Federal Budget 2014-15
CEO Update
A summary of major initiatives and updated budget parameters
13 May 2014
Table of Contents

CHIEF EXECUTIVE COMMENT .............................................................................................................. 1
  Statement from Kate Carnell AO .................................................................................................. 1
NEW INITIATIVES AND SAVINGS .................................................................................................. 2
ECONOMIC FORECASTS .................................................................................................................. 3
  Growth transition .......................................................................................................................... 3
LABOUR MARKET FORECASTS ...................................................................................................... 4
  Subdued labour market ................................................................................................................ 4
FISCAL OUTLOOK ........................................................................................................................... 5
  Budget under repair ....................................................................................................................... 5
PERSONAL TAXATION ................................................................................................................... 6
  Temporary Budget Repair Levy .................................................................................................. 6
  Personal Income Tax .................................................................................................................... 6
  Abolish the Mature Age Worker Tax Offset .............................................................................. 7
  Increase of the Medicare levy for low-income families ......................................................... 7
  Fuel Excise .................................................................................................................................... 7
  Research and Development Tax Incentive .............................................................................. 8
  Family Tax Benefit B .................................................................................................................. 8
BUSINESS TAXATION ................................................................................................................... 9
  Company Tax (PPL) .................................................................................................................... 9
  Fringe Benefit Tax ...................................................................................................................... 9
  Carbon Tax and Minerals Resource Rent Tax ........................................................................ 9
INFRASTRUCTURE .......................................................................................................................... 10
  Increased Spending on Infrastructure ...................................................................................... 10
  National Stronger Regions Fund ............................................................................................. 11
  New Road Infrastructure .......................................................................................................... 11
  Badgerys Creek Airport Development .................................................................................. 12
  WestConnex Project .................................................................................................................. 12
  Asset Recycling Fund ................................................................................................................ 12
  Asset Recycling Initiative ......................................................................................................... 13
  Strata-title Assessments in North Queensland ...................................................................... 13
TRANSFER PAYMENTS .................................................................................................................. 14
  Paid Parental Leave ................................................................................................................... 14
  Welfare payments ..................................................................................................................... 14
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged Pension/ Retirement Incomes</td>
<td>15</td>
</tr>
<tr>
<td>Disability Support Pensions</td>
<td>15</td>
</tr>
<tr>
<td>Medicare</td>
<td>15</td>
</tr>
<tr>
<td>Income Support</td>
<td>16</td>
</tr>
<tr>
<td>WORKPLACE RELATIONS</td>
<td>17</td>
</tr>
<tr>
<td>Employer Wage Subsidy for Employing Mature-Aged Australians</td>
<td>17</td>
</tr>
<tr>
<td>Redundancy payments under the Fair Entitlements Guarantee Scheme</td>
<td>17</td>
</tr>
<tr>
<td>Ford Australia — Assistance to Workers Programme</td>
<td>17</td>
</tr>
<tr>
<td>INTERNATIONAL TRADE</td>
<td>18</td>
</tr>
<tr>
<td>Foreign Affairs and Trade</td>
<td>18</td>
</tr>
<tr>
<td>Free Trade Agreements</td>
<td>18</td>
</tr>
<tr>
<td>Australia Network — Termination of the ABC Contract</td>
<td>18</td>
</tr>
<tr>
<td>Australia's Diplomatic Engagement in Afghanistan — continuation</td>
<td>18</td>
</tr>
<tr>
<td>Baghdad Embassy — Relocation</td>
<td>19</td>
</tr>
<tr>
<td>International Engagement to Prevent and Disrupt Maritime People Smuggling</td>
<td>19</td>
</tr>
<tr>
<td>International Tourism — Australia Week in China</td>
<td>19</td>
</tr>
<tr>
<td>International Tourism — China Approved Destination Status Scheme</td>
<td>19</td>
</tr>
<tr>
<td>International Tourism — Demand Driver Infrastructure</td>
<td>19</td>
</tr>
<tr>
<td>Official Development Assistance — Global Green Growth Institute</td>
<td>20</td>
</tr>
<tr>
<td>Official Development Assistance — reprioritised funding</td>
<td>20</td>
</tr>
<tr>
<td>Official Development Assistance — seventeenth replenishment of the World Bank's International Development Association</td>
<td>20</td>
</tr>
<tr>
<td>Smaller Government — Department of Foreign Affairs and Trade — realising efficiencies</td>
<td>21</td>
</tr>
<tr>
<td>Transferring T-QUAL Accreditation to industry</td>
<td>21</td>
</tr>
<tr>
<td>Export Market Development Grants</td>
<td>22</td>
</tr>
<tr>
<td>EFIC</td>
<td>22</td>
</tr>
<tr>
<td>Austrade</td>
<td>22</td>
</tr>
<tr>
<td>Immigration and Border Protection</td>
<td>22</td>
</tr>
<tr>
<td>Outreach Officer Programme — cessation</td>
<td>22</td>
</tr>
<tr>
<td>Reducing Access to the Immigration Advice and Application Assistance Scheme for Onshore Protection Visa Applicants</td>
<td>22</td>
</tr>
<tr>
<td>Regional Cooperation Arrangements — additional funding</td>
<td>23</td>
</tr>
<tr>
<td>Smaller Government — strengthen and enhance Australia's border protection services</td>
<td>23</td>
</tr>
<tr>
<td>Prime Minister and Cabinet</td>
<td>24</td>
</tr>
<tr>
<td>Australia hosting the Group of 20 — reduced funding requirement</td>
<td>24</td>
</tr>
</tbody>
</table>
EMPLOYMENT, EDUCATION & TRAINING ................................................................. 25
School and Childcare .................................................................................................. 25
Skills & Vocational Training ....................................................................................... 26
Higher Education ........................................................................................................ 26
Employment .................................................................................................................. 27
Immigration ................................................................................................................... 28
Social Services .............................................................................................................. 28

