

2022–23 BUDGET SPEECH

TREASURER THE HON JIM CHALMERS

PARLIAMENT HOUSE CANBERRA

25 OCTOBER 2022

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

BUILDING A BETTER FUTURE

Speaker, from the Ngunnawal and Ngambri lands of Canberra.

To the Yagara and Yugambeh lands of Logan – and around Australia.

We acknowledge country.

And we commit to a Voice for First Nations people.

Speaker, this is a responsible Budget that is right for the times and readies us for the future.

It delivers on the priorities of the Australian people, and it repays their faith in a new government.

Through a devastating pandemic, through a succession of dangerous and damaging natural disasters, through global uncertainty and painful price rises –

The Australian people have demonstrated the best of our national character.

Resolute and resilient in hard times.

Practical and pragmatic about the challenges we confront.

Optimistic and confident in a better future.

And ready to work together to build it.

In this same spirit, our Labor Government's first Budget does three things:

- It provides cost of living relief which is responsible, not reckless – to make life easier for Australians, without adding to inflation.

- It targets investments in a stronger, more resilient, more modern economy.
- And it begins the hard yards of Budget repair.

It recognises that our best defence against uncertainty around the world is responsible economic management here at home.

Speaker, we now confront the prospect of a third global downturn in a decade and a half.

This time not a financial crisis or a pandemic, but a war driving high prices and higher interest rates here and around the world, and the risk of another global recession.

This time demands a different response.

One that puts a premium on what's responsible, affordable, and sustainable.

That's why this Budget pays for what's important, strengthens our buffers against adversity, and begins to build a better future.

It delivers on our commitments:

- Cheaper child care, and more Paid Parental Leave.
- Better access to health care, cheaper medicines, and a better standard of aged care.
- Fee-free TAFE and more university places.
- Cheaper and cleaner energy.
- More affordable housing, and a future made in Australia.

ECONOMIC OUTLOOK

Speaker, this is a solid and sensible Budget – suited to the conditions.

Australians know this is a time of great challenge and change.

The global economy teeters again, on the edge – with a war that isn't ending, a global energy crisis that is escalating, inflationary pressures persisting, and economies slowing – some of them already in reverse.

All of this is now reflected in the updated forecasts for global growth – downgraded since the March Budget for this year, next year, and the following year.

In this uncertain environment, we are pleased and proud that Australia has plenty going for us, including low unemployment and good prices for our exports.

But while we intend to avoid the worst of the turbulence from overseas, we cannot escape it completely.

Global challenges, along with high inflation and higher interest rates, will have an impact.

Our economy is expected to grow solidly this financial year, by 3 ¼ per cent – before slowing to 1 ½ per cent growth for 2023–24, a full percentage point lower than what was forecast in March.

The hit to growth will have an effect on employment, but jobs will continue to be created, and unemployment is expected to stay low by historical standards – at 4 ½ per cent in 2023–24 and 2024–25.

Inflation is expected to peak at 7 ¾ per cent later this year, before moderating over time, to 3 ½ per cent through 2023–24, and returning to the Reserve Bank’s target range in 2024–25.

Wages are growing faster now than they were before the election, but that welcome news is tempered by rising electricity prices and grocery bills eating into pay packets.

When that inflation moderates, real wages are expected to start growing again in 2024.

NATURAL DISASTERS

Speaker, as we were finalising this Budget, floods were once again tragically taking lives, wrecking homes, shutting businesses, disrupting livelihoods, and pushing up the cost of living.

Once again we are reminded of the solidarity that living on this harsh land demands of our people and our communities.

It speaks to a unique Australian way of responding to adversity: looking out for each other and looking after each other – and lifting each other up.

These are human tragedies first and foremost, that come with broader consequences –

For the economy and for the Budget.

The Government has acted quickly to make disaster assistance payments available.

\$3 billion has been provisioned as a response to recent floods.

We will fund Disaster Relief Australia to help deploy more than 5,000 extra volunteers when future disasters strike.

And this Budget also invests up to \$200 million a year in disaster prevention and resilience through the Disaster Ready Fund.

In times like this, our government will always step up and do the right thing – standing with communities through the crisis, and through the recovery.

RESPONSIBLE COST OF LIVING RELIEF

Speaker, Australians know a complex combination of challenges at home and abroad is pushing up the cost of living.

They know that governments can't make inflation disappear overnight.

And they don't need us taking steps that would just make the problem worse – by putting even more pressure on prices and making the independent Reserve Bank's job even harder.

Instead, they need us to be responsible, reasonable and targeted – with policies that are affordable, fair and future-focused, delivering a long-term economic dividend.

