THE HON SCOTT MORRISON MP
TREASURER OF THE COMMONWEALTH OF AUSTRALIA

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Check against delivery

TREASURER: Thank you very much, Chris. It's a great pleasure to be back here again today and particularly in this new role as Treasurer. It was about a year ago where I addressed you as the Social Services Minister and talked about a number of very important things that were happening in our community and our society and I'm pleased that over the course of that year we went through, we were able to act on many of the things that were outlined in that presentation on that day, and today is no different. I think you all know that I have a fairly candid and upfront sort of approach to life and politics and today, I will be speaking to you to set out the economic and fiscal context of this year's budget. Now, in three months' time, I will come back here and I will be talking to you about what was actually in the Budget. That day is not today. That day is in three months' time.

But in three months' time, that will all be out for us all to pour over, but today, the job – and I'm joined by a number of my colleagues who I will come to in a second – our job today is to set out that economic and fiscal context for the Budget that we're preparing, that was always the purpose of coming here today , to set out what some of the pressures are, the principles that we're following and the purposes of the Budget, and to explain, I think, some of the process that we've been engaged with over the last several months. Now, I've been doing that as a part of a very strong team, of course, with the Prime Minister. But of course, Mathias Cormann as the Minister for Finance has been an outstanding Minister for Finance and he and I are a very close team particularly as we work together on the Budget and it's a thrill to work with Mathias and I commend him on all the great work he has done in a very tough gig. He and I, of course, are joined by Kelly O'Dwyer, the Assistant Treasurer and Minister for Small Business.

Kelly is a key part of our economic team and you've heard from her just a few weeks ago, where she's been leading the charge on issues particularly around multinational tax and I will touch on that briefly today as well. Alex Hawke is the Assistant Minister to the Treasurer and he has responsibilities that actually extend far and wide in the portfolio assisting me in the various responsibilities, and together, this is the economic team working with the Prime Minister to ensure that we frame the economic policy and narrative which can give and continue to give Australians the confidence in the economic management the government is providing. Now, I'm pleased I'm joined also today by a number of other colleagues.

I particularly want to acknowledge the new Minister for Human Services to be sworn in this week Alan Tudge. I want to congratulate Alan on his elevation to the ministry. It's thoroughly deserved. He has done an outstanding job in the area of social policy more generally. I worked with him when I was Social Services Minister and to see him coming into that role, I really commend him for that. Equally, Angus Taylor, consultant at large now to the Prime Minister in his new role as Parliamentary Secretary. If he does as good a job as he did for McKinsey's, for us in this role, then I think he will add a lot of value. It's great to see you as part of the team, Angus. To Zed Seselja, it's always great to have a close colleague and friend here. I thank you for being here for this presentation.

When I was thinking about the presentation today, which I have titled *'Backing Australians in our transitioning economy'*, it reminded me of an experience I had some years ago, around 10 years ago in New Zealand where Jenny and I lived for a period of time. We became very good friends with this American fella and his wife, she was a New Zealander, and he was an America. And Americans are a funny bunch. They say all sorts of things all the time, "have a nice day" and all that sort of thing. Australians sometimes feel a bit uncomfortable about the exuberance of Americans on occasions. Sometimes we think that they're just lines, it's not really meant and all the rest of it.

This bloke was a guy called Clay, Clay Nelson was his name and he remains a good friend to this day. Clay was from a little town in Texas called Texarkana, it's on the border of Arkansas and Texas. He came from a real southern family. His father is allegedly the first Elvis impersonator in history. When Elvis came and played at their little town and he was little known, his father, who was actually not a bad musician, Clay tells me his dad was actually better than Elvis, but he carried on the performances in the venue because I don't think Elvis ever came back and played at that venue again. This was the good old boys there, they would invest in conservation programs in Alaska because they were duck shooters in Texas and they literally were ensuring that the stock for the shoot a little later on in the year was well replenished. Clay would have a million of these stories, but their other idea of pulling pranks on each other, his dad and his mates, was they'd put live alligators in each other's hunting cabins.

This was Clay. Clay Nelson. Great bloke. Clay had a saying that he always used to say to people. He was in sales, surprisingly. Clay would sit down with a client or a mate or a friend or whatever and the first thing he'd always say to you was: how can I help you win today? When you heard that for the first time, you sort of recoiled a bit as an Aussie and said "that's a bit full-on. That's a bit much. Does the guy really mean it?" We became very good friends and I know he meant every single word of it. That was his business practice. Every single deal he went into, every relationship he had, he took that attitude of: how can I help the person on the other side of that table win today? Now, in Australia, if I was to translate Clay's Texarkana "how can I help you win today" I'd say "how can I back you in today?" You're out there trying to make something happen. How can I, as Treasurer, how can the Government back you in in terms of what you're doing and what you're hoping to achieve? And that's our job.

That's what we're trying to do as the Turnbull Government. We know that Australians are out there, every single day, transforming and transitioning our economy. They're out there, as I have said, working hard, earning, paying taxes on what they're earning. They're saving for their future and they're investing in the opportunities that are out there. These are the Australians that are the key to jobs and growth in this country. These are the Australians that are actually going to make the difference, for my children, our children, and future generations. It's the people who are out there earning that we really have to focus on in terms of economic policy and how we pitch and frame our tax system, how we pitch and frame our programs, those who are making that difference.

Now, as we think about that challenge, I've got a few charts which I wanted to run through today. There are a number of things we have to do as we frame the Budget. First, our starting point is we have to have a very candid assessment of the global and domestic economic circumstances, the environment in which we're seeking to frame this Budget. Our philosophy is that you can better target and control the things you can control in economic policy if you have a better understanding of the things that you can't control. So, while we can't control what's happening globally at the moment, a good understanding of what's happening can really help us frame what we can control in pulling together in the Budget.