LIST OF FIGURES

Figure 1: Treasury Economic Growth Forecast ......................................................... 3
Figure 2: Treasury Unemployment Rate Forecast ..................................................... 4
Figure 3: Budget Underlying Cash Balance ............................................................... 5
Statement from Kate Carnell AO

This is the budget we had to have to rein in spending and get the budget back on a credible path to surplus. It offers genuine structural reform that will help address the underlying structural deficits in recent budgets and begin to reduce the size and scope of government.

The budget provides short term pain for long term gain, which shares the burden for repairing Australia’s fiscal position across business and the community. It goes a long way to restoring all important business confidence that will drive investment and job creation, particularly for Australia’s two million small businesses that employ some seven million people.

The budget delivers on some major election promises for business such as the 1.5% cut to company tax and significant infrastructure spending on roads. It does unfortunately impose several additional costs on the economy that ACCI continues to oppose such as the debt tax on higher incomes and the proposed paid parental leave scheme. There are also cuts to important productivity enhancing measures in trade, vocational education and training and small business support that we will be looking at more closely and communicating our views to government.

The challenge for the government is now to fulfil the important promises outlined in the budget, particularly where recent governments have failed to deliver on major fiscal targets. Once the budget position repairs the government should move as soon as possible to repeal temporary revenue measures and aim to reduce income taxes closer to company tax rates. These combined measures will help get government spending under-control and allow for a more productive and prosperous economy.

Kind regards,

KATE CARNELL AO
CEO
NEW INITIATIVES AND SAVINGS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Infrastructure Growth Package – Asset Recycling Initiative</td>
<td>0</td>
<td>-335</td>
<td>-1278</td>
<td>-1285</td>
<td>-1007</td>
<td>-3905</td>
</tr>
<tr>
<td>Infrastructure Growth Package – New investments</td>
<td>-1000</td>
<td>-202</td>
<td>-1010</td>
<td>-969</td>
<td>-519</td>
<td>-3700</td>
</tr>
<tr>
<td>Temporary Budget Repair Levy</td>
<td>0</td>
<td>600</td>
<td>1150</td>
<td>1200</td>
<td>150</td>
<td>3100</td>
</tr>
<tr>
<td>Reintroduction of fuel excise indexation</td>
<td>0</td>
<td>168</td>
<td>380</td>
<td>680</td>
<td>990</td>
<td>2218</td>
</tr>
<tr>
<td>Defence Forces Retirement Benefits and Defence Force Retirement and Death Benefits superannuation payments – indexation</td>
<td>0</td>
<td>-318</td>
<td>-332</td>
<td>-344</td>
<td>-357</td>
<td>-1351</td>
</tr>
<tr>
<td>Infrastructure Growth Package – Western Sydney Infrastructure Plan Emissions Reduction Fund – establishment</td>
<td>0</td>
<td>-76</td>
<td>-300</td>
<td>-355</td>
<td>-417</td>
<td>-1148</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Official Development Assistance – reprioritised funding</td>
<td>612</td>
<td>601</td>
<td>1222</td>
<td>1689</td>
<td>3521</td>
<td>7645</td>
</tr>
<tr>
<td>Medicare Benefits Schedule – introducing co-payments</td>
<td>0</td>
<td>-14</td>
<td>1128</td>
<td>1153</td>
<td>1201</td>
<td>3468</td>
</tr>
<tr>
<td>Higher Education Reform – Expanding Opportunity – Higher Education Loan Program – repayment thresholds and indexation</td>
<td>0</td>
<td>334</td>
<td>720</td>
<td>906</td>
<td>1194</td>
<td>3154</td>
</tr>
<tr>
<td>Family Payment Reform – maintain Family Tax Benefit payment rates for two years</td>
<td>-1</td>
<td>397</td>
<td>720</td>
<td>736</td>
<td>747</td>
<td>2599</td>
</tr>
<tr>
<td>Family Payment Reform – limit Family Tax Benefit Part B to families with children under 6</td>
<td>-1</td>
<td>-17</td>
<td>70</td>
<td>236</td>
<td>1601</td>
<td>1889</td>
</tr>
<tr>
<td>Commonwealth Public Hospitals – change to funding arrangements</td>
<td>0</td>
<td>217</td>
<td>260</td>
<td>133</td>
<td>1163</td>
<td>1773</td>
</tr>
<tr>
<td>Pausing indexation of some Medicare Benefits Schedule fees, Medicare Levy Surcharge and Private Health Insurance Rebate thresholds</td>
<td>0</td>
<td>142</td>
<td>394</td>
<td>504</td>
<td>635</td>
<td>1675</td>
</tr>
</tbody>
</table>
Growth transition

The outlook for the economy is broadly favourable. Economic growth is expected to ease slightly from 2¾ per cent in 2013-14 to 2½ per cent in 2014-15 before returning to trend in 2015-16.

Treasury expects investment in resources projects to detract from growth over the next three years. The size of the fall in mining investment is reasonably predictable however the timing of the fall is less certain. Resource exports are expected to increase as the mining sector shifts from a construction phase to a production phase.

