

APPENDIX 3

Composition of stimulus measures

Composition of the Economic Security Strategy

The Economic Security Strategy (ESS) package was announced on 14 October 2008. The combined value of announced measures was \$10.4 billion.

Payments to pensioners

Through the ESS, single pensioners became eligible for one-off payments of \$1400, while pensioner couples received \$2100. Qualifying pension categories were:

- Age Pensioners;
- Disability Support Pensioners;
- Carer Payment recipients;
- Wife and Widow B Pensioners; Partner, Widow and Bereavement Allowees;
- Veterans' Affairs Service Pensioners;
- Veterans' Income Support Supplement recipients;
- Veterans Affairs Gold Card holders eligible for Seniors Concession Allowance;
- those of age pension age who receive Parenting Payment, Special Benefit, or Austudy; and
- Eligible Self Funded Retirees holding a Commonwealth Senior Health Card.¹

In addition, individuals who claimed the Carer Allowance also received \$1000 for each eligible person in their care.

Payments to recipients commenced on 8 December 2008, with the majority of payments made by 19 December 2008.

Payments to families

The ESS included \$3.9 billion worth of lump-sum payments to eligible families for each child in their care. Eligibility was granted to families that received Family Tax Benefit A and families with dependent children that received Youth Allowance, Abstudy or a benefit from the Veteran's Children's Education Scheme. Families received \$1000 for each child in their care.

1 The Hon Kevin Rudd PM and the Hon Wayne Swan, Treasurer, *Joint Press Release, Economic Security Strategy*, 14 October 2008.

Increase of the First Home Owners Bonus

The ESS boosted the First Home Owners Bonus from \$7 000 to \$14 000 when buying an established home and to \$21 000 for first home owners buying a newly-constructed home. Under the ESS, this boost would remain in place until 30 June 2009. However, the 2009–10 budget extended this measure for a further three months at the increased level and three more months after that at the original grant level.²

Increased funding for job training

The Productivity Placements Program (PPP) received an additional \$187 million for the 2008–09 financial year. This expanded the number of places in the programme from 57 000 to 113 000, including 10 000 Structural Adjustment Places for retrenched workers to retrain.

Fast-tracking of the Nation Building Program

As part of the ESS, the government announced that it would bring forward the implementation of the three Nation Building Funds to 2009:

- the Education Investment Fund;
- the Health and Hospitals Fund; and
- the Building Australia Fund (transport and communications).

Composition of the COAG Funding Package

On 29 November 2008, the Commonwealth Government announced a \$15.2 billion funding package for initiatives to be undertaken through COAG over five years. Table A3.1 gives a detailed breakdown of the package by measure and financial year.

Funding for the 2008–09 financial year was \$3.5 billion, but is approximately half that in 2009–10 and then gradually increases to \$4.1 billion in 2012–13.

Health initiatives

The bulk of the November COAG package is expenditure on health initiatives. The single biggest item in the package is an increase in the base Special Purpose Payment (SPP) to states and territories of \$4.8 billion as a result of the renegotiated National Healthcare Agreement. In addition to this general increase in funding for health and hospitals, the government agreed to provide \$750 million as a one-off payment for improvements to emergency departments in hospitals. Other significant measures included \$1.1 billion for health workforce training and \$448 million for various preventative health measures.

2 The Hon Wayne Swan, MP, Treasurer, *Budget Speech 2009–10*, 12 May 2009.

Education initiatives

In total, the COAG funding package included \$3.5 billion for education initiatives. Approximately \$1.9 billion is provided as a result of changes to the Schools SPP. The increase in funding is due to a Commonwealth agreement to align funding rates between primary and secondary schools and to change the indexation rate for government schools. Also included in the SPP is an agreement to provide \$0.8 billion to assist in implementing the National Secondary Schools Computer Fund.

The remainder of the education funding, \$1.7 billion, is provided through National Partnerships aimed at improving the quality of teachers and addressing the needs of disadvantaged schools. Funding for an additional National Partnership aimed at improving literacy and numeracy was announced prior to the November package.