As we know, markets have been extremely volatile since the Christmas period. As people sit at home, they've been watching that on their screens. They have been watching that around the place and that would undoubtedly cause a bit of anxiety in terms of what is occurring. You're familiar with these numbers. If you put it in an historical context, what we've seen in the last month we've seen before and not in as drastic as terms as we've seen in the past but I think there's no doubt that there has been quite a lot of volatility and that continues to this day and it's likely not over yet. There have been major movements in commodity prices particularly in oil prices. We've seen major movements in both supply and the price of oil around the world.

That's one of the factors. But I haven't seen anyone yet who's been able to stand in front of whether it's a lectern like this or in front of the Bloomberg’s Canberra or CNBC and give an absolute exposition as to what is actually going on.

Now, cheap money has also been a big part of what we've been seeing happening globally. Quantitative easing now has been around for a while. While the morphine may have arguably been good for the patient at the time, that morphine is proving hard to kick and we've seen, particularly in markets in recent times, that any movements one way or the other on these issues has caused very jittery responses around the globe. It's also important to make the point that longer term Treasury yields have also been affected in a similar way. So, both the short and long-term cost of borrowing money is a lot cheaper than it used to be. That's become one of the new norms in the global environment. Global growth downgrades have also become a fairly regular feature.

There's no great shock in all of that. The purpose of this chart which goes through the various IMF forecasts going back a number of years has shown where those lines have been moving now for some time. It's the oldest Treasurer's gag in the world that an economist prediction is basically a mistake between two facts, and forecasting's not perfect. I'm not about to give anyone a lecture on the accuracy or otherwise of their forecasts but if you look at the trend, what we are seeing is that there has been a conditioning now to a much lower growth environment around the world. That has been happening particularly in response to large economies. Australia has been no stranger to that trend, and that is the environment in which we live.

Turning to China in particular – I wanted to say a little bit about China. When I was at the A50 event with Citibank recently, Andrew Robb was telling me there were some 16 trillion-odd funds under management in the room on that day – Alex was there that day, Mathias was there as well, Arthur Sinodinos had been there – they were quite surprised to learn about the depth and the sophistication and the diversity of our engagement with China. They had been seeing, I think, Australia as having a fairly one dimensional relationship with China around resources, but the truth as we all know is quite different to that. The fact that China is slowing down is a bit like predicting tomorrow morning's sunrise there's no great shock about that. That has been conditioned and factored in now for some time. The obvious arithmetic point is continually lost, and that is: a growth rate in China at just below 7 per cent was worth well over 10 per cent a number of years back, and well over 14 per cent when you go back seven years or so. So, it's growing off a much larger base and the volume of growth, the volume of growth coming out of China still provides great opportunities for our economy and it's something to be the most excited Treasurer to be at this time, as an Australian. To paraphrase another great Australian.

So, when we look at the issue of China there remains good, strong opportunities. Their economy, like ours, is transitioning. For the first time, as you can see on the chart, more than 50 per cent of the Chinese economy is now in services. It is undergoing the transformation from production to consumption.

So, the parts of our economy which were really benefitting from the production phase of the economy, particularly in the resources sector, as Josh was saying to you earlier in the week, that production volumes and market share in China continues to grow for our resources sector, so it remains strong.

As we move from the production phase to the consumption phase of the Chinese economy, what we are seeing is the areas of our economy that are growing are syncing with that. So, as we get some one million extra middle-class consumers coming into the Chinese market, that's a positive thing for us. That's a real positive thing for us in terms of education, tourism and other service exports and health services and ageing services, and all of these things which are also facilitated by our great free-trade agreements.

So, this change in China is happening, it's a positive thing and it's something we are well positioned and aligned to. Things are volatile in China, and even just this morning we got the report of the massive surge in financing, setting a new record in China, up over $525 billion US, and that I think is a real sign of what's happening there, and continues to happen there and I think we can take some encouragement out of that in terms of the medium-term positioning.

The issue I'd make about China is as they seek to deal with issues, they are seeking to deal with the issues as they see them and dealing with them in the way they wish to deal with them. The Chinese economy, in its institutions and regulators – I'll be going up to the G20 at the end of the next week. One of the messages I think, positive messages we can have about what's happening in China is they are working through their own institutional evolution. We can't expect all of the central institutions of many of these economies to respond in exactly the same way they would in western countries. They have got a different history. They are going on a different path but they are all trying to get to the same place.

So, we see what China is doing, they are seeking to manage their currency and they are doing that against the Trade Weighted Index (TWI), they are not doing it against the US dollar. You can see that in the chart there, as they are keeping it in that range of plus or minus 3 per cent. They are also trying to deal with the out-flow of capital from China. They are using their own methods to try to control that.

Now, there will be others who will commentate on whether that's the right or wrong way to do it. These are issues that they are identifying they are working through and our job as a good friend of China, is to support them in the evolution of their institutions and their regulatory processes, because we have the same objective in mind and that is to bring stability to these markets as Governments wherever we can.

They have more options than most. The reserve ratio has still got lots of room to move. Their Central Bank rates still have lots of room to move, and definitely much more so than they have in the US or Europe.

The one thing you can always bank on with China is they are committed to growth. That's the one thing you can absolutely bank on, because economic growth is at the core of that country's social, political and economic stability. And they will do what they need to do to ensure growth in their economy and that's good news for every Australian, because every Australian will share in the continued growth of the Chinese economy.

What's happening at home? Well, we are growing and we are transitioning from a growth point of view. Although at 2.5 per cent, that's below the long-term trend, you have got to start asking what the long-term trends are, I think, in this new global economic environment. But we are doing better than all the key economies in the OECD. This is good news.

