energy Initiative announced in the May 2009 Budget to a total of \$5.1 billion in a broader \$5.1 billion Clean Energy Initiative; and
- CPRS and associated offsets mechanism delayed until 2013.

National Broadband Network

Some positive announcements for regional Australia including:

- \$43 billion to build the network over eight years to connect 90 per cent of all homes, schools and workplaces with optical fibre, fibre to the premises or 'FTTP'; and

² The *Regional Aviation Access* administered item incorporates the *Remote Aerodrome Safety*, *Remote Air Services Subsidy Scheme* and the *Remote Aviation Infrastructure Fund* administered items.

³ Regional Development includes Regional Development Australia, which promotes regional planning and economic development initiatives, a jobs fund and community and social infrastructure projects identified by local communities as priority investments for their regions.

- \$5 million for Rural National Broadband Network (NBN) Coordinators to help regional communities maximise the benefits of the \$250 million Regional Backbone Blackspots Program.

Other announcements

- An additional \$1.2 billion to boost Australia's skilled workforce including \$661 million to provide more training places, improve training and tailor training and \$300 million towards skill hotspots (this is expected to create 70,000 new training places and 22,500 new apprenticeships over the next four years);
- Food Security - No specific allocated funding (claim to be addressing issue via research and development, helping to remove barriers to global trade and driving productivity along the food production chain);
- National Fruit Fly Strategy - Continuation of current funding proposals;
- Weeds and Pests Research Programs - Continuation of current three year funding program worth \$12.2m over three years plus \$300,000 for research into fireweed control; and
- An additional \$700,000 on top of the existing five year \$3.9m Australian Pest Management Program targeting camels, foxes, rabbits and wild dogs.
- \$14.4 million over 4 years towards the Trade Start program (helping small and medium enterprises compete in international markets);
- Eligible employers can apply for a \$1,500 Declared Drought Area commencement incentive and a \$1,500 completion incentive payment for Australian Apprentices (apprentices and trainees) who meet the eligibility criteria;⁴
- 50 per cent discount on up to \$1,000 of interest on deposits, bonds, debentures and annuity products;
- \$59.4 million will be available from 2010-11 to 2013-14 to assist Budget Based Funded early childhood services to rural and remote communities; and
- Planned simplification of the tax system, with instant \$500 work-related deductions claimable, which leads to a decrease in tax of \$192 for someone on the average income (that amount will double to \$1000 by July 2013).

Budget Announcements on release of Henry Review – please refer to the separate briefing note titled, '*Government Taxation Reform – A response to the Henry Tax Review*', available on the Association's website [here](#) or follow the link - http://www.nswfarmers.org.au/__data/assets/pdf_file/0020/63281/006.10i_Henry_Tax_Review-Government_Response.pdf

⁴ The incentive is designed to encourage rural employers to continue to offer employment opportunities to those who are willing to remain in drought declared areas and pursue training