Low interest rates are having an impact on the housing sector, with dwelling investment forecast to rise strongly in the near term. Household consumption is anticipated to grow faster than incomes, as the household savings ratio declines modestly, also in response to low interest rates. Public final demand is expected to make a smaller than average contribution to overall growth due to fiscal consolidation at both Federal and State level.

Figure 1: Treasury Economic Growth Forecast
LABOUR MARKET FORECASTS

Subdued labour market

The labour market is expected to deteriorate in the near term. Employment growth is forecast to soften to ¾ of a per cent in 2013-14, increasing modestly to 1½ per cent over 2015 and the first half of 2016. The unemployment rate is forecast to rise slightly to 6¼ per cent in 2014-15.

The participation rate is also forecast to decline modestly over the budget forecast period. Part of this is attributed to pressures related to an ageing population, which are expected to grow over time. In the near term however this is related to the discouraged worker effect, which is consistent with a period of sub-trend growth.

The weakness in the labour market is leading to subdued growth in wages, which is forecast to continue over the forward estimates period.

Figure 2: Treasury Unemployment Rate Forecast
FISCAL OUTLOOK

Budget under repair

The underlying cash balance is projected to remain in deficit over the period to 2017-18. An underlying cash deficit of $29.8 billion is forecast in 2014-15, down from the $33.9 billion forecast in the 2013-14 Mid-year Economic and Fiscal Outlook (MYEFO). Deficits are forecast to reduce by 0.8 per cent of GDP in 2015-16 ($17.1 billion) and 0.4 per cent of GDP in 2016-17 ($10.6 billion). Net debt is projected to peak by the end of 2016-17.

Figure 3: Budget Underlying Cash Balance

![Figure 3: Budget Underlying Cash Balance](image-url)
PERSONAL TAXATION

Temporary Budget Repair Levy

The Temporary Budget Repair Levy will be payable by individuals whose taxable income exceeds $180,000 at a rate of two per cent as of 1 July 2014 until 30 June 2017. This will raise $3.1 billion over the forward estimates.

Around 400,000 taxpayers with taxable income above $180,000 in 2014-15 will directly incur the Temporary Budget Repair Levy. This means that:

- individuals with taxable income of $180,000 or below will not pay the levy;
- individuals with taxable income of $200,000 will pay two per cent of $20,000, or $400 of levy; and
- individuals with taxable income of $300,000 will pay two per cent of $120,000, or $2,400 of levy.

The Temporary Budget Repair Levy will also be reflected in a number of other tax rates that are currently based on calculations that include the top personal income tax rate, including fringe benefits tax.

Personal Income Tax

The Government will abolish the Dependent Spouse Tax Offset (DSTO) for all taxpayers from 1 July 2014.

The 2011-12 MYEFO measure Personal income tax — Dependent Spouse Tax Offset — phase-out limited access to the DSTO to those whose dependent spouse was born before 1 July 1952, effective from 1 July 2012. That measure had an estimated $370.0 million gain to revenue over the then forward estimates period.

This measure is estimated to have a gain to revenue of $320.0 million over the forward estimates period.
Abolish the Mature Age Worker Tax Offset

The Government will abolish the Mature Age Worker Tax Offset (MAWTO) from 1 July 2014. This measure is estimated to have a gain to revenue of $760.0 million over the forward estimates period.

The 2012-13 Budget measure Personal income tax — mature age worker tax offset phase out began the phase out of the MAWTO from the 2012-13 income year, limiting it to taxpayers born before 1 July 1957. That measure had an estimated $255.0 million gain to revenue over the then forward estimates period.

Increase of the Medicare levy for low-income families

The Government will increase the Medicare levy low-income threshold for families from the 2013-14 income year. The threshold for couples with no children will be increased to $34,367, and the additional amount of threshold for each dependent child or student will be increased to $3,156 for the 2013-14 income year. This measure is estimated to have a cost to revenue of $48.0 million over the forward estimates period.

The Medicare levy low-income thresholds for individuals and pensioners have already been increased by more than the growth in the CPI and therefore do not need to be further increased at this time.

Fuel Excise

Fuel excise is currently 38.1c a litre and will rise in line with inflation twice a year. This will add approximately 1 cent a litre to pump prices for the next 4 years. 2.2 billion over the forward estimates period for building new and upgrading existing road infrastructure. This includes allowance for a $1.8 million increase in Ethanol Production Grants in 2014-15, administered by the Department of Industry, and a $0.7 million increase in the Cleaner Fuel Grants Scheme. Will be introduced from 1 August 2014
Research and Development Tax Incentive

The Government will preserve the relative value of the Research and Development Tax Incentive by reducing the rates of the refundable and non-refundable offsets by 1.5 percentage points, effective from 1 July 2014.

This measure is estimated to provide a gain to the Budget of $620.0 million in fiscal balance terms over the forward estimates period. In underlying cash terms, the gain to the Budget is $550.0 million over the forward estimates period.

Family Tax Benefit B

Tax Benefit B will be further means-tested to a new threshold of $100,000 a year, down from the current $150,000.

Tightening the eligibility for Family Tax Benefit Part B (FTB-B). Low income single parents will be assisted with a new allowance of $750 per annum for each child aged 6 to 12.

The Government is targeting family and working age payments to those who need it most by:

- changing indexation arrangements; and
- tightening eligibility for Family Tax Benefit Part B (FTB-B), particularly where the youngest child is six years or older.

Low income single parents will receive new assistance of $750 per annum for each child aged between 6 and 12.
BUSINESS TAXATION

Company Tax (PPL)

The Government will cut the company tax rate by 1.5 percentage points from 1 July 2015. For large companies, the reduction will offset the cost of the Government’s Paid Parental Leave levy.