That's what this Budget does – with a five-point plan for cost-of-living relief:

1. Cheaper child care;
2. Expanding Paid Parental Leave;
3. Cheaper medicines;
4. More affordable housing;
5. And getting wages moving again.

This is a \$7.5 billion package that helps put some money back in people's pockets, boosts productivity, and grows the economy – but it's carefully targeted and carefully timed, so that it avoids placing additional pressure on inflation.

Cheaper child care

Speaker, from July next year, early childhood education and care will be more affordable for more than 1.2 million eligible Australian families who will benefit from higher subsidies.

Cheaper child care is a game-changing investment in families, our workforce, and our economy.

It will increase the paid hours worked by women with young children by up to 1.4 million hours a week in the first year alone. That's the equivalent of 37,000 extra full-time workers.

Because our early childhood educators guide our young ones and help them grow in those critical early years, for the best possible start in life – it's more than care.

It is cost-of-living relief with an economic dividend.

Expanding Paid Parental Leave

And that's what Paid Parental Leave is too.

Tonight, our Labor Government delivers the biggest expansion to Paid Parental Leave since its creation.

This Budget invests more than \$530 million to progressively scale up the scheme, reaching six months paid leave in 2026.

For two-parent families, a portion of this leave will be reserved for each parent – to encourage families to share caring responsibilities.

Again, this goes beyond taking a bit of pressure off household budgets.

This is about greater equality and greater security for Australian women – and more dads doing their bit.

It's about participation and productivity – and that's what makes it economic reform.

Cheaper medicines

Speaker, this Budget also makes medicines cheaper by slashing the PBS maximum general co-payment to \$30 a script from the 1st of January next year – saving up to \$12.50 per script for about 3.6 million Australians every year.

Affordable housing

And it does more to confront Australia's housing problem.

Rents are through the roof, and many families are struggling to keep up.

Supply hasn't kept up with demand, which means too many struggle to live close to where they work.

Too many are stuck on waiting lists for social housing.

And for too many, the great Australian dream of home ownership seems completely out of reach.

Our country can do better than that – and our government will:

- With the Housing Australia Future Fund – building 30,000 new social and affordable homes in its first five years; and the National Housing Infrastructure Facility supporting an additional 5,500 new homes.

- With the Help to Buy Scheme – allowing up to 40,000 eligible Australians to own their own home with a lower deposit and smaller mortgage.
- With the Regional First Home Buyer Guarantee – supporting another 10,000 new homeowners each year.
- And by helping more older Australians downsize to a suitable home which will free up housing stock for younger families.

New Housing Accord

Tonight, we go further and we do more.

I am proud to announce that we have just struck a new national Housing Accord between governments, investors and industry – to build the affordable homes our country desperately needs, and to help tackle our housing crisis.

The ambition of this Accord is big and it's bold – an aspiration to build one million new, well-located homes over five years from 2024.

Most of this supply needs to come from the market, not the government. But there's a role for government, and we intend to play a leading role – by coordinating and kick-starting the investment we know needs to happen.

To get the Accord started, this Budget commits an initial \$350 million in additional funding for another 10,000 new affordable homes, on top of our existing commitments.

This will be delivered through an ongoing funding stream to help cover the gap between market rents and subsidised rents – making more projects commercially viable.

State and territory governments will build on our commitment with up to 10,000 new homes as well – that's up to 20,000 new affordable homes in total.

Along with local governments, they will tackle supply problems caused by land release and zoning policies.

Institutional investors, including superannuation funds, have endorsed the Accord and will work with us to leverage more investment that delivers for their investors' and members' interests, and for the national interest.

And peak organisations for the construction sector support building these homes at a high energy efficiency rating – and training more apprentices under an extended Skills Guarantee.

We don't pretend that this Accord solves every issue, nor do we pretend we can solve this problem overnight.

But this is a serious start – a serious agenda that will lead to more Australians knowing the security of a good job and decent housing.

Getting wages moving again

Speaker, if there's one fact that sums up nearly a decade of wasted opportunities and warped priorities, it is this: real wages are lower today than they were 10 years ago.

It will take time to turn this around, but Australians now know this: deliberately keeping wages low is no longer federal government policy.

Our new government has already acted to get wages moving again.

First, for the lowest paid Australians – supporting a pay rise for about 2.7 million workers on the minimum and award wages, the majority of them women.

Next, by supporting a wage increase for aged care workers, again mostly women.

And now, by implementing our agenda for a stronger and more resilient economy:

- Making it easier for parents to earn more with cheaper child care.
- Training more people for higher-wage work.
- Investing in the industries that create secure, well-paid jobs.
- And fixing the broken bargaining system.