We have got good growth, both in absolute and relative terms, and that growth is both forecast and projected to improve, not just by Treasury, but also the RBA and others. Our economic transition is well underway just as it is in China, and I have already touched on that. In terms of the growth in our services as we move away from the mining investment boom stage into a new, more diversified economy, things that are really growing are areas of social services, in particular, and I touched on that, I think, last time I was here. These are areas of great growth, employment and advancement for the Australian economy. Consumption has been strong. We noticed that in the most recent national accounts. Confidence in business conditions, regardless of who is surveying them, remain positive.

As the Westpac Institute survey showed just recently, there are more optimists than there are pessimists about the Australian economy out there in amongst consumers and that's a good thing. I can tell you that the Government is one of those optimists and so am I and the Prime Minister and the rest of the team.

Our labour market is strong, over 300,000 jobs created last year. And what we are seeing with the growth, although it's a 2.5 per cent, which is lower than the long-term average, it is far more job intensive growth. For every inch of growth that we are gaining in this new economy we are getting more jobs per inch. That's a good thing. It's something we can, I know the banks in particular as they think about their lending books are always encouraged and the figure they most look at most closely, is the rate of unemployment which has now been under 6 now for some months.

Backing this transition couldn't be more critical to jobs and growth, because what this chart shows is the gap. What you can see with the red bars there and the arrow, that is the non-resources component of expenditure. That's what has to make up the gap as the mining investment has fallen. We have seen a pit, if you like, predicted of what is happening with the mining investment side, resources investment side of things. That will have a mixed performance over the next few years, but the thing that is making up the difference in the growth dividend is what is happening in the non-mining sector of the economy.

So, the diversification is critical to supporting jobs and growth in the future and that's why we need to back it in. But the need for productivity, innovation and incentive in our economy has never been more important. When you look at the componentry of growth in our economy, what is contributing to real national income per person, what you can see in the earlier years, particularly in the period in the 1990s, is the overwhelming majority of what was driving national income growth was actually Labor productivity, that was coming out of the back of a recession and there was a lot of reforms that were taking place over that period, and beyond that. That was supported subsequently by a very strong terms of trade period, which was also contributing to national income growth.

Going forward, the terms of trade support that we have seen previously is not expected to be there. It's gone to the other side of the line, and that means where we have had a labour productivity around 1.5 per cent over the last five years, just to maintain national income at the levels of where the shaded bar is would require that to be at around 2.4 per cent.

So, there has never been a more important time to focus on innovation, productivity and incentive in our economy. That is critical to backing Australians in as we transition in this new economy, in our new economy.

There are a number of things, of course, the Government has announced and is doing that bring together a national plan for economic growth and jobs. Of course, there is the outstanding record of the trade and investment agenda we have been pursuing over the last few years. At this time I'd like to really take the opportunity, and I'm sure colleagues would join me, in praising the work of our finest ever Trade Minister in Andrew Robb, who has spearheaded that charge and delivered generations of prosperity for Australians from his great work. I want to thank Andrew on behalf of myself, and other colleagues here for the tremendous work he has done, but this is about the Government seeking out opportunities in this new economy.

Our national infrastructure plan, around $50 billion being rolled out to support productive capacity in our economy. The work we have done post-Harper and are now working closely with the states to usher in a new set of Hilmer like reforms to be Harper like reforms, to boost productivity, by fixing the things that need to be fixed in state and commonwealth government service delivery and improving competitiveness of our human services delivery around the country.

This is critical micro economic reform for the country's future, and it's something that will seriously underpin our ability to maintain and improve national incomes going forward. Innovation plans were announced last year by Christopher Pyne and the Prime Minister.

This has been a real culture shifter. The innovation plan at a time of great fiscal pressure to put the billion dollars in to backing innovation through the measures that are contained in the measures, whether it is investment and research capacity, whether it is investment in bridging the funding gap and supporting ‘angel’ investing and many other measures, all of that has been designed to signal to the Australian economy that we back innovation. This has been a signature reform of the Prime Minister. It has really boosted confidence in those key areas of our economy. Innovation is the key to productivity.

It doesn't matter what business you are in, doesn't matter what Government you are in, innovation must impact all of our operations and the Prime Minister has set that out. It's also, frankly, from my point of view, the most important reason why we have to bring back the ABCC. The abolition of the ABCC was a productivity killer in the building and construction industry, and a job destroyer in the building and construction industry. Our economy can't afford the indulgence of union grandstanding on the ABCC and Labor's grandstanding on that. This is an important economic reform that must be passed by this Parliament. It is necessary to boost jobs and growth.

Forget the politics of unions and the Labor Party and all of that. It's important for jobs and growth. That's why we put it in there. When it was put in place, the ABCC, it improved performance in the building and construction industry. That's an established fact. When it was taken away, we see the old practices revert.

Australia can't afford not to have the ABCC and it must be returned.

But when we do all of these things, there's got to be in it something for the people who are making the effort. There really has to be. There needs to be a dividend for those who are making this extra effort in this new economy which is actually causing the transition to take place.

The tax system must be growth friendly. It must be earner friendly. It must be profit friendly. It must be friendly to the things that actually transform our economy and pay people's wages, and end up enabling the Government to raise revenue from those earnings.

Earners are the ones who need to benefit from the growth in our economy, because they are the ones who drive it.

Now, what this chart shows, as part of the information that was released, I released, last week, of Treasury modelling on the impact of rising average tax rates from 24 per cent in 16-17 up to 26.6 per cent in 20-21. What you can see in that chart there is there have been periods of time in the blue where we have been able to ease those average tax rates, but we are now in the red phase where if we do nothing at all to the tax on what people earn, it will go up and up and up. That is a job killer, and it's a growth killer. This has been the issue that has been driving the Prime Minister and I and the rest of the economic team as we have been engaging the issues of tax. It is the job destroying nature of rising average tax rates that needs to be compensated in this economy, if we are to have growth.