Table A3.1: COAG expenditure package, 29 November 2008 (\$m)

	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Healthcare SPP- additional base and indexation	500	675	914	1,191	1,500	4,779
Healthcare NPs	1,287	212	401	566	594	3,060
<i>Hospitals & health workforce reform</i>	537	166	295	380	376	1,753
<i>Preventative health</i>	-	18	67	145	218	448
<i>E-health (NEHTA)</i>	-	29	39	41	-	109
<i>Emergency departments</i>	750	-	-	-	-	750
Schools SPP	868	171	213	268	334	1,855
<i>Additional indexation</i>	-	41	74	121	177	412
<i>10% AGSRC primary schools</i>	61	131	139	148	157	635
<i>Digital education revolution</i>	807	-	-	-	-	807
Productivity agenda NPs	33	192	265	618	549	1,657
<i>Smarter schools – quality teaching</i>	22	40	60	243	185	550
<i>Smarter schools – low SES schools</i>	11	152	205	375	364	1,107
Skills & workforce development SPP	-	4	10	11	11	37
Disability services SPP	70	23	71	101	143	408
National affordable housing SPP	-	1	7	15	23	46
Affordable housing NPs	200	275	105	110	110	800
<i>Homelessness recurrent</i>	-	75	105	110	110	400
<i>Social housing</i>	200	200	-	-	-	400
Indigenous reform NPs	440	214	245	494	574	1,967
<i>Indigenous economic development</i>	15	40	40	39	40	173
<i>Indigenous health</i>	-	83	157	248	318	806
<i>Indigenous remote service delivery</i>	25	31	32	33	33	154
<i>Indigenous housing</i>	400	60	16	174	185	835
Business regulation & competition NP	100	-	-	200	250	550
Total COAG funding package	3,497	1,768	2,231	3,575	4,088	15,158

Source: *COAG Communiqué*, 29 November 2008.

SPP: specific purpose payment, NP: National partnership.

Indigenous reform initiatives

Almost \$2 billion over five years was provided for four Indigenous Reform National Partnerships aimed at furthering the government's 'Closing the Gap' targets. The majority of this funding is targeted at health and housing outcomes with over \$0.8 billion for each issue. The package also provides funding for initiatives aimed at Indigenous economic development and remote service delivery.

Other initiatives

The COAG package also includes increased funding through SPPs for workforce development, disability services, social housing and deregulation for the business sector.

Composition of the December Nation Building Package

On 12 December 2008, the Australian Government announced a third stimulus package, entitled the 'Nation Building Package'. The Nation Building Package was worth \$4.7 billion and was split evenly between infrastructure development, education and changes to the taxation system.

Infrastructure measures

The package contained a provision to inject \$1.2 billion in equity into the Australian Rail Track Corporation to finance 17 rail projects across Australia.

The government provided \$711 million to bring forward construction on key road development projects, to be balanced by reductions in later years. It announced that \$60 million would be provided for black spot accident reduction projects and \$195 million for investment in agricultural and social infrastructure in the East Kimberley.³

Education measures

The package included an announcement of \$1.6 billion for 13 education projects. Of this figure, \$580 million was to be invested in 11 research facilities at various universities. The government announced \$500 million for a Teaching and Learning Capital fund, a one-off funding round targeting capital expenditure in universities. Finally, \$500 million was used to set up a Teaching and Learning Capital Fund for Vocational Education and Training. This fund is similar to the university fund, but targeted at TAFE institutes and other non-university tertiary education providers.

3 In the accounting used in measuring the overall size of the package, the road, black spot and East Kimberley initiative tally to \$0.4 billion rather than \$0.96 billion. It is assumed this is because the \$711 million for road projects brings forward some previously announced projects in time. Department of Prime Minister and Cabinet, *Nation Building: Rail, Road Education & Research and Business*, December 2008, p. 4.

Investment Allowance

An additional tax deduction for businesses was included in the package. The deduction took the form of an investment allowance for tangible depreciating assets that cost more than \$10 000. Businesses were able to claim a tax deduction of 10 per cent of the value of assets purchased, held under contract or constructed between the date, the package was introduced and 30 June 2009. It was estimated that the cost of this measure to the Commonwealth would be \$1.6 billion.

Temporary changes to taxation

The Nation Building Package included an announcement that the pay-as-you-go payment required from businesses with turnover of less than \$2 million per year would be cut by 20 per cent for the December 2008 quarter. It was expected that this would cost the Commonwealth about \$440 million in 2008–09, but that as it represented a bringing forward of the expected lower revenue from small business in 2009–10, the cost of this measure would be neutral over the forward estimates period.

Composition of the Nation Building and Jobs Plan

The Nation Building and Jobs plan remains the largest of the various stimulus packages at a combined value of approximately \$42 billion. The package consisted of six bills, passed by the Senate on 13 February 2009:

- Appropriation (Nation Building and Jobs) Bill (No.1) 2008–2009;
- Appropriation (Nation Building and Jobs) Bill (No.2) 2008–2009;
- Household Stimulus Package Bill 2009;
- Commonwealth Inscribed Stock Amendment Bill 2009;
- Tax Bonus for Working Australians Bill 2009; and
- Tax Bonus for Working Australians (Consequential Amendments) Bill 2009.