Fringe Benefit Tax

The FBT rate will be increased from 47 per cent to 49 per cent from 1 April 2015 until 31 March 2017 to align with the FBT income year. The cash value of benefits received by employees of public benevolent institutions and health promotion charities, public and not-for-profit hospitals, public ambulance services and certain other tax-exempt entities will be protected by increasing the annual FBT caps. In addition, the fringe benefits rebate rate will be aligned with the FBT rate from 1 April 2015.

Carbon Tax and Minerals Resource Rent Tax

The Government is committed to repealing both taxes.
INFRASTRUCTURE

Increased Spending on Infrastructure

The $11.6 billion Infrastructure Growth Package will increase total infrastructure investment by the Australian Government, State and local governments and the private sector to over $125 billion, which will boost annual GDP by one percentage point.

The Government is providing a further $3.7 billion over five years from 2013-14 to the Infrastructure Investment Programme for new investments to support economic growth and employment. The new investments include:

- $1 billion for East-West Link Stage 2 in Melbourne, which combines with a further $500 million being provided for the project from existing Infrastructure Investment Programme funding, for a total $1.5 billion investment to 2018-19;
- $866 million for the Perth Freight Link in Western Australia, taking the total Federal investment in the project to $925 million;
- the Toowoomba Second Range Crossing in Queensland;
- the North-South Road Corridor in Adelaide;
- Northern Territory road upgrades;
- $229 million for a National Highway Upgrade Programme;
- additional funding of $200 million for the Black Spot Programme; and
- additional funding of $350 million for the Roads to Recovery Programme.

Over $60 million will go towards a runway extension at Hobart's international airport and to support the Antarctic Gateway Partnership in Tasmania.

The Government will provide $1.0 billion over five years from 2015-16 (including $200.0 million in 2018-19 and 2019-20) for a competitive grants programme to support the construction, expansion and enhancement of infrastructure across Australia.
National Stronger Regions Fund

The $1 billion National Stronger Regions Fund will help construct and improve infrastructure for communities in need, including those with high unemployment. This builds on the $342 million Community Grants Development Programme providing infrastructure for local and regional economies, and the priority rollout of the National Broadband Network to regions with the poorest internet services.

A further $550 million is being committed for the Roads to Recovery and Black Spot Programmes, on top of the $2.5 billion previously committed. These funds will help improve road safety and economic and social outcomes in rural and regional Australia.

New Road Infrastructure

The Australian Government is investing $2.9 billion over 10 years in major road upgrades.

The Government will provide $2.9 billion over 10 years from 2014-15 to 2023-24 (including $525.0 million in 2018-19, $465.0 million in 2019-20, $304 million in 2020-21, $321.0 million in 2021-22, $39.0 million in 2022-23 and $20.0 million in 2023-24) to deliver a Western Sydney Infrastructure Plan, by funding major road projects for the development of a second Sydney airport at Badgerys Creek and providing the transport infrastructure necessary to support a growing population in Western Sydney. The NSW Government’s funding contribution takes this to a $3.5 billion road programme.

This Plan will deliver significant upgrades to major and local roads, including:

- an upgrade of the Northern Road to a minimum of four lanes from Narellan to the M4 Motorway;
- the construction of a new four-lane motorway between the M7 Motorway and the Northern Road;
- an upgrading of Bringelly Road to a minimum of four lanes from Camden Valley Way to the Northern Road; and
- a $200 million local roads package.
Badgerys Creek Airport Development

The Badgerys Creek airport development is expected to create 35,000 jobs by 2035, increasing to 60,000 jobs over time. By 2060, the new airport has the potential to drive an increase in Australia’s economic output to almost $24 billion.

WestConnex Project

WestConnex project, which upgrades the major roads connecting Western Sydney to the CBD, the Government is providing a loan of up to $2 billion for stage two of the project, in addition to its existing $1.5 billion grant for WestConnex.

The Government will provide a concessional loan of up to $2.0 billion to accelerate the delivery of Stage 2 of the WestConnex project in Sydney. The value of the concessionality of the loan, on a fiscal balance basis, is estimated to be $728.1 million over the forward estimates. This measure includes a $3.8 million departmental allocation in 2014-15 to the Department of Infrastructure and Regional Development for specialist advice in respect of the project and funding arrangements.

On an underlying cash basis, the impact of the loan is estimated to be $96.2 million over the forward estimates.

Asset Recycling Fund

The Asset Recycling Fund will be set up on 1 July 2014 to facilitate the Government’s investment in new infrastructure. It will include unspent funds from the Building Australia Fund and Education Investment Fund, and proceeds of the sale of Medibank Private and other possible privatisations.
Asset Recycling Initiative

The Government will provide $5.0 billion over five years to 2018-19 (including $1.1 billion in 2018-19) to establish an Asset Recycling Initiative (the Initiative), which will provide state and territory governments with incentive payments to unlock capital from state-owned assets and reinvest the proceeds in new productivity-enhancing economic infrastructure.

Incentive payments set at 15 per cent of the sale price of the asset, paid in two instalments on the completion of set milestones. Incentive payments will be available for asset sales and reinvestment programmes agreed with the Commonwealth prior to 30 June 2016. The Initiative is time limited and will close at the end of 2018-19, or once funds have been exhausted.