BUILDING A STRONGER AND MORE RESILIENT ECONOMY

Because the hard truth is our economy wasn't delivering like you needed it to, and isn't as resilient as we need it to be, for the challenges we face.

Too much of our potential has been wasted, and the costs of that are clear – with falling real wages, flatlining productivity, widespread skills shortages, and too many Australians denied the opportunity of a better future.

The Jobs and Skills Summit was all about bringing people together to help reverse these trends – finding consensus on the challenges, and common ground on the solutions.

We agreed there that full employment, productivity growth and equal opportunities for women should be core objectives of government policy.

And we know the key to this is quality investments in the capacity of the Australian economy and the capabilities of the Australian people.

Fee-free TAFE and more university places

So Speaker, this Budget builds a stronger economy – more resilient, more inclusive, more modern.

Skills are central to this. In 2012, more than 57,000 Australians completed a trade apprenticeship. By 2021, that number had dropped by more than 20,000.

Tonight, we fund a better future for vocational education.

Together with the states and territories, we are making a \$1 billion investment in fee-free TAFE and vocational education places.

Providing 180,000 places next year – the first stage in our plan for nearly half a million fee-free TAFE courses for Australians – learning skills for jobs in priority areas, like the care sectors and the digital economy.

This Budget also invests more than \$770 million for better schools, happy and healthier students, and more qualified teachers.

And we will invest \$485 million to create 20,000 new university places over the next two years for students from disadvantaged backgrounds –

Because no Australian should be denied – by poverty, by postcode, or by lack of privilege – their chance at a better future.

Powering Australia Plan

Speaker, nothing speaks more to that future, or to a more modern economy, like cleaner, cheaper, more reliable energy.

After nearly 10 frustrating years, and more than 20 failed energy policies, Australia now has a government that understands the generational and economic imperative of acting on climate change –

And a plan that provides stability to the energy grid and certainty to investors.

Our plan:

- Drives investment in renewable energy – which is cheaper energy.
- And delivers thousands of new jobs in the coming years – many of them in our regions – by leveraging our existing traditional strengths and creating new ones.

To help get us there, our government will establish a \$20 billion fund for energy transmission.

And we've already started – by backing projects including investments connecting offshore windfarms in Victoria, and Tasmania's Marinus Link project.

And this Budget begins to implement our Powering Australia Plan with more than \$800 million invested in:

- Cutting taxes on electric cars;
- Building a national electric vehicle charging network and hydrogen refuelling stations on our highways;
- Providing solar battery storage for up to 100,000 homes;
- And ensuring renters and apartment owners can benefit from cheaper energy too.

A future made in Australia

Speaker, a better future for Australia must mean a future made in Australia.

No more sleepwalking while other advanced economies seize new opportunities.

No more surrendering industries and jobs overseas.

No more selling out our future, by clinging to the past.

Our \$15 billion National Reconstruction Fund will help finance projects that expand our industrial base, diversify our economy, create sustainable, well-paid jobs, and grow our regional centres.

In clean energy manufacturing; in medical manufacturing; in new technologies; in agriculture; in critical minerals.

So that we can be a country that makes things again.

So that we can add more value to the things that we sell to the world.

And so that every part of the country can have a stake in our Australian-made future.

Building Australia's future

Speaker, this Budget focuses on building what we need, protecting what's precious to us, and backing the people, sectors and communities strengthening our economy.

It includes:

- An investment pipeline of more than \$120 billion in transport infrastructure over the next decade – to get people and products moving faster.

- Extending full-fibre access to 1.5 million more homes and businesses, and improving mobile coverage in regional, remote and natural disaster-prone areas.
- Supporting small business with new energy efficiency grants, and extending tailored mental health and financial counselling programs.
- More funding and more staff to slash the visa backlog, so employers can fill labour shortages.
- Protecting our farmers and primary producers by boosting our biosecurity defences.
- And safeguarding for future generations the unique and precious natural wonders of our continent – with \$1.8 billion for environmental and heritage protection, including an extra \$204 million to accelerate the defence and restoration of our Great Barrier Reef.

RESPONSIBLE BUDGET MANAGEMENT

Speaker, while our economic policies put a premium on resilience, our fiscal strategy puts a premium on restraint.

This is important – to keep spending under control, to give ourselves a better buffer for any further downturns, and to make sure we are not adding to inflation.

This Budget makes hard decisions for hard times.

New policies have been largely offset across this year and next – to avoid adding to inflation when price pressures are most acute.

And nearly all of the tax upgrades over the forward estimates have been returned to the Budget, not spent:

- 99 per cent returned to the Budget over the next two years.
- And 92 per cent returned to the Budget over the next four years.