Appropriation (Nation Building and Jobs) Bill (No.1) 2008–2009

This bill appropriated \$89 million, with \$39 million for the Department of Environment, Water, Heritage and the Arts to administer the energy efficiency programmes and \$50 million to allow the Australian Tax Office to administer the tax bonus payments.

Appropriation (Nation Building and Jobs) Bill (No.2) 2008–2009

This bill appropriated \$1.7 billion, with \$987 million for the Building the Education Revolution program, \$260 million for social housing construction, and \$480 million for various road construction and safety initiatives.

Household Stimulus Package Bill 2009

The bill provided for a series of one-off cash payments to individuals who received various forms of welfare from the Commonwealth. The nature of the payments is discussed below.

Commonwealth Inscribed Stock Amendment Bill 2009

This bill amended the *Commonwealth Inscribed Stock Act 1911* to allow the Treasurer to declare that a certain circumstance exists which justifies an increase in the cap of Commonwealth Government Securities (CGS) on issue. The bill allows the Treasurer to issue an extra \$125 billion on top of the existing \$75 billion cap, allowing for the issue of \$200 billion of CGS.

Tax Bonus for Working Australians Bill 2009 and Tax Bonus for Working Australians (Consequential Amendments) Bill 2009

This bill enabled one-off lump sum payments to individuals that had a taxable income of up to \$100,000 in the 2007-08 financial year.⁴

Programmes and Initiatives under the Nation Building and Jobs Plan

The various initiatives under the Nation Building and Jobs Plan took the form of both cash payments and direct government expenditure:

- cash payments to taxpayers (Tax Bonus);
- cash payments to certain categories of welfare recipients (household stimulus payments);
- Building the Education Revolution—school building construction and refurbishment;
- Energy Efficient Homes program, including rebates for insulation and solar hot water systems;
- social and defence housing construction;
- investment in highways and road safety (black spots and boom gates); and
- regional and local community infrastructure program.

Cash payments to taxpayers and certain welfare recipients

Cash payments were made to two broad categories — through a one-off tax bonus, and through a one-off additional payment to recipients of certain welfare payments.

4 The bill authorises the Commissioner of Taxation to pay the tax bonus to eligible taxpayers. The Consequential Amendments bill made amendments to the various acts relating to taxation to ensure that the payments themselves were exempt from tax.

The package created a tax bonus for taxpayers who had an adjusted tax liability and a taxable income of under \$100 000 in 2007–08. Any taxpayer that had a net tax liability after taking into account tax offsets and franking credits, meaning they paid tax, in 2007–08 was eligible, if they earned under \$100 000.

Taxpayers who earned under \$80 000 in 2007–08 were eligible for a \$900 payment. This dropped to \$600 for those in the \$80 000–\$90 000 bracket and \$250 for those who earned between \$90 000 and \$100 000.

The estimated total cost of the tax bonus was originally expected to be \$8.2 billion, assisting 8.7 million taxpayers. However, amendments to the package marginally reduced the size of the payments by \$50 at each level of the payment (i.e. from \$950 to \$900, \$650 to \$600 and \$300 to \$250). This suggests that the revised cost would be in the order of \$7.5–\$8 billion.

The Household Stimulus Package Bill 2009 created a series of one-off \$950 cash payments to certain categories of welfare recipients. These included:

- Training and Learning Bonus—For senior secondary or tertiary students receiving a range of education assistance payments including:
 - Youth Allowance;
 - Austudy;
 - Sickness Allowance;
 - Special Benefit; or
 - Family Tax Benefit Part A (aged 21 to 24 years).
- Farmers Hardship Bonus—For individuals receiving:
 - Exceptional Circumstances Relief Payment;
 - Farm Help Income Support;
 - Transitional Income Support; or
 - Interim Income Support.
- Education Entry Supplement— For individuals receiving an Education Entry Payment between 1 January 2009 and 30 June 2010. The qualification period for receipt of Education Entry Payment was reduced from 12 months to four weeks of continuous receipt of an income support payment during the period 1 January 2009 until 30 June 2010. Eligibility for the Education Entry Payment was also extended during this period to Youth Allowance recipients who are not full-time students.
- Back to School Bonus - For each child aged 4 to 18 years who qualifies for Family Tax Benefit Part A on 3 February 2009. Those who received a Disability Support Pension or Carer Payment who were aged under 19 years on 3 February 2009 are also eligible.