Strata-title Assessments in North Queensland

The Government will provide up to $12.5 million over three years from 2014-15 to the Queensland Government to provide grants to bodies corporate to undertake engineering assessments of strata-title properties in North Queensland. The assessments are to identify risks that can be mitigated.
TRANSFER PAYMENTS

Indexation for a large number of payments and programmes will be paused for two to three years. These include eligibility thresholds for transfer payments, thresholds for the Medicare Levy Surcharge and Private Health Insurance Rebate, and Medicare Benefits Schedule fees (except General Practitioner Services)

Paid Parental Leave

From 1 July 2015 the Government will introduce a genuine Paid Parental Leave scheme with an income cap of $100,000 per annum, which will include superannuation.

Welfare payments

Social security and welfare spending, including pensions, family payments, unemployment benefits and childcare support, make up 35 per cent of the Budget, or around $145 billion of spending in 2014-15.

- No unemployment benefits for people aged under 25.
- New work for dole scheme aimed at people under 30 (earn or learn)
- Requiring young people to be earning, learning or participating in Work for the Dole.
Aged Pension/ Retirement Incomes

Pension Age is expected to rise to 70 years of age as of 2035. Changes to indexation and eligibility.

Indexing pensions to the CPI, rather than wages, from September 2017.

Building on the former Government’s move to increase the pension age to 67 by 1 July 2023, we are further increasing the Age Pension age to 70 by 1 July 2035.

The Government will also index pensions, including the Age Pension and the Disability Support Pension, to inflation rather than wages from September 2017. At the same time, eligibility thresholds will be paused for three years. This will assist in meeting the rising costs of providing the pension, while ensuring pensions keep up with the cost of living.

Disability Support Pensions

Tightening of disability support pension and ban on recipients travelling overseas for more than four weeks.

Medicare

Indexation of many payments and programmes will be temporarily paused, including: eligibility thresholds for Family Tax Benefit and Newstart; thresholds for the Medicare Levy Surcharge, Private Health Insurance Rebate and most Medicare Benefits Schedule fees;

From 1 July 2015, previously bulk-billed patients can expect to contribute $7 per visit towards the cost of standard GP consultations and out-of-hospital pathology and imaging services.

For each $7 patient contribution, $5 will be reinvested in the new Medical Research Future Fund. This will come from reducing Medicare Benefits Schedule rebates for these services by $5. $2 will go to the provider.

For concessional patients and children under 16 years the contribution will be for the first 10 services each calendar year.

From 1 January 2015, increased costs of PBS medicines and Safety Net thresholds will keep the PBS sustainable, ensuring the Government can continue to provide access to new and innovative medicines.

From 1 July 2016, a new Medicare Safety Net will simplify existing safety nets for out-of-hospital services whilst continuing to protect vulnerable patients. The new Medicare Safety Net will have lower thresholds for most people. Safety net benefits, and fees that count towards safety net thresholds, will be capped.
Income Support

From 1 January 2015, new jobseekers up to 30 years of age applying for Newstart or Youth Allowance (Other) will participate in job search and employment services activities which are funded by the Government for up to six months before receiving the payment.

Current recipients of Newstart who are up to 30 years of age and recipients of Youth Allowance (Other) will also be covered by the same requirements from 1 July 2015.

Young people who do not have a full capacity to work (i.e. their capacity is less than 30 hours), are in education or training, or have a significant disability will all be exempt from these requirements, as will those with parenting responsibilities.

The waiting period will reduce depending on past employment. Part-time employment will also be recognised on a pro-rated basis.

After six months, the jobseeker will be required to participate in at least 25 hours per week of Work for the Dole activities and will be eligible to receive income support for six months.
WORKPLACE RELATIONS

Employer Wage Subsidy for Employing Mature-Aged Australians

The Government will introduce a new wage subsidy, Restart, to encourage businesses to employ Australians who are aged 50 and over, and who have been on income support for at least 6 months.

From 1 July 2014, employers who hire an eligible mature-aged job seeker:

- on a full-time basis will be eligible for a subsidy of up to $10,000 over 24 months; and
- on a part-time basis (i.e. 12 – 29 hours per week) will be eligible for a pro-rated subsidy based on the actual hours worked.

Redundancy payments under the Fair Entitlements Guarantee Scheme

The Government will achieve savings of $87.7 million over four years by aligning redundancy payments under the Fair Entitlements Guarantee scheme to the National Employment Standards contained in the Fair Work Act 2009.

Ford Australia — Assistance to Workers Programme

The Government will achieve savings of $4.1 million over three years by not proceeding with the Ford Australia — Assistance to Workers Programme. Support for workers affected by the decision of Ford Australia to end local manufacturing operations in October 2016 will now be provided through the Automotive Industry Structural Adjustment Programme.
Foreign Affairs and Trade

Free Trade Agreements

The budget papers include recognition of the impacts of the Korea Australia Free Trade agreement of revenue reductions commencing at $100 million through lower tariffs. This measure is estimated to reduce revenue from tariffs by $635.0 million, and increase expenses by $0.9 million, over the forward estimates period.

Business is expected to be supported by increased market access and potential growth and reduced costs as a result of the FTA.

Notably no other FTA is mentioned in the budget which may indicate their status in negotiations.

Australia Network — Termination of the ABC Contract

The Government will achieve savings of $196.8 million over nine years by terminating the Australia Network contract with the Australian Broadcasting Corporation. The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Australia's Diplomatic Engagement in Afghanistan — continuation

The Government will provide $51.5 million (including $2.0 million in capital funding) to continue Australia’s diplomatic engagement in Afghanistan. The funding will provide for embassy operating costs and security.
Baghdad Embassy — Relocation

The Government will provide $35.6 million (including $8.2 million in capital funding) in 2014-15 to continue operations of the Australian embassy in Baghdad. The embassy will be co-located with the United Kingdom embassy to Iraq from 1 January 2015.