As a result of this discipline:

- Payments will fall in real terms over the next two years.
- And real spending growth over the forward estimates is flat – averaging just 0.3 per cent a year.

Speaker, Australians do not have enough to show for a trillion dollars of debt, and gross debt as a share of GDP at its highest level in more than 70 years.

Our responsible decisions mean gross debt-to-GDP will be 37.3 per cent in 2022–23, and remain lower over the forward estimates compared to the pre-election forecasts.

That's less debt than our predecessors – less debt, with more to show for it.

The deficit for 2022–23 is now forecast to be \$36.9 billion – an improvement of \$41.1 billion.

But while the temporary revenue boosts we are getting from higher employment and higher commodity prices will fade and fall, the profound and permanent spending pressures on the Budget are forecast to grow and grow.

The Budget we inherited was stuck in structural deficit.

So our job in the short term is to:

- Limit growth in spending, especially while inflation is high.
- Return as much of our revenue upgrades as we can to the bottom line.
- And focus new spending on investments that grow the capacity of the economy.

This Budget does that.

In the longer term, there's a bigger job to do – to put the Budget on a more sustainable path.

Tonight, we take the first step – with a budget repair package that delivers \$28.5 billion in improvements over the next four years.

This unwinds wasteful or unnecessary spending, redirects it towards higher-quality investments and priorities, and improves the integrity and fairness of our tax system.

Our Spending Audit has helped identify \$22 billion in savings over the next four years.

This includes our election commitment to reduce spending on external contractors, consultancies, advertising, travel and legal services – expecting to save the Budget \$3.6 billion.

And this Budget makes our tax system more sustainable –

By making sure multinationals pay a fairer share of tax in Australia, by extending successful tax compliance programs, and by giving the ATO the resources they need to crack down on tax dodging.

Together, these initiatives save a further \$4.7 billion over four years.

This is just the beginning of our Budget repair work, and it's just the beginning of the conversation we need to have as a country –

About our economic and fiscal challenges, and about the choices we need to make on what's affordable and what's fair.

So we can pay to service the debt that was left to us – when borrowing costs are the fastest growing budget pressure, rising at more than 14 per cent a year over a decade.

And so we can pay for the things that Australians value most.

PAYING FOR WHAT'S IMPORTANT AND DELIVERING OUR COMMITMENTS

Speaker, these priorities speak to who we are as a country, how we care for each other, and protect each other.

We choose to pay for better hospitals and health care.

This Budget invests \$6.1 billion more in hospitals, in Medicare, in extending COVID-19 support, and in expanding access to health care in the suburbs and regions of our country.

We choose to pay for better aged care, and better wages for those giving care.

This Budget invests more than \$2.5 billion to put nurses back into nursing homes, improve the quality of food, and respond to the recommendations of the Royal Commission.

We choose dignity for Australians with disability.

This Budget begins the task of repairing the NDIS and securing its future.

And we choose to defend our nation against current and future threats.

Our government will ensure the Australian Defence Force is well positioned to meet our security challenges over the next decade and beyond, with defence funding rising beyond two per cent of GDP over the forward estimates.

And after nearly a decade of neglect and disrespect, we are restoring our role as a diligent and dependable partner and friend to our Pacific neighbours – for a stable, peaceful and more prosperous region.

Speaker, in this Budget we are also:

- Funding a record investment of \$1.7 billion over six years to end violence against women and children.
- Investing \$1.2 billion in practical measures to Close the Gap for First Nations people and communities, and to begin preparations for a referendum on a Voice to Parliament.
- Allowing older Australians to keep more of their pension when they work.

- Responding to the recommendations from the interim report of the Royal Commission into Defence and Veteran Suicide, and investing in better support for the men and women who serve us.
- Establishing the long overdue National Anti-Corruption Commission.
- And beginning a new discussion about measuring what matters – the strength of our economy and the well-being of our people.

CONCLUSION

Speaker, Australians know there are hard days to come, and hard decisions to accompany them.

Getting through this period stronger than we were before will rely on the best of our character – our resilience, our pragmatism, our cooperation and our confidence, and above all, our belief in each other.

And it will rely on a government dedicated and determined – to confront challenges ignored for too long, and to seize the opportunities that won't wait any longer.

This Budget does more than end a wasted decade –

A decade marked by energy chaos, a crisis in aged care, skills shortages and stagnant wages, and not enough to show for a trillion dollars in debt.

It does more than draw a line under the drift, decline and decay that defined it.

It begins to put things right.

It begins to build a better future, that befits our people and the sacrifices they make for each other.

A future we can all have a stake in, all sharing in its success.

A stronger, more resilient Australia.

With more opportunities for more people, in more parts of our amazing country.

I commend the Budget, and the Bill, to the House.