That's the compensation that is, frankly, most necessary for our economy. Those who will be working harder and for a reward in their effort they will be given higher taxes if we do nothing. The top 20 per cent of income taxpayers pay 60 per cent of what's collected. The top 2 per cent pay around 20 per cent.

Tax and spend is not a plan for jobs and growth and that's what the Treasury modelling showed. It showed that as these taxes continued to rise, there will be a drag on growth of some 0.55 per cent of GDP. And the spending that can be funded by that only makes up 0.2 of it. So, if anyone thinks the higher taxes to support higher spending is a pathway to prosperity, you're dreaming. This Government isn't dreaming.

This Government is driven by hard realities of what those numbers say, and it's very important that we heed those lessons. The scope for tax reform is limited in this economy. We don't have a surplus to fund reductions in taxes. We weren't bequeathed one by the Rudd-Gillard-Rudd Government, strangely enough. That didn't happen.

We don't have the rivers of money that come from rising commodity prices or high levels of nominal GDP growth, which has been present on other occasions. If we want to reduce taxes in one area, then we have to look at tax mix in other areas. So what do we do? It would have been quite easily, frankly, in October and November of last year for the Prime Minister and I to say, "no, we are not going to do the tax mix switch, we're not going to do the GST". The politics of that is no stranger to anyone in this room. It's obvious, the politics of doing that would be incredibly hard. You don't get a politics prize for working that out. The fact that we actually decided, knowing that, to seriously look at whether this would produce a boost in growth and could be implemented to deliver a dividend for mums and dads and others who are out there experiencing these higher than average tax rates, I think is a credit to the Government.

We actually resisted the temptation to rule things in and rule things out as others have in the past on the basis of politics. We were prepared to wear the very generously intended advice that we got from people around the country about how we should be dealing with this, and we focused on doing the work with the Treasury. We looked at what could be done and would it work. The results were released last week. On the best possible scenario in terms of maximising the increase in the cuts in personal income tax that would come from a tax mix switch of a rise in the GST at 15 per cent, the best with a compensation bill of just $6 billion, which only dealt with the indexation of transfer payments. So, that was not the Government's preferred option.

What we wanted to model is if you maximize the level of personal income tax cuts, how good would the growth dividend be? And at best it was between nought and 0.3 per cent – at best. Now, you've got to add to that the reality of then seeking to implement something. In implementing that arrangement, of course the compensation bill would have had to have been higher than $6 billion, just to deal with independent retirees and others directly not influenced by the tax or transfer system. That would have been another $2 billion to start with.

By the time you got through the Senate, by the time everyone else had lined up for compensation, you would have been at a figure approaching $16 billion or so, and that's 1 per cent of GDP on top of outlays. Even at 8 per cent, was half a per cent, of GDP on outlays. For me, this was terribly troubling. So, on balance, the Prime Minister and I and the Cabinet decided that this was not a goer, that it was not go for launch, it was something that had to be put away.

So, this Government will not be taking a GST increase to the next election. The times are not right for that, and this Government would never seek to change the GST unless we put it to the Australian people first. What we have done in this process, I think, is be very upfront with Australians. We looked at it. We considered it. We did our homework, we assessed it. We put up with all the criticism and the flack and the noise and the tumult because we wanted to make the right decision for the country. Had it been the right decision, then we would have done it. What I think the Australian people can take comfort from, as we continue to work through all the other issues that are germane to this, then we will apply the same level of discipline. We will do what's right for jobs and growth and we will do what's right and we will continue to be motivated by trying to support those people who are paying higher and higher levels of personal income taxes for the simple reason that they decide to go to work every day and try to do the right thing by this country. These are the people who are foremost in my mind when it comes to these tax issues.

Of course, there are other issues we have to deal with in tax. In multi-national tax, Kelly outlined that a couple of weeks ago and I won't go over that again, we have our multi-national anti-avoidance laws in place. The Tax Commissioner made some very strong statements at estimates the other week and I refer you to all of those. We are deadly serious about going after this. Rather than talking about it, we are doing it. We have put the laws in place. We had the digital services and products legislation introduced to the House just last week. I did that. That is also now in train, which is another way to ensure that you are capturing the revenue at point of sale from multi-national companies and also progressing well the issues of the low value threshold, when it comes to online purchase of tangible goods from offshore.

So, we are getting about that issue but if anyone thinks, even on the Labor Party's numbers, of $1.9 billion for their preferred measure, that compares to, if you are considering the GST to $35 billion. If anyone thinks you can actually solve the tax issues in this country with that measure, well, the numbers just don't stack up. They don't stack up. We have looked at areas where possibly we could have gone, which are of much greater size and scale and we have come to the decision for the reasons I have said.

So, the tax mix issue was a threshold question, we have resolved that. We now need to go and work through the many other issues that have been on the agenda, and we will do that in the same way we dealt with the GST, in the budget and if there are opportunities to do that prior to that, we'll obviously consider that. Our timing will be based on ensuring the work is ready and the work is done and the answer is the right one for Australia.

Now, what all that means at the end of the day is the only way to have lower taxes is to have lower expenditure. The tax mix switch is not going to solve that problem at that scale, the only way we can deliver longer term relief for people out there earning every day is to deal with the issue of expenditure. I was asked the question in the House when will we achieve a surplus? I said when expenditure is less than revenue. There's import in what I said. Others may seek to achieve a surplus by ensuring revenue is higher than expenditure.

You can have a surplus at any number provided your revenue is higher. This Government is intending to try and achieve a surplus and restore us to that position which was held when we were last in Government, by getting expenditure under control.