Building the Education Revolution (BER) Program

The BER program had three main elements:

- Primary Schools for the 21st Century provides \$12.4 billion over three years for upgrading or building major infrastructure such as multipurpose halls and libraries. Both government and non-government primary schools are eligible to compete for the available funds, with priority being given to those schools building new facilities;
- Science and Language Centres for 21st Century Secondary Schools provides \$1 billion over three years for the construction of up to 500 science laboratories or language learning centres. Both government and non-government schools are eligible to apply for this funding, which is allocated on the basis of demonstrated need and capacity to complete the project by 30 June 2010; and
- Renewing Australian Schools allocates \$1.3 billion for all Australian schools to undertake maintenance and minor building works. Funding caps were to be determined by school size.

Social and Defence Housing

Under the Commonwealth Social Housing Initiative, up to \$6 billion is provided for the construction of approximately 20 000 dwellings by December 2010. Around \$400 million was also allocated for the repair of currently uninhabitable public housing.

Energy Efficient Homes Program

Under this programme, which applies from 1 July 2009 until 31 December 2011, the Government has offered to install ceiling insulation of up to \$1600 in value in all uninsulated owner-occupied homes. According to the Minister's Second Reading Speech, this will invest \$2.7 billion in housing modernisation by the end of 2011 and result in the insulation of almost all Australian homes.

As a further part of the Energy Efficient Homes program, two pre-existing energy efficiency programs were enhanced through the Nation Building initiative:

- under the Low Emissions Plan for Renters, there was an increase in the maximum rebate (from \$500 to \$1000) until 30 June 2011 for landlords installing insulation in an uncapped number of rental homes. The Government provided additional funding of \$612.5 million under this new arrangement; and
- the Solar Hot Water Rebate was increased from \$1000 to \$1600 for those households that do not access the insulation program and that replace existing electric hot water systems with a solar and heat pump hot water system before 30 June 2012. Means-testing for rebate eligibility was also removed. Additional funding for this program was \$507 million.

Road and transport safety initiatives

The land transport initiatives included additional funding for highway linkages, the installation of boom-gates at rail crossings and additional funding for the Black Spot road safety program.

Community Infrastructure

An additional \$500 million was provided over two years to support large local government strategic projects. Examples include community infrastructure such as halls, community centres and sport and recreation facilities.

Nation Building Infrastructure measures in the 2009–10 budget

Within the context of the national budget, it is difficult to assess which measures should be considered as stimulus initiatives. Technically, the overall size of the budget deficit (or surplus) reflects the ultimate position of government fiscal policy. The projected underlying cash deficit for 2009–10, as at May 2009, was \$57.6 billion. It is possible, in light of better than expected economic performance, that the budget deficit will also be lower than projected.

As the Treasurer indicated in his Budget Speech that the Nation Building Infrastructure measures represented a 'third phase'⁵ of the fiscal stimulus programme, the committee includes them in the government's stimulus initiatives.

Composition of the Nation Building Infrastructure measures

Initiatives categorised in the 2009–10 budget as 'nation building infrastructure' amounted to total new investment of \$22.4 billion. The majority was devoted to roads, rail and port development, with significant funding for the National Broadband Network, clean energy, education, health and hospitals.

Roads, rail and ports

Projects for the improvement of metropolitan rail networks in Sydney, Melbourne, Brisbane, Perth, Adelaide and the Gold Coast will receive \$4.6 billion of funding. The single biggest item in this category was \$3.2 billion for the Regional Rail Express in Victoria.

The package also includes \$3.4 billion worth of major road improvements. The focus of the development is the Network 1 route linking Melbourne to Cairns. The single biggest item of expenditure to accomplish this is \$1.45 billion for the Hunter Expressway in NSW.

5 The Hon Mr Wayne Swan, Treasurer, *Budget Speech 2009–10*, p. 5.

Finally, \$389 million has been included for development of Oakajee Port in West Australia and Darwin Port in the Northern Territory.

National Broadband Network

An initial investment of \$4.7 billion for the National Broadband Network is included in the 2009–10 budget.

Clean energy initiatives

Approximately \$3.6 billion has been provided for the establishment of a new renewable technology innovation organisation, Renewables Australia, investment in Solar Flagships projects and in Carbon Capture and Storage demonstration plants and for energy efficiency programmes.

Education measures

Education investment of \$2.6 billion is included in the 2009–10 budget. The single largest item is \$901 million to build capacity in future industries including space, marine, climate and nuclear science. Other measures include funding for higher education and vocational education projects.

Health and hospital measures

A total of \$3.2 billion has been allocated to health initiatives. Of this, \$1.5 billion is to fund various upgrades to medical facilities around Australia. \$1.3 billion will be invested to improve cancer treatment through the establishment of cancer treatment centres and upgrades for screening equipment. Finally, \$430 million will be invested in research and training programmes around Australia.