



TREASURER'S ECONOMIC NOTE

Australians can rightfully be proud of our nation's record of job creation over the past few years. Hundreds of thousands of people have entered the workforce and gained much more than a pay packet – they've acquired purpose, security, dignity and a greater connection with their communities. A belief in the importance of employment got me into politics and it's something I talked about in [my first speech to Parliament in 1993](#). Back then, I spoke about the need for quality jobs, decent pay, fair conditions, training, and developing new industries. Eighteen years later, these issues remain my focus. Job creation was central to last month's Budget, and it's at the core of this Government's economic agenda. It's also one of the reasons why I'm so committed to tackling climate change. As well as helping create a cleaner environment, putting a price on carbon pollution will ultimately deliver a stronger economy and better jobs for our children and our grandchildren. There's no need to choose between employment and the environment. Jobs will be created, industries will prosper, and our economy will continue to grow strongly with a carbon price.

Clean Energy Future

Putting a price on pollution will drive innovation to find better, less polluting ways of producing power, goods and services. Dirty energy will become more expensive and clean energy cheaper, tilting the balance towards investment in renewable energy and forms of power generation that produce lower emissions. The Government will also help accelerate this transition by directly investing in clean energy projects. The Prime Minister yesterday announced funding to help build [two of the largest solar power plants in the world](#) – one near the Queensland town of Chinchilla, and another in Moree, NSW. Together, the projects are expected to generate enough power to support the annual electricity needs of more than 115,000 Australian homes. Projects like this will help kick-start the clean-energy jobs of the future. I'd encourage you to take a look at some of the interesting [fact sheets](#) put out last week by the Department of Climate Change and Energy Efficiency that show a big increase in investment in clean energy around the world. In 2009 alone, large-scale investment in the clean-energy sector included US\$34.6 billion in China, US\$18.6 billion in the United States, and US\$1 billion in Australia.

While there have been plenty of irresponsible claims made in recent weeks about the impact both a carbon price and the new resource tax arrangements could have on the mining industry, the investment pipeline tells another story entirely. Companies are optimistic about the future, and are expanding production to meet surging demand. A staggering \$430 billion in resources investment is either underway or on the drawing boards as of April, up from around \$380 billion in October, according to the Australian Bureau of Agricultural and Resource Economics and Sciences. Breaking that down by commodity shows about \$70 billion is planned for coal-related projects, \$80 billion for iron ore and \$215 billion for oil and gas. I share the industry's confidence about the future, and am determined that our nation make the most of the benefits flowing from the mining boom.

Investing in Research

A carbon price is one way to encourage investment and innovation. Another way is to have the right tax incentives for research and development. Left to themselves, markets don't tend to invest enough in research and development because it's very hard for individual businesses to capture all the benefits for themselves and because not all R&D projects deliver a return for the businesses that invest in them. Most economists recognise this as a market failure and support assistance for R&D because of the great benefits it delivers to the nation's productivity. On Wednesday, I was pleased to announce with Minister Kim Carr that the Government had reached agreement with the crossbenchers to introduce a new R&D tax incentive. The reform, which will apply from 1 July 2011, will help channel higher levels of funding to genuine R&D, rather than spending that would have been likely to happen anyway. Businesses with annual turnovers of less than \$20 million will benefit most, as they will receive the highest rate of assistance and (importantly for many cash-strapped small businesses) the ability to claim their R&D tax refund credit within months of actually doing the R&D. Small- and medium-sized businesses are the engine rooms of our economy and these reforms will help spur a new wave of innovation.

The Year in Numbers

This Friday marks a year since Julia Gillard became Prime Minister and I gained the added role of Deputy PM. With the nation's worst natural disasters in living memory, it's certainly been a rugged year for many. That's before you even consider the cost of living pressures on households and the impact a higher dollar is having on many companies and industries. Still, Australians can be confident about the future, with strong jobs growth and business investment, and public finances that are the envy of the world. It shows we're continuing to get the policy settings right. I thought I'd share a few figures to give you a factual perspective on the last 12 months:

- 258,000 – the number of Australians to gain a job
- 130,000 – the number of families with teenagers aged 16 or older to benefit each year from an increase of up to \$4,200 in Family Tax Benefit Part A
- 65,000 – the number of families to claim the new Paid Parental Leave scheme since its introduction on January 1
- 135 – the number of bills passed by the House of Representatives (none have been defeated)
- 12 – the number of additional tax reforms announced in the past year based on recommendations of the tax review

While noting the achievements of the past year and those since we came to office, I'm keen to get on with the hard work needed to ensure our nation's future prosperity, like putting a price on carbon pollution, delivering critical nation-building infrastructure like the NBN, and reforming the taxation of our nation's mineral wealth.

Getting Rid of Mortgage Exit Fees

I'm hopeful this week will bring another important achievement, particularly for Australian families trying to get a fairer deal on their mortgage. The Parliament is scheduled to vote on the Government ban on mortgage exit fees on new home loans from 1 July. I'm determined to get rid of these fees, which are one of the biggest roadblocks stopping consumers switching to a better deal with another lender. Consumer watchdog Choice warns that moves to block the Government's ban "could wipe out a key step towards a better banking sector" because removing exit fees is "about giving power back to the most important people in Australia's banking sector – consumers". Arguments that the ban on these fees will simply lead to increases in other charges misses the point that banks use exit fees to lock in customers, not to raise revenue. They hope people won't pay the fee because they don't want them to switch to another lender. Lenders should have to win the loyalty of their customers with good service and good value lending rates, not by shackling their customers with mortgage exit fees as high as \$7,000.

Sustainable Health Care

With an ageing population, the rising cost of health care is an issue that simply won't go away. Last year's Intergenerational Report estimated that private health insurance will be the fastest growing component of the Government's health expenditure over the next decade. As part of the effort to make sure spending is sustainable and targeted where it is most needed, the Government will soon introduce legislation to Parliament to ensure those with a greater capacity to pay for their own private health insurance do so. Of course, we'll hear claims that people will leave private health insurance in droves if we limit the availability of the rebate. Treasury modelling suggests this isn't the case and that the possible drop-out rate is likely to be only about 0.3 per cent. We heard warnings about an exodus from private health insurance when we made changes to the Medicare Levy Surcharge threshold in our first year of Government – the dire predictions never came true. This reform obviously won't be popular with everyone, but it's necessary for the long-term good of the system.

Wayne Swan

Deputy Prime Minister and Treasurer of Australia

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