Now, there are some challenges in doing that as we face the Budget. The nominal growth and real GDP growth have converged in recent times, and as we know, nominal GDP growth largely reflects earnings for the country, so the impacts of TWI and the impact of commodity prices, the impact of low wage growth, the impact of company profits being modest, all of that is impacting on what is happening in terms of [revenue that] has come in over the last few years and what [revenue] has been projected to come in and what hasn't.

The uncertain times that we face, mean that financial strength matters in how we respond to these issues. We believe that you are more likely to turn a dollar that you have into two dollars than if the Government keeps it. We are more likely to turn it into 50 cents. That's true at a federal level as it is at a state or local government level. Our view about the Budget is that we want to put as much money in your hands to do the best thing you want to do with it rather than keeping it in ours. This is the reason why you get your expenses and your revenue measures in better sync.

Of course, we have had to deal with the issues of nominal GDP. We have had to deal with the flattening of those forecasts as time has come in, and you've seen that happen in the various statements going back to PEFO as that line has continued to lean over, and to flatten. The set of revised estimates that we provide in mid-December showed that, yes, we are on the right trajectory as expenditure to GDP falls from 25.9 per cent to 25.3 per cent, the deficit does continue to shrink over that period of time based on far more realistic assessments and projections of what economic growth is. We should be mindful that in MYEFO the biggest impact on revenue was actually not commodity prices, it was the Government deciding to blow the whistle on forward projections on growth. We advised it down from 3.5 to 3. That was the biggest impact on revenue. It wasn't other things. It was us calling it out ourselves. We think as you prepare a budget you have to give the most candid assessment you can of these measures to frame [the Budget].

Over the last number of years, what has happened is that is we have actually done quite a good job of at least keeping expenditure where it is. The thing that has really changed has been the forecasts of nominal GDP growth, which you can see falling from 5.25 down to 2.75 [from PEFO to the most recent MYEFO]. What we have seen is receipts fall fairly dramatically from what was previously forecast, but we are basically spending this year what PEFO said we would be spending and that's in nominal terms. So, in real terms it's actually better. The work that Mathias has done as Finance Minister to make sure that we held the line has been extraordinary.

We haven't spent more than we have saved. We haven't done that. That has been an enormous effort to achieve that. Of course, the Budget and the overall position of the balance has been impacted by those movements in revenue but you wouldn't want for a second to think that means we have a revenue problem. That's what the next chart shows. It shows we might have had a forecasting problem, we might have had a projection problem on revenue, but revenue is substantially not the problem.

If you look at this chart, what it shows is that most of the work bringing the Budget back to balance over the next few years is actually being done by revenue, by those income taxpayers paying higher rates of average tax every single year. They are the ones paying more tax which is actually lifting that revenue line and that revenue line is, beyond forward estimates, projected at the moment to get up to about 25.8 per cent. So, anyone who thinks we need to increase taxes in net terms, because we got a revenue problem with the Budget clearly hasn't seen that chart. That red line is going up. Next year, it will exceed the long-term average for revenue in this country over the last 30 years. But notice the blue line. It is still above the long-run average on expenditure. It is still above that.

Over the last two years we have saved, and when we talk about savings we mean savings, we don't mean tax increases, when we talk about revenue, that's tax increases, we have saved over $80 billion. But we have also had new spending of more than $70 billion. We have also cut taxes on the mining tax and the carbon tax, which means that after these last couple of years, we are basically in the same position that we were two years ago.

Now, it would have been far worse if that new spending pressures had come through and we hadn't been able to offset that with the savings that have been achieved and again I pay tribute to Mathias's work and the team on that. After $80 billion of savings, we have respent over $70 billion. This is the real task for the Budget going forward, and it just doesn't apply to the Commonwealth, it applies to the states as well. Asking for buckets of money doesn't solve your expenditure problem, and it doesn't solve it for the Commonwealth. There's no licence for any Treasurer to go around asking the public for more buckets of money when we are asking them to work harder every day. That's not how this deal works in this country.

If we can make savings, if we can deliver changes in the tax system, then it's designed to actually reduce the taxes being paid by people who are working as hard as they are today. That's our focus as we move through the process of changing tax systems, as well as dealing with the Budget.

To give a bit of context, I think, in all of this, every consolidation of the Budget over time, deals with different circumstances. In our circumstances over recent years we have obviously dealt with lower levels of nominal GDP growth than has occurred at other times, but our pace of fiscal consolidation in this low growth environment around the world has been a much tougher road. That's not going to change in the years ahead. We are continually going to be faced by the sorts of economic global circumstances that I was outlining at the start of this presentation. The message in that – this is a long road. Our fiscal challenge that we inherited, there is no quick fix to it, there is no one statement, there is no one budget, there are budgets and budgets and budgets and budgets that are required to fix that problem. There is no one measure. There is no one thing. It is just the hard drilling through boards, as Henry Ergas was saying, of ensuring we get this back in the right position.

This Government is up for that, because we have demonstrated that we are prepared to save money where we can, and we are prepared to cut taxes. We have done both of those things in the Government and the Turnbull Government is committed to that as well. In three months I will deliver the first Budget of the Turnbull Government and that Budget will have that as its philosophy.

So, we have to learn to do more with less. We have to learn to spend better, not more. These are the tasks not just for the federal Budget, but for state budgets as well. Just because someone walks into your office at a business and says they have an 8 per cent increase in their costs does not mean you have to turn around and give them a cheque. That does not happen in business. You were told to reduce that cost estimate by innovation, by change, by doing things differently, by working the problem – asking for a bucket of money from the taxpayer should not be an option for any government in this country.

