



MEDIA RELEASE

HON JOE HOCKEY MP

SHADOW TREASURER

LABOR'S NATION-WRECKING BUDGET

This Budget reveals the high price all Australians will pay for Labor's reckless spending spree over the past 18 months.

- One million unemployed by 2010-11,
- a record \$58 billion deficit, and
- record net debt of at least \$188 billion by 2012-13 are all key markers of the failure of the Rudd Government's economic management.

Two thirds of the debt owed by taxpayers in 2012-13 will be due to spending decisions taken by the Rudd Government over the past 18 months.

Since the November 2007 election, Labor has announced measures which have increased Commonwealth spending by \$124 billion.

That is an average of \$225 million of new spending per day.

Labor pretends the destruction of our nation's balance sheet is an unavoidable consequence of the global recession. But Labor has lost control of the public finances.

The 2009-10 Budget delivers a dismal trifecta: record spending (29 per cent of GDP), a record deficit (5 per cent of GDP) and a further severe increase in the jobless rate to 8.5 per cent.

Mr Rudd and Mr Swan have failed to deliver a credible plan for recovery.

The Budget relies on rubbery figures projecting what would be an unprecedented future economic boom to show a path back to surplus. Having blown all the proceeds of the last mining boom, Labor is betting the house on another upswing that hasn't even begun yet.

Buried in the Budget's detail are unrealistic and unachievable economic projections that rely on six successive years of above-trend economic growth and a further three years of trend growth to return to surplus and pay down Labor's record debt.

All of the Government's allegedly tough 'razor gang' decisions delivered only \$15 billion of savings over the forward estimates: less than 1 per cent of \$1.7 trillion in expenditure projected over the five years.

Labor's out-of-control and undisciplined fiscal management doesn't end at spending. Over the same 18 months since the last election, Labor has introduced tax hikes which increase revenue by \$26 billion.

Taken together, these decisions represent the biggest tax-and-spend binge in Australia's peacetime history, driving an expansion in the size and scope of the public sector not seen since the Whitlam years.

By 2012-13, net public debt will surge to \$188 billion, double its previous record peak under Paul Keating. In reality borrowings are likely to be even higher, since this figure excludes debt associated with the National Broadband Network, RuddBank and other off-Budget liabilities.

It took the Coalition and the Australian people more than a decade to pay off the previous debt left behind by Labor; how long will it take to pay off Kevin Rudd's debt?

The annual interest bill paid by the Australian people in 2012-13 will be \$8 billion, more than the Commonwealth spends each year on infrastructure and housing combined.

In summary, the 2009-10 Budget is a classic tax-and-spend Labor exercise, but on a far more reckless scale than ever seen before. The Australian people will pay a high price, in terms of higher future taxes, higher future real interest rates, higher future foreign debt and higher unemployment.

The Budget also relies on rubbery figures and dodgy accounting to an extent unprecedented in the modern era.

HEALTH:

The Coalition believes in the right of all Australians to take charge of their own health care needs and plan for the future. That is why we don't support Labor's one size fits all approach. In government we promoted private health insurance to take pressure off Medicare.

Labor has always opposed choice when it comes to health care while the Coalition has always believed that individuals should be supported to make their own decisions. The 11.1 million Australians with private health insurance have been dealt a blow by the Rudd Government's attack on the private health insurance rebate. Australians will now pay more for their health needs. This is a clear breach of an election promise.

Changes to the Medicare Safety Net will also have wide ranging effects on Australians trying to access essential services such as obstetrics, reproductive technology and cataract surgery. This is another clear breach of an election promise.

SUPER AND PENSIONS:

The Rudd Government has cut by one third the superannuation co-contribution scheme, which bolsters the retirement savings of low and middle income earners. Low and middle income earners will now receive \$1 instead of \$1.50 for every \$1 contributed. Over 1.4 million Australians received a co-contribution in 2007-08.

This disincentive to contribute to super is accompanied by a halving of the concessional limit on voluntary contributions. Australians will have to work longer because of Labor's changes. Again, all of these measures are clear breaches of election commitments.

Labor has made superannuation less affordable and attractive for millions of Australians, including many on modest incomes, yet is also raising the pension age from 65 to 67. Raising \$4.3 billion by attacking superannuation sends a conflicting signal to Australians planning for their retirement.

INFRASTRUCTURE:

The \$12.6 billion infrastructure fund set up in 2008-09 (all funded from Coalition surpluses) has been raided and only \$250 million is left. Yet in spite of all Labor's rhetoric about nation building, total expenditure over the next six years on roads, rail and ports will be less than that committed by the former Coalition Government.

The \$13.8 billion spent in total from three infrastructure funds - \$3.2 billion from Health and Hospitals, \$3 billion from Education Investment, and \$7.6 billion from Building Australia - is less than two thirds of the \$22 billion spent on Labor's cash splashes.

Labor will spend \$53.2 million to conduct an implementation study into the National Broadband Network that will examine detailed engineering, commercial and structural issues, even though Mr. Rudd has already announced he will spend \$43 billion on this unproven scheme.

EDUCATION AND TRAINING:

The Education Revolution is a failure. After the massive cost blow-outs of Computers in Schools, and disappointing mismanagement of the school hall program, the Government is offering nothing new for Australian schools at all.

Universities have been let down. After promises of significant reform, and the year-long Bradley Review that urged more than \$7 billion in new spending, less than a third has been forthcoming. New funding in universities is largely directed towards increasing student numbers to keep down the unemployment rate and obscure the reality of recession.

RURAL AUSTRALIA:

The Department of Agriculture, Fisheries and Forestry is the only department hit with an efficiency dividend (of \$12 million) through "identifying lower priority programs that can cease". In addition, Land and Water Australia has been axed and \$12 million has been taken from the Rural Industries Research and Development Corporation.

TAXES:

The Rudd Government has attacked the ability of many employees to participate in employee share agreements, by forcing them to pay upfront tax before they can receive equity entitlements. Employees will have to find cash to pay or decline to participate.

The modest cost of extending and almost doubling the tax break for small business investment shows that this tax break, despite being increased once before, is not being taken up by cash-constrained businesses - just as the Coalition warned.

12 May 2009

Media contact: Lisa Chikarovski 0428 40 74 75