International Engagement to Prevent and Disrupt Maritime People Smuggling

The Government will provide $6.4 million over two years to enable the Department of Foreign Affairs and Trade to continue initiatives to prevent people smuggling. This measure provides for a dedicated position in Sri Lanka, the continuation of the Ambassador for People Smuggling Issues and annual Bali Process meetings at Ministerial and senior official levels.

International Tourism — Australia Week in China

The Government will provide $2.0 million over two years to hold an Australia Week in China (AWIC) promotional event in 2016. The AWIC will help to build Australia's reputation in China as a world leading tourism destination and an important trade and investment partner.

This measure delivers on the Government's election commitment.

International Tourism — China Approved Destination Status Scheme

The Government will provide $10.1 million over four years to continue the Approved Destination Status (ADS) tourism arrangement between China and Australia. The ADS supports Chinese tourism in Australia by providing necessary government-to-government assurances for organised tour arrangements; performance and quality control mechanisms; and supports Tourism Australia to actively promote Australia as a tourism destination in China. The cost of this measure will be offset by redirecting funding from the Tourism Industry Regional Development Fund.

International Tourism — Demand Driver Infrastructure

The Government will provide $43.1 million over four years to implement a new Tourism Demand Driver Infrastructure grants programme. The new programme will provide funding to the States and Territories for infrastructure projects that encourage international and domestic tourism. The cost of this measure will be offset by redirecting funding from the Tourism Industry Regional Development Fund.
Development Fund and the T-QUAL Accreditation scheme. This measure delivers on the Government’s election commitment.

Official Development Assistance — Global Green Growth Institute

The Government will provide a one-off payment of $5 million in 2014-15 for specific projects of the Global Green Growth Institute (GGGI) that will be identified by Australia. The Government will also ratify the agreement on the establishment of the GGGI Fund and formalise Australia’s membership. The cost of this measure will be met from within the existing resources of the Department of Foreign Affairs and Trade.

This measure forms part of the Government’s Official Development Assistance Programme.

Official Development Assistance — reprioritised funding

The Government will achieve savings of $7.6 billion over five years by maintaining official development assistance (ODA) at its nominal 2013-14 level of $5.0 billion in each of 2014-15 and 2015-16. From 2016-17 ODA will grow in line with the Consumer Price Index. The savings include $2.0 billion in 2017-18 by removing the provision previously set aside for ODA spending. As part of these savings, the Government has decided to reverse previous decisions to join the African Development Bank Group and the International Fund for Agricultural Development, and has introduced a cap on departmental costs for the Department of Foreign Affairs and Trade (DFAT) to administer ODA equivalent to 5 per cent of DFAT’s total ODA budget.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Official Development Assistance — seventeenth replenishment of the World Bank’s International Development Association

The Government will provide $748.8 million over nine years from 2013-14 as part of the seventeenth replenishment of the World Bank’s International Development Association (IDA). IDA is the concessional lending arm of the World Bank which aims to reduce poverty in the world’s least developed countries by providing interest free credits and
grants for programmes that boost economic growth, reduce inequalities and improve people's living conditions.

As part of this replenishment, the Government will provide $582.8 million to maintain Australia's share of international contributions to IDA, of which $483.7 million will comprise a loan component. The provision of loans from the Budget and their repayment affect only the composition of Government assets and as such this loan component has no impact on the fiscal balance.

Also as part of this replenishment, the Government will provide $166.0 million in 2013-14 to finance Australia's share of contributions to the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative, arrears clearance provided by the World Bank and compensation to the IDA for grants forgone. Funding for this measure was included as a 'decision taken but not yet announced' in the 2013-14 Budget. This measure forms part of the Government's Official Development Assistance Programme.

Smaller Government — Department of Foreign Affairs and Trade — realising efficiencies

The Government will achieve savings of $397.2 million over four years by reducing the Department of Foreign Affairs and Trade's (DFAT's) departmental expenditure to realise the efficiencies gained through merging the former Australian Agency for International Development into DFAT and the identification of more efficient models of Official Development Assistance administration including rationalisation of corporate functions. The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Transferring T-QUAL Accreditation to industry

The Government will provide $0.6 million to transfer the national tourism accreditation scheme, also known as T-QUAL Accreditation, to industry. This funding will assist an industry provider assume responsibility for T-QUAL Accreditation. It is expected that the scheme will be funded entirely by industry contributions once the Government's contribution has been exhausted, consistent with both the Government's and industry's long term expectations for the scheme. This measure delivers on the Government's election commitment.
Export Market Development Grants

While the National Commission of Audit urged the government to scale back Austrade and fold it into the Department of Foreign Affairs and Trade, ministers have rejected that proposal. Instead, the trade agency will charge more for its services.

The Government has honoured its election commitment to provide a $50 million boost to the Export Market Development Grants programme.

EFIC

The Government has announced a $200 million boost to the Export Finance and Insurance Corporation’s capital base, and this will help more small and medium-sized businesses to access export markets. This will reverse the previous Government’s decision announced in the 2012-13 Budget.

Austrade

No specific announcement but the papers appear to provide a $23 million increase in funds above 2013 actual estimate.