If we look around the world, other countries have been doing the same thing, they have been looking to consolidate, and we have basically just below Canada, but I remind everybody we are growing at twice the rate of Canada at the moment. So, we are in the pack when it comes to fiscal consolidation. We are not up front, we're not leaders, necessarily, on that front, but let's not forget in the US and in other countries, particularly the UK, they are starting from a long way behind, and they came out of a crisis in the north Atlantic that was far more deeply felt in their country than certainly was the case here, where we had a very different experience and the measures that followed.

This chart shows when it comes to the size of government, particularly central government, countries like New Zealand and the United Kingdom are far bigger than us and even when you include the states, our government as a share of the economy is very competitive with other sizes of governments around the world. I'm always cautious to make those comparisons, it's a bit like on debt. On debt our debt to GDP is low compared to other countries if you measure it by that standard, but the Coalition measures it by a different standard. We think the debt to GDP is too high by Coalition standards and that's why we'll do the work on expenditure restraint to ensure that we continually work to improve the Budget position over the years ahead.

The areas that we need to focus on are pretty obvious. The big ones that are growing fast, and that's where we have been focusing a lot of our attention. And we also need to be very mindful of the fact that we need to address the welfare and tax linkages in this country. Now there isn't time to get into those rather large and weighty issues but they are very big issues for the country.

It is true today that many Australians growing up will see transfer payments as a normal part of their income. That probably wasn't true many years ago when others were growing up. It has now become part of the middle class of Australia, the transfer payments are part of the income. One of the big issues that we actually had to deal with when we looked at the issues around compensation on the GST, there are just more people who are getting payments these days. That is a big factor when you are trying to come up with a compensation bill. These things can be a very big disincentive to work but I touched on that last time I was here and I won't go down that path again today. It will be a topic for another time.

In conclusion, there is a long road ahead. This is a Test match, not Twenty20 Big Bash when it comes to fixing the budget and to improving the budget. It requires Test match patience. It requires Test match tactics. It takes Test match endurance. It takes a really clear understanding about what your principles are and the players you have to back in that are going to deliver the big runs and do the big innings and take the big wickets and [for our economy] they are the ones who are out there earning every day. They are the ones who are working, they are saving and investing and these are the ones that we want to back in. We are battling strong headwinds but the good news and the hope is that this country is battling those headwinds, I'd argue, better than any. This is the best place to be when it comes to the global economy at the moment. This is the country that is actually doing the things that are needed and that has been led by Australians and it's our job as a Government to back that in. We need to back the earners in our economy, who are out there working, saving and investing. Thank you for your attention.

CHRIS UHLMANN: Thank you, Treasurer. Time is tight. Our list of questions is long. We will begin with Laura Tingle from the *Australian Financial Review*.

QUESTION: Treasurer, if I could just get you to summarise for us some of those graphs and figures - the tax task for the budget will be in those circumstances is to just basically still get a bit of a tax mix switch and address bracket creep by other tax measures, but not produce a substantial change in tax as a proportion of GDP in the circumstances of real and nominal growth and on the spending side, you're basically saying that the Coalition spent $70 billion after saving $80 billion. If you look at through the list of things that you spent it on, because you are also talking about the benefits of trade agreements and infrastructure, a billion dollars of it was on extra road funding, about $6 billion on the free-trade agreement with Japan, there was a change in welfare packages which I think you actually oversaw which cost $1.8 billion. Where did the Coalition go wrong, if that's the right way to characterise it, and how will be able to change all that new spending that just comes up in the future

TREASURER: Well, I think the first part of your question summarises what I was saying. I don't think we went wrong at all. What I think I have outlined to you is what has been the first phase, and the first phase was to arrest the growth in spending. If we hadn't done what has been achieved to date, then the figures on deficits would be far worse, far, far worse. You can just add tens and tens of billions of dollars and it would be taking us even further and further away from the place we want to be. Our point was not to say that $70 billion was not well spent. All of those measures received a great deal of analysis. Infrastructure, yes, absolutely. But the point I was making, though, is that in every case we were able to identify savings and that has been the budget rule that we have honoured over that period of time. If there were new things that we wanted to do, or had to do, whether it was increase security costs, our position in Iraq, or anything like this, we have had to cover it off by doing the hard work of savings. It is in our view we should be doing it by revenue measures. If you look at our savings and revenue measures to address the budget, our savings measures are four times what the revenue measures are. If we look at our opponents are doing, their revenue measures, their increases in taxes are 20 times what their savings measures is. So I think that gives you a pretty clear contrast between the tax and spend model of our opponents and the lower tax, lower spending model, of this Government.

QUESTION: Sid Maher from *The Australian*. Mr Morrison, if I were a State Treasurer and I just heard your speech, I would be starting to tighten my belt. It seems to me you have just flagged to the States that the buckets of money that they get from the Federal Government will be smaller in the next budget, and it also seems to me that people who receive money in the fastest growing areas of Government spending are going to also be the subject of potential cuts. Could you just expand on that for me, please.

TREASURER: What I have talked about today, Sid, is new spending, curbing the growth of new spending, new asks, new commitments, new growth in spending and how those things can be curbed. The Government of course will honour all the commitments we have in terms of current spending arrangements, as they have been worked up with the States and Territories. I think to suggest that those aren't under review would be a wrong interpretation to make from what I have said. What I'm saying is the pressures on the budget going forward are increasing. There will be new asks, for new spends. These are the areas where we need to look for different answers rather than just asking the taxpayer to stump up. It would be great if the Federal Government could go to the global Government and say “well we have got these pressures and we would like the global Government to raise a tax to give us more money.” We don't have that option. We are a sovereign government; other sovereign Governments don't have that option either.

