FACT SHEET: KEY POINTS BUDGET 2012-13

General overview and economic outlook:
All round, the Budget continues to be impacted by natural disasters both at home and abroad, the increase in the value of the Australian Dollar and overall lingering effects of the Global Financial Crisis. These factors have impacted the Budget bottom-line to the effect of $150 billion since 2008.

The Budget shows 2011-12 will be in deficit ($44.4 billion cash) but will return to a small surplus ($1.5 billion) in 2012-13, ahead of any of the major advanced economies. The deficits will be higher and the subsequent surpluses lower than forecast at the time of the 2011-12 Budget.

The Australian economy is set recover to a stronger growth pattern, after a lower than anticipated growth rate of 3 per cent in 2011-12, to 3.25 per cent in 2012-13, with unemployment expected to be relatively stable with a small increase to 5.5 per cent before returning to 5 per cent in the forward estimates.

Net debt will peak at 9.6 per cent in 2011-12, almost 2 per cent higher than anticipated. This is expected to drop below 7.5 per cent by 2014-15.

The Budget 2012-13 reflects the Australian Government’s continued commitment to cap real spending growth at lower than 2 per cent a year and fully offset new spending with savings.

In spite of the difficult financial situation, the Australian economy is rebounding quickly, and is both returning to surplus and retiring public debt faster than any economy in the developed world. However, despite the very conservative estimates of economic growth and unemployment movements in the forward estimates, this surplus is a very small one and certainly vulnerable to ongoing global stability.

Budget Priorities:
The Budget 2012-13 reflects the following Australian Government priorities outlined in Budget Paper No.1:
- Returning the Budget to surplus on time, as promised
- Spreading the benefits of the boom
- First steps toward a National Disability Insurance Scheme (NDIS)
- Helping business to invest
- Investing in key services
- Building an aged-care service for the future
- Building a more productive workforce
- Building productivity by investing in nation-building infrastructure
Key initiatives:

Workforce participation
• $10 million over four years for $1000 payments to employers giving jobs to over-50s
• $225.1 million over four years for additional funding for the Jobs, Education, Training, Child Care Fee Assistance (JETCCFA)
• $26 million Silver Service employment program to assist job-seekers over 55.

Health
• $515.3 million to a national dentistry package, including $346 million to reduce public dental waiting lists.
• $475 million in funding to complete the $1.8 billion Health and Hospital Fund (HHF) announced in the last Budget.
• Increasing the bowel cancer screening program by $49.7 million over four years

Education and training
• Education Tax Rebate revamped into twice-yearly payments. Eligible families - those entitled to Family Tax Benefit A - receive $410 for each child in primary school, and $820 for each child in high school. At a cost of $2.1 billion over five years.
• Reform of the Vocational Education and Training system - $1.75 billion in addition to the previous $7.5 billion agreed to under COAG.
• $54 million for new maths and science education programs

Indigenous Issues
• $2.6 billion to be directed to the ‘Stronger Futures’ program over 10 years for health, education, community services and drug and alcohol abuse programs
• $3.4 billion to Northern Territory Government to assist in Closing the Gap measures over the next ten years.
• $43.4 million for remote municipal services and $21.2 million over four years for Torres Strait infrastructure.

Disability
• The Government will provide $1 billion over the next four years to fulfill its share of funding for the National Disability Insurance Scheme, to be in place by 1 July 2013.
Spending Cuts/Savings:

The Government has identified $33.3 billion in savings over this Budget cycle and beyond, some of the larger cuts include:

- Cuts to defence of $4 billion
- Reforming the parenting payment, to shift parents of children over the age of eight, onto the lower and more demanding Newstart payment, a saving of $700 million
- A one-off increase in the 1.5 per cent public service ‘efficiency dividend’ of 2.5 per cent, for a total of 4 per cent reduction in costs, saving $1.5 billion over four years
- Deferring majority of overseas development aid to 2016-17
- Not proceeding with the standard work-expenses deduction
- Changing the age of child eligibility for the Family Tax Benefit A to 18 years or in high school
- Increased road user charge on fuel used by heavy vehicles

Of interest to Local Government:

- Continued general purpose payments (FAGs) being:
  - The funding encompasses “funding to assist rural and regional councils and shires to deliver their services, maintain local roads and upgrade local community facilities…” Councils will receive $1.1 billion in funding will through FAGs in 2012-13.
  - The first two installments of 2012-13 payments will again be paid early ($1.18 billion going to councils before the end of 2011-12) “to assist local councils with planning for the recovery and to ensure local government has maximum certainty to begin planning their 2012-13 works programs”

- Roads to Recovery funding
  - Roads to Recovery will continue to be funded at a rate of $350 million per year until 2018-19