Immigration and Border Protection

Outreach Officer Programme — cessation

The Government will achieve savings of $11.2 million over four years by ceasing the Outreach Officer Programme from 1 July 2014. The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Reducing Access to the Immigration Advice and Application Assistance Scheme for Onshore Protection Visa Applicants

The Government will achieve savings of $2.1 million over four years by removing Immigration Advice and Application Assistance Scheme (IAAAS) support for non-Illegal Maritime Arrival (IMA) onshore applicants who seek a merits review of their negative primary protection decision. IAAAS would remain in place for non-IMA onshore applicants during their primary processing. The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities. This measure builds on the Government’s decision to remove IAAAS access for IMAs.
Regional Cooperation Arrangements — additional funding

The Government will provide $86.8 million over three years from 2013-14 to fund Regional Cooperation Arrangements (RCA) in Indonesia. The RCA supports regional partners to manage their asylum seeker populations. The cost of this measure is partially funded from a 'decision taken but not yet announced' included in the Mid-Year Economic and Fiscal Outlook 2013-14, and will be partially offset by redirecting funding from the 2014-15 Budget measure Migration Programme — allocation of places for 2014-15.

Smaller Government — strengthen and enhance Australia's border protection services

The Government will provide $480.5 million over four years ($711.9 million over six years, including $438.7 million in capital funding) to strengthen Australia's border protection services. From 1 July 2015, the Australian Customs and Border Protection Service will be consolidated into the Department of Immigration and Border Protection to create a single agency.

Enhancements to Australia's border protection services will commence in 2014-15 within the existing Australian Customs and Border Protection Service including through:

- improved trade and passenger facilitation by implementing more efficient processes;
- better targeting and interception of illegal trade and travellers through enhanced Information Communication Technology systems, intelligence and enforcement capability; and
- strengthened integrity and capability of the border workforce.

The cost of this measure will be met from within the existing resources of the Immigration and Border Protection portfolio and improved revenue collection of $208.2 million over four years ($346.6 million over six years) through the use of analytics and detailed data modelling, new processes for revenue collection and targeted campaigns to improve compliance.

The Government will provide $0.5 million over four years to the Department of Finance to apply the Gateway Review Process to this programme.
Prime Minister and Cabinet

Australia hosting the Group of 20 — reduced funding requirement

The Government will achieve savings of $7.0 million in 2014-15 by aligning the funding provided to the Department of the Prime Minister and Cabinet for the hosting of meetings related to the Group of 20 Leaders Summit in 2014, with two scheduled preparatory ministerial meetings. The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.
EMPLOYMENT, EDUCATION & TRAINING

School and Childcare

- **Early Language Learning** – A $10m trial for foreign language teaching in pre-schools will be established.

- **School Funding** – Students First funding will be indexed against the CPI from 2018. Which effectively aligns to the Government commitment to only fund Gonski levels of funding in the first four years.

- **Schools Autonomy** - $70m will be allocated to allow government schools to engage local communities and parents in school governance structures as well as increasing principal autonomy.

- Digital Education Revolution support – concludes 30 June 2014

- **Youth Connections, School Business Community Partnership Brokers and National Career Development activities.** Funding for these programmes is due to conclude at the end of 2014.

- **Childcare** - $168.5 million over two years from 2013-14 to the Community Support Programme (CSP) to meet existing commitments. Savings of $157.1 million over three years from 2015-16 from tightened eligibility criteria. Amended eligibility criteria applying to the CSP from 1 April 2014, and existing providers from 1 July 2015, require applicants to be the only provider of family day care in the surrounding area, with weighting towards services setting up in regional and remote or disadvantaged communities. Similar criteria currently apply to participating long day care and out of school hours care providers.
Skills & Vocational Training

- **Industry Skills Fund** – A $500m Industry Development Fund with 121,500 training places and additional mentoring and support services will be established. The ISF will target select industries: health and biomedical products; mining, oil and gas equipment technology and services; and advanced manufacturing. The cost of this new fund will be covered by the cessation of ten existing funding programs:
  - National Partnership Agreement on Training Places for Single Parents;
  - Accelerated Australian Apprenticeships Programme;
  - Australian Apprenticeships Mentoring Programme;
  - National Workforce Development Fund;
  - Workplace English Language and Literacy Programme;
  - Alternative Pathways Programme;
  - Apprenticeship to Business Owner Programme;
  - Productive Ageing through Community Education;
  - Australian Apprenticeships Access Programme; and
  - Step Into Skills Programme (including additional savings of $0.8 million in 2013-14 by not commencing the programme as scheduled).

- **Trade Support Loans** – the Tools for Your Trade program will cease and be replaced by Trade Support Loans, offering $20 000 dollar HECS style loans to apprentices in in occupation on the National Skills Needs List. The loans include a 20% discount ($4000) for apprentices who complete their apprenticeship.

Higher Education

Minister Pyne described the reforms to higher education as the biggest reform to higher education in 30 years:

- **Students** – graduates will begin repayment of HELP debt from a lower threshold of $50,638 from 1 July 2016; the interest rate on loans will be set at the Government bond rate instead of CPI and will be capped at 6%; current contribution by students of total cost of education increased to a 52% contribution compared to current contribution of 41% from 1 Jan 2016. Currently enrolled or deferred students will pay under existing fee regime grandfathered to the conclusion of degree or 2020 whichever is the earlier. There is an average 20% reduction in what the commonwealth will contribute.
• **Expansion of demand driven system** – Kemp/Norton recommendations taken up at a cost of $820 m over forward estimates from 1 January 2016 to expand the demand driven system to non-university providers and to sub-degree higher education qualifications at diploma, advanced diploma and associate degree level. This funding will not be available to VET diplomas, only those in the higher education system.