QUESTION: Mark Riley from Network 7. In the negative gearing debate I think people are hearing that both sides of politics are looking at the way that they can gear losses against income. Are you also doing that with business, the way the business gears its losses against its income? Are you looking at that the same way, just as a matter of fairness? And, as a principle in that, Labor's saying that whatever changes it makes to negative gearing, the policies were – refers only to allow people to gear new houses or new property. And they would grandfather existing investments. What's your position on that? Do you also believe that any changes should not affect any existing investments and only future investments strategies?

TREASURER: I'm not announcing our policy on negative gearing today, and those measures, should they be considered further and how they'll be addressed; there will be an appropriate time to announce that. In terms of how I have described my attitude towards negative gearing, I have always understood that for the vast majority of Australians who use negative gearing they are modest income earning Australians, nurses, teachers, police. I know the Labor Party doesn't agree with that and there are probably some in this room who don't agree with that, but the figures speak for themselves. Two thirds of those who use negative gearing have a taxable income of $80,000 or less. 70 per cent own just one property, and 70 per cent have a net rental loss of less than $10,000. It is one of the few opportunities that people on modest incomes have to try to get ahead. They have taken advantage of that, and I say to them good luck, and good on you. I don't think you're the problem. I don't think you're the problem why the budget's in peril. I don't think people who are making those difficult decisions to try to provide for their future are the problem.

The difficulty I have got with what the Labor Party proposes is this - (a), they don't understand that principle, because what they proposed will actually disadvantage those on modest incomes getting negative gearing more than those on higher incomes. I think it will actually increase the inequity in the system, not alleviate it. Every person now, that nurse five years from now who decided they were going to try and do that, they'll have the opportunity cut off, so they'll just have to go out to the estates or where they are selling off the plan and they'll be competing with every dentist from Bellevue Hill who has six properties, with all due respect to dentists from Bellevue Hill, or dentists from other places or doctors or those on high income, I don't discriminate against any particular profession. They are going to have to compete with more people chasing the same tax benefit, and they'll be chasing for a smaller pool of assets to do it. Those who are just trying to get ahead run the great risk of being crowded out. The Prime Minister and I just don't think they have thought it through. I don't think they get who actually uses this and why they do it and any measures that we would consider would be designed to ensure those who really are doing this just simply to get ahead and are on modest incomes, we would seek to mitigate indeed limit or remove any impact on them at all.

QUESTION: [inaudible]

TREASURER: Business tax is different to negative gearing. We are talking about householders and businesses involved in business activity. There is quite a good argument for why those things are treated separately.

QUESTION: Briefly, you said you are not going to announce the negative gearing policy today. So you have a negative gearing policy?

TREASURER: No, I think that's a contortion of what I have said, Chris. As shocked as I am that you have sought to contort it in that way.

QUESTION: Peter Martin from the *Age*. You might yet have one. You signalled spending cuts, you are in the middle of the budget process right now. Are there conceivable spending cuts those that are at all likely anywhere near big enough to fund significant income tax cuts?

TREASURER: What I have signalled is controlling new spending. That's what I have signalled. I mean, you've described that as spending cuts. What I'm saying is we are looking to control new spending, it's a very similar model that was employed by John Key in New Zealand and other places. Every day Mathias and I have ideas put to us for people to spend more money, whether it's from our colleagues or from the States and Territories. I'm saying we have to exercise great discipline and restraint in terms of new spending and ensure we continue to keep the tension in the cord on our existing levels of spending. I think that's a very different proposition to the one in your question.

QUESTION: We can take it from that then that what you do on spending will not be enough to fund significant income tax cuts?

TREASURER: The spending reductions that we would seek to achieve by controlling new spending is designed to deal with the deficit. The issues in relation to tax that we would have under consideration would be designed to try to reduce taxes in other areas. So the difference between us and Labor is Labor will put up taxes on negative gearing, they'll put up taxes on tobacco, they'll put up taxes on the earnings phase, sorry, the retirement phase of your superannuation, which is effectively a retrospective tax, something that the Leader of the Opposition said he was against just the other day, they are going to do all that to do one thing, not to cut your tax, but to increase spending. Now, they are in the high tax, high-spend club. I'm not a member.

UHLMANN: Michelle Grattan from *The Conversation*?

QUESTION: Michelle Grattan from *The Conversation*. Mr Morrison, for years the experts, including former head of the Treasury, have been telling us that the switch in tax from direct to indirect was vital, economic, including economically vital, yet the modelling produced last week just couldn't stack up that argument. Can you explain why this is so, why this gap between what we have been told before, what we now find, is it explained by the absence of the company tax cut in that modelling, or were the experts wrong before? How do you explain it?

TREASURER: Well, what the modelling did show was there was a growth dividend of between 0 and 0.3 per cent. What no modelling will ever do, and John has made this point, others have made this point about modelling, it never takes into account the subsequent year-on-year behavioural impacts that can also contribute to growth. That's why I have been careful to say that when we finally came to a considered view on this, it wasn't just the modelling. The modelling showed at the minimum level of what the potential growth impact was; now it was modest. If you are able to take into account the other things, it would have been higher than that. So I think the principles that were set out by former Treasury secretaries remain very accurate. The issue is in the implementation, and the issue is when your compensation bill swamps the gains, and one of the reasons we have got that problem is because we are increasingly becoming a country of those who pay taxes, and those who have taxes spent on them.

QUESTION: Colin Brinsden, *AAP*. Thank you for your speech Treasurer. In these turbulent economic times, have you given any consideration to who you're going to replace retiring Glenn Stevens with, obviously we're going to need a steady hand at the till and you obviously have great admiration for him. Is there any chance you could get the rock star of Central Bankers, your words not mine, to do another roll call?

