

Chapter 2

Spending initiatives

Australian stimulus measures since the global financial crisis

2.1 The Government has undertaken various fiscal initiatives since the collapse of Lehman Brothers in September 2008 sparked the global financial crisis.

2.2 The first package to be described as a stimulus measure was the Economic Security Strategy (ESS) in October 2008. This package included combined expenditure of \$10.4 billion through various cash payments, a boost to the First Home Owners grant and further investment through the Nation Building Funds.¹

2.3 In November 2008, the Council of Australian Governments (COAG) announced a \$15.2 billion COAG funding package which included measures to address housing, hospitals and education.

2.4 A further \$4.7 billion in stimulus expenditure was announced in December 2008 through the Nation Building Plan, which included investment in road, rail and the higher education sector.

2.5 A much larger stimulus package, the Nation Building and Jobs Plan, was announced in February 2009, adding approximately \$42 billion worth of stimulus expenditure.

2.6 There were further measures announced in the May 2009 Budget which included \$8.5 billion for investment in road, rail and port infrastructure, an initial investment of \$4.7 billion in the National Broadband Network, \$3.6 billion for development of clean energy technologies and \$5.8 billion for various investments in the health, tertiary education and research sectors.

2.7 Summing up all these announced measures gives a total of more than \$90 billion over five years (Table 2.2). Treasury itself indicated in the 2009–10 Budget Paper No. 1 that the scale of fiscal stimulus over four years would be almost \$90 billion (Table 2.1).

1 The Hon. Kevin Rudd, Prime Minister of Australia, and the Hon. Wayne Swan, Treasurer, 'Economic Security Strategy', *Media release*, 14 October 2008, p 1.

Table 2.1 Composition of Fiscal Stimulus

Composition of Fiscal Stimulus (\$b)				
	2008-09	2009-10	2010-11	2011-12
Transfers	20.44	4.22	1.78	1.59
<i>Major fiscal stimulus packages</i>				
ESS package (consumption)	9.55	0.65	0.07	0.00
Nation Building and Jobs Plan (consumption)	10.49	1.72	0.00	0.00
<i>2009-10 Budget Measures</i>				
2009-10 Budget net pension spend*	0.39	1.86	1.71	1.59
Investment	4.52	21.93	17.27	4.91
<i>Major fiscal stimulus packages</i>				
ESS package (investment)	0.12	0.07	0.00	0.00
Dec. Nation Building package (all investment)	0.88	1.95	0.39	-0.19
Nation Building and Jobs Plan (investment)	2.04	16.19	10.03	1.67
<i>2009-10 Budget Measures</i>				
2009-10 Budget infrastructure (investment)**	1.48	3.72	6.85	3.43
COAG reforms	3.50	1.78	2.23	3.57
COAG funding package (transfers)	3.50	1.78	2.23	3.57
Total	28.46	27.93	21.27	10.07

* This is the net effect of the pension and carer reforms and structural savings.

** These amounts do not include the provisions for future equity injections for the National Broadband Network, which are subject to the outcome of the Implementation Study and subsequent commercial negotiations.

2.8 The Treasury Secretary's tally was that:

...around \$79 billion of what may broadly be characterised as fiscal stimulus measures are expected to impact on the economy over three years from 2008-09 through to 2010-11.²

2.9 However, other Treasury forward estimates³ operate through to 2011-12.

2.10 From Table 2.1, it would appear that there is at least \$31 billion of discretionary stimulatory spending out of the remaining \$45 billion over the forward estimates unspent. This discretionary stimulatory spending comes from the construction of the building and infrastructure elements of the stimulus package to ensure stimulus projects and funding will impact in the 2009-10 to 2011-12 financial years.⁴

2.11 Appendix 3 outlines the composition of the ESS, the COAG Funding Package, the December Nation Building Package and the Nation Building and Jobs Plan.

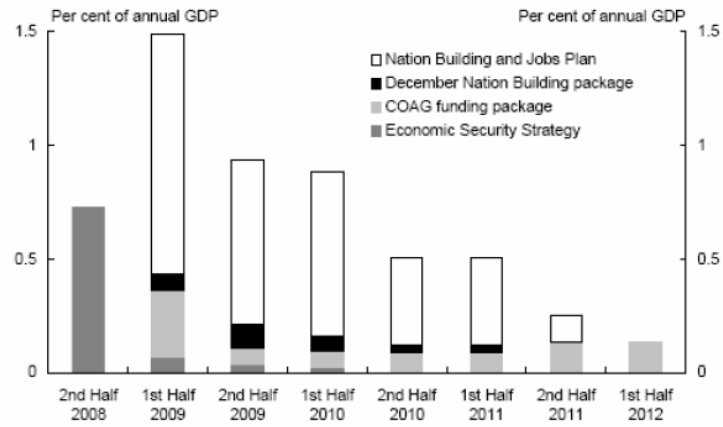
2.12 Chart 2.1 shows the projected contribution of the pre-budget packages over time, while Table 2.2 provides an itemised breakdown of the five packages.

2 Dr Ken Henry, Secretary to the Treasury, *Proof Committee Hansard*, 9 October 2009, p 2.

3 Table 2.1: Composition of Fiscal Stimulus and Table 2.2

4 Coordinator-General, *Commonwealth Coordinator-Generals Progress Report 3 February 2009 – 30 June 2009*, Nation Building Economic Stimulus Plan, published August 2009, p 23.

Chart 2.1: Fiscal stimulus packages delivered by the Australian Government



(a) Impact on underlying cash balance as a per cent of annual nominal GDP.
Source: Treasury.

Table 2.2: Itemised Expenditure by Package

Economic Security Strategy – \$10.4 billion (October 2008)	
(\$billion)	Item
\$4.8	Cash payments (\$1000-\$1400) to various pension categories
\$3.9	Cash payments (\$1000) to families based on Family Tax Benefit or for dependent children
\$1.5	First Home Owners Grant Boost
\$0.2	Training – Productivity Places Program
	Fast tracking of nation building funds
COAG Funding package – \$15.2 billion (November 2008)	
\$4.8	Increased funding for the Australian Healthcare Agreement
\$3.5	Funding for the National Education Agreement and education initiatives
\$2.0	Indigenous reform (health, housing, economic development and service delivery)
\$1.8	Hospitals and health workforce reform
\$0.8	Affordable housing
\$0.7	Improvements to emergency departments
\$0.6	Business sector deregulation
\$0.5	Preventative health measures
\$0.5	Other
Nation Building Package - \$4.7billion (December 2008)	
\$1.2	New funds for Australian Rail Track Corporation
\$1.6	Investment in university and TAFE infrastructure
\$1.6	10% temporary capital investment allowance
\$0.4	Bringing forward of road spending including black spots program
Nation Building and Jobs Plan - \$41.5 billion (February 2009)	
\$14.7	Building the Education Revolution (School construction and refurbishment)
\$12.7	Cash payments to various categories
\$6.6	Construction of 20,000 Social housing and Defence homes
\$3.8	Energy Efficient Homes (Insulation and solar hot water rebate)
\$2.7	Small business and general business tax break
\$0.9	Black spots, boom gates and community infrastructure
2009–10 Budget – Nation Building Infrastructure Measures - \$22.5billion (May 2009)	
\$3.4	Road Network Investment
\$4.6	Metro Rail
\$0.4	Ports
\$4.7	National Broadband Network
\$3.6	Clean Energy Initiative (does not include \$1b of existing funding)
\$2.6	Investment in tertiary education, research and innovation
\$3.2	Hospitals and Health Infrastructure
Total of all measures listed: \$94.3 billion	