- Local roads funding
  - $4.1 billion funding package toward local roads over four years
  - $300 million over 5 years for the Black Spot Program

- Caring for our Country funding
  - Funding of $2.2 billion will be made available from 2013-14.
ALGA’s analysis of key points in the 2012-13 Federal Budget from a local government perspective

Financial Assistance Grants (FAGs)

- The Budget 2012-13 maintains the system of payments to support local government, through Financial Assistance Grants (FAGs).
- For the 2011-12 year, the Australian Government will allocate $2.7 billion in FAGs for local government services to the community. This is the total after bringing forward $1.18 billion from the 2012-13 year first two quarter payments into the 2011-12 year.
  - This is now the fourth year in a row that the payments have been shifted into the previous financial year.
  - The payment will accordingly increase the FAGs local government receives in 2011-12, with a corresponding reduction in 2012-13 to $1.1 billion.
- FAGs continue to comprise two components: general purpose assistance grants; and untied local roads grants. Supplementary funding of South Australian councils for their local roads is also continued in the Budget 2012-13 ($16.9 million).

<table>
<thead>
<tr>
<th>Table 1: Commonwealth funding for local government 2012-13 ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purpose Assistance</td>
</tr>
<tr>
<td>Untied Local Road Funding</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>First two quarters payment for 2012-13 (to be paid in the 2011-12 financial year)</td>
</tr>
<tr>
<td>TOTAL LOCAL GOVERNMENT FUNDING</td>
</tr>
</tbody>
</table>
Table 2 outlines total Financial Assistance Grants (FAGs) for the period 2011-12 to 2015-16.

Table 2: Total financial assistance grants to local government 2011-12 to 2015-16

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purpose Assistance</td>
<td>1886.0</td>
<td>774.2</td>
<td>1609.9</td>
<td>1674.2</td>
<td>1739.6</td>
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<tr>
<td>Untied Local Road Funding</td>
<td>836.9</td>
<td>343.5</td>
<td>714.4</td>
<td>742.9</td>
<td>771.9</td>
</tr>
<tr>
<td><strong>Total financial assistance</strong></td>
<td><strong>2722.9</strong></td>
<td><strong>1117.8</strong></td>
<td><strong>2324.3</strong></td>
<td><strong>2417.1</strong></td>
<td><strong>2511.6</strong></td>
</tr>
</tbody>
</table>

FAGs are increased annually, based on an escalation factor determined by the Treasurer with reference to population growth and the consumer price index. CPI is estimated to be around 3 per cent and population growth is about 2 per cent.

A breakdown of FAGs to local government by jurisdiction for 2012-13 (cash basis) is provided in Table 3. The figures are sourced Budget Paper 3, page 114.

Table 3: financial assistance grants to local government by jurisdiction 2012-13

<table>
<thead>
<tr>
<th>Financial assistance grants</th>
<th>NSW $m</th>
<th>VIC $m</th>
<th>QLD $m</th>
<th>WA $m</th>
<th>SA $m</th>
<th>TAS $m</th>
<th>ACT $m</th>
<th>NT $m</th>
<th>TOTAL $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purpose Assistance</td>
<td>249.6</td>
<td>192.4</td>
<td>156.8</td>
<td>81.1</td>
<td>56.5</td>
<td>17.4</td>
<td>12.6</td>
<td>7.8</td>
<td>774.2</td>
</tr>
<tr>
<td>Untied Local Road Funding</td>
<td>99.7</td>
<td>70.8</td>
<td>64.4</td>
<td>52.5</td>
<td>18.9</td>
<td>18.2</td>
<td>11.0</td>
<td>8.0</td>
<td>343.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>349.3</td>
<td>263.3</td>
<td>221.1</td>
<td>133.6</td>
<td>75.4</td>
<td>35.6</td>
<td>23.6</td>
<td>15.9</td>
<td>1117.8</td>
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Note: The figures in Table 2&3 have been adjusted to reflect the payment of the first two quarters of 2012-13 FAGs ($1.18 billion) in 2011-12.
Federal Budget 2011-12 analysis:

Transport - A Local Government perspective

Key Points:

- $4.1 billion funding package over four years to assist local councils and shires maintain and upgrade their local roads
- Roads to Recovery to be renewed until 2019, with funding to remain at $350 million per year
- $3.56 billion to be put towards the full duplication of the Pacific Highway
- Of the 217 major works under the National Building Program (funded until 2013-14), 103 have been completed and 81 are currently underway
- Moorebank Intermodal Facility to be built in Sydney’s South-West by 2017, with the purpose of taking 1.2 million trucks a year off the City’s local road network
- Torrens and Goodwood Junctions Upgrade, designed to reduce bottlenecks surrounding Adelaide, this will enable a smoother movement of freight.
- $300 million over five years to the Black Spot Program
- $140 million to continue the Heavy Vehicle Safety and Productivity Package
- $4 million to extend the coverage of seatbelts on regional school buses
- Establishing a new Brisbane-based Heavy Vehicle Regulator ($15.6 million)
- A new Rail Safety Regulator to be established in Adelaide ($9.2 million)
- Extension of the Australian Maritime Safety Authority’s regulatory responsibility to all commercial vessels ($10.2 million)
Commonwealth funding for Local Roads in 2012-13

Roads to Recovery – Roads to Recovery will be extended to 2019, with funding of $350 million per year

Identified Local Road Grants - $360.4 million, including $16.9 million supplement given to South Australia

Black Spots: $300 million over five years, $59.5 million in 2012-13

Total road funding allocation for councils in 2012-13 is set out in the table below:

Local roads funding – 2012-13

<table>
<thead>
<tr>
<th>State</th>
<th>Roads to Recovery $m</th>
<th>Identified local roads grants $m*</th>
<th>Black Spots $m</th>
<th>Total $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>99.7</td>
<td>99.7</td>
<td>19.1</td>
<td>218.5</td>
</tr>
<tr>
<td>Victoria</td>
<td>71.2</td>
<td>70.8</td>
<td>13.6</td>
<td>155.6</td>
</tr>
<tr>
<td>Queensland</td>
<td>71.2</td>
<td>64.4</td>
<td>12.1</td>
<td>147.7</td>
</tr>
<tr>
<td>Western Australia</td>
<td>51.2</td>
<td>52.5</td>
<td>6.5</td>
<td>109.9</td>
</tr>
<tr>
<td>South Australia</td>
<td>31.5</td>
<td>18.9</td>
<td>4.7</td>
<td>55.1</td>
</tr>
<tr>
<td>Additional funding for SA local roads</td>
<td></td>
<td></td>
<td>16.9</td>
<td></td>
</tr>
<tr>
<td>Tasmania</td>
<td>11.4</td>
<td>18.2</td>
<td>1.6</td>
<td>31.2</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>10.2</td>
<td>8.0</td>
<td>1.0</td>
<td>19.2</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>3.4</td>
<td>11.0</td>
<td>1.0</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>349.8</strong></td>
<td><strong>360.4</strong></td>
<td><strong>59.5</strong></td>
<td><strong>769.7</strong></td>
</tr>
</tbody>
</table>

Note: sum of the components may not add to the total due to rounding

*Two quarters of funding only, as the first two quarter payments are to be made in 2011-12

Some state specific projects

NSW

- $3.56 billion towards the full duplication of the Pacific Highway
- Completing the Holbrook Bypass on the Hume Highway ($224.8 million)
- Construction of a new Hexham passing loop ($1.1 billion)
• Construction of the North Orange Bypass ($10 million)

VIC
• $3.2 billion towards the Regional Rail Link
• Widening the Western Ring Road ($788.8 million)
• Widening the Metropolitan Ring Road ($111.2 million)

QLD
• Construction of the Moreton Bay Rail Link ($742 million)
• Construction of a new interchange of the Bruce and Dawson Highways ($150 million)
• Construction of a new Cargo wharf in the Port of Townsville ($4.0 million)
• Widening of the Ipswich Motorway from Dinmore to Goodna ($1.8 billion)
• $365 million towards the Gold Coast Rapid Transit project

WA
• Gateway WA project to upgrade the roads around Perth Airport ($686.4 million)
• Re-routing the Great Northern Highway to the North of Port Hedland ($154 million)
• Duplication of the Dampier Highway between Karratha and Dampier ($91.7 million)
• $236 million towards the Perth City Link project

SA
• $232.1 million from 2015-16 to separate the freight lines from the passenger lines
• Replacement of 800 kilometres of rail between Whyalla and Broken Hill ($227 million)
• Construction of the South Road Superway ($406 million)
• Renovating the Gawler Rail Line and stations ($293.5 million)

TAS
• North East Freight Roads Package ($34 million)
• Replacing sleepers and ballast on the North-South rail line ($55.6 million)
• Construction of the Brighton bypass ($186.2 million)
NT

- Strengthening and widening sections of the Central Arnhem Road ($150 million)
- Widening and sealing the carriageway at Tom Turner’s Crossing ($11 million)
- Strengthening and widening sections of the Stuart, Victoria and Barkly Highways ($63 million)

ACT

- Construction of the Majura Parkway ($144 million)
- Completion of the duplication of the Monaro Highway between Canberra Ave and Newcastle Street ($18.5 million)