• **Deregulation of Fees** – universities will be able to set their own fees, limited by market forces and that a domestic student cannot be charged more than an international student. 20% of this increased fee contribution from students needs to be contributed to an equity fund operated by the university to expand scholarships and bursaries based on academic performance and disadvantage. Reward Funding to achievement of equity enrolment targets will be discontinued saving $121.1 million over five years.

• **Research** - $139.5 m over four years to continue the Future Fellowships scheme, and $150 m in 2015-16 to continue the National Collaborative Research Infrastructure Strategy whilst it undergoes a review. Research students will make a contribution towards costs of degree saving $173.7 m over three years.

**Employment**

• **Work for the Dole Programme** - $14.9m over two years to expand the program. Target 18 of the 21 priority Employment areas. From 1 July 2014 to 30 June 2015 Wfd will be mandatory in priority employment areas for job seekers aged 18 – 30 years old in Work experience phase or have compulsory activity requirements.

• **Restart programme** - $304.1 m over four years from 2014-15, to boost wage subsides for mature age workers. Employers will receive payments of up to $10,000 who hire mature age job seekers. Funding of $220.7 m over four years previously announced redirected to Restart programme

• **Job Seeker compliance** – saving of $20.9 m over four years. From 15 Sep 2014, job seekers that refuse work without good reason will lose their income support for up to 8 weeks. Financial hardship no longer applies to not stop the income payment.

• **Savings to programmes:**
  - Career Advice for Parents Programme discontinued saving $5.8 m over four years ceases 2017-18. JSA will continue to provide career advice to job seekers as part of general service
  - Experience+ Career Advice initiative - $3.9 m savings over two years from 1 July 2014 ceasing in 2015-16.
  - Volunteer job seeker limited access to JSA services to one, saving $52.5 m over four years
  - Local Employment Coordinators Flexible Funding Pool – savings $0.8m reduced funding in 2013.14.
  - Move 2 Work initiative – savings $1.2m ceasing funding from 1 July 2014.
Immigration

Migration Intake - The 2014 15 Migration Programme will have 190,000 places and maintain the composition of 128,550 Skilled Stream places, 60,885 Family Stream places and 565 Special Eligibility Stream places. This is identical to the 2013/2014 budget.

Social Services

- **Disability Support Pension, compulsory participation requirements** - compulsory work or education participation requirements will be introduced for DSP recipients under 35 year old with an assessed ability to work more than eight hours a week.

- **Family Tax Benefits Part B** – A reduction will be made to the income threshold of lowering the cut off from $150 000 to $100 000. The payment will also only be paid to families with children under 6 years old.

- **Age Pension Qualification Age** – The qualification age for the aged pension will be lifted to 70 by 2035.

- **Participation Requirements for job seekers under 30** – job seekers under 30 will have a six month waiting period before being eligible for Newstart. Newstart recipients under 30 will also have compulsory Work for the Dole.
ACCI MEMBERS

ACCI CHAMBER MEMBERS: ACT AND REGION CHAMBER OF COMMERCE & INDUSTRY
BUSINESS SA CHAMBER OF COMMERCE NORTHERN TERRITORY CHAMBER OF COMMERCE & INDUSTRY QUEENSLAND CHAMBER OF COMMERCE & INDUSTRY WESTERN AUSTRALIA NEW SOUTH WALES BUSINESS CHAMBER TASMANIAN CHAMBER OF COMMERCE & INDUSTRY VICTORIAN EMPLOYERS’ CHAMBER OF COMMERCE & INDUSTRY ACCI MEMBER NATIONAL INDUSTRY ASSOCIATIONS: ACCORD – HYGIENE, COSMETIC AND SPECIALTY PRODUCTS INDUSTRY AIR CONDITIONING & MECHANICAL CONTRACTORS’ ASSOCIATION AUSTRALIAN BEVERAGES COUNCIL AUSTRALIAN DENTAL INDUSTRY ASSOCIATION AUSTRALIAN FEDERATION OF EMPLOYERS & INDUSTRIES AUSTRALIAN FOOD & GROCERY COUNCIL ASSOCIATION AUSTRALIAN HOTELS ASSOCIATION AUSTRALIAN INTERNATIONAL AIRLINES OPERATIONS GROUP AUSTRALIAN MADE CAMPAIGN LIMITED AUSTRALIAN MINES & METALS ASSOCIATION AUSTRALIAN PAINT MANUFACTURERS’ FEDERATION AUSTRALIAN RETAILERS’ ASSOCIATION AUSTRALIAN SELF MEDICATION INDUSTRY BUS INDUSTRY CONFEDERATION CONSULT AUSTRALIA HOUSING INDUSTRY ASSOCIATION LIVE PERFORMANCE AUSTRALIA MASTER BUILDERS AUSTRALIA MASTER PLUMBERS’ & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA (THE) NATIONAL BAKING INDUSTRY ASSOCIATION NATIONAL ELECTRICAL & COMMUNICATIONS ASSOCIATION NATIONAL FIRE INDUSTRY ASSOCIATION NATIONAL RETAIL ASSOCIATION OIL INDUSTRY INDUSTRIAL ASSOCIATION PHARMACY GUILD OF AUSTRALIA PLASTICS & CHEMICALS INDUSTRIES ASSOCIATION PRINTING INDUSTRIES ASSOCIATION OF AUSTRALIA RESTAURANT & CATERING AUSTRALIA VICTORIAN AUTOMOBILE CHAMBER OF COMMERCE