TREASURER: As far as I know, Glenn Stevens has great plans to spend more time in our beloved Shire where we both live and spend time out on Port Hacking or Georges River with his family. He's announced that I think very clearly and the Government will consider the new appointment in the appropriate way and when a decision is made on that then we'll be making that public in the appropriate time.

QUESTION: Lenore Taylor from *The Guardian Australia*, I take it from your speech that you're saying pretty clear to the States that they're going to have to meet the looming funding shortfall for hospitals by themselves without federal assistance. If that's the case, how do you think they should fix it if by raising their own taxes doesn't that fall foul of your mantra that we shouldn't tax and spend our ways to job and growth and if by using their own surpluses or cutting their own expenditure does that fit with what we have been told for many years that the rising cost of hospitals because of the ageing population and more expensive treatments will eat up the entire States' Budgets in the longer term. How can they possibly do it by spending cuts?

TREASURER: We're all sovereign governments. The decision was taken with bipartisan support some years ago to introduce the NDIS and that is going to have a very significant impact on the outlays of this Government over the back end of the next ten years and that will start forcing outlays to GDP to start climbing and it's our job to accommodate that, to swallow that, to absorb it and to make sure it's delivered. We'll need to make the adjustments in our own expenditure, as we are, to ensure we can accommodate what is a very worthy initiative. We also need to ensure that is it is framed and run in such a way that its costs don't blow out and that some of the apocalyptic projections about what could potentially happen in that area don't come to pass. It goes to the point; in no business in this country would anyone just accept someone walking into their office and saying the increase in cost is 8 per cent, give me the cheque. We all have to manage our Budgets. The States almost without an exception, one or two, are in surplus at the present. We all have to work within our Budgets and manage the responsibilities that we have. We'll work constructively with the States and Territories and the Prime Minister is doing that and I'm doing that and there are some things we're still looking at in this territory but what I'm saying is the simple proposition that the costs are going up, therefore taxes have to go up, is not a proposition that I think bears scrutiny. There are always other options and we need to look at those options both as State Governments and as a Federal Government.

QUESTION: What are those other options?

TREASURER: I don't run the State Governments. The State Governments need to deal with their issues and we with ours. I don't think States are branch offices of the Commonwealth. I think they are sovereign governments. I'm a Federalist at heart, and I think State Governments need to run their own show and I said this in my maiden speech, the answer to some of the problems we were seeing back in 2007 and in the NSW Government under Labor is not to get the Federal Government to run it all, it was to get rid of a bad State Labor Government. That's how it works in this country. They should do a good job and if they don't to do a good job they should toss them out and put in a government that will do a good job.

UHLMANN: Treasurer we've got a few more questions to come, [inaudible]. Can we go now to Andrew Probyn from *The West Australian*?

QUESTION: 11 years ago there was this precocious backbencher called Malcolm Bligh Turnbull. He produced this paper with hundreds of ideas for tax reform. One of his things he was keen on was scrapping tax deductions and paying for modest tax reform and tax cuts. They were worth about $10 billion in 2005. They're now worth $20 billion. To use your language of that $20 billion is excessive and which are to be trimmed?

TREASURER: I initiated through the House of Representatives Committee on Economics an inquiry into these very issues and they're conducting their inquiry now and I look forward to hearing back them. Craig Laundy was previously chairing that committee and obviously a new chair will be appointed when the Parliament resumes next week and I'll await the outcome of their inquiry. That's the appropriate way to go but I should stress that it's $5 billion in potential revenue from the sorts of things you're talking about; it's not $20 billion. It's $5 billion a year in actual revenue. Unless you were talking about it over the Budget and forward estimates but annually it's about $5 billion. But that's a live issue that is the subject of a House of Representatives inquiry and I think it's a good thing and the reason I think that is that I asked them to do it.

UHLMANN: Treasurer I'm sure you are old enough to remember this: But wait there's more. Tim Shaw from *Radio 2CC*.

QUESTION: Treasurer Tim Shaw from *Radio 2CC*. Thank you for your address. Big issue on talk radio this morning was affordability of housing. A family of five bought eight acres in land in NSW because the two bedroom apartment in Canberra was more expensive. On your theme of backing Australians in, how do you help back Australians into affordable housing and how can you work with these sovereign State and Territory Governments to achieve that goal.

TREASURER: There have been two things that have happened more in my home State less so in other places but the issue of housing largely at the end of the day comes down to supply and demand. The supply restraints that have been present around the country for many years now are largely responsible for what we've seen happening with housing prices around the country and it was one of the recommendations of the Harper Review which said that this should be one of the subjects of the productivity reforms and that's why we quickly moved to say that's right and we need to set up a system of competition-style payments as was done previously to incentivise the sort of changes that are necessary to free up the supply restrictions that are there in the housing market. That's one important area. On the area of investors the APRA have already introduced measures we know last year which tighten the lending criteria by banks into that market and as the Governor noted just last week that has had the desired effect of easing some of the pressure in those hotter markets. What the Opposition said the other day - they have a start date in July of 2017. If they were elected everybody will be going to every single auction they can find to snap up as much property as they in the six or 12 months that there might be before the measure coming in. I thought that transition arrangement was quite peculiar but putting that to one side it really comes down to an issue of supply and demand.

In terms of affordable housing when I was social service Minister I think the responsibilities around affordable accommodation have become very confused. The Commonwealth and the States spend around $11 billion on housing support in this country and frankly I couldn't point to too much of it that is doing a great job. That includes the Commonwealth rental assistance which is run and it is helping less and less people as time goes on and it's time I think to really try and rethink that with the States and that has been part of the genuine discussion with some of the real positives discussions we've been having with the States and Territories. There's no simple answer to that but there is $11 billion being spent right now which could be spent a lot better, wouldn't cost us an extra cent, it could cost us less if we could sort out some of the issues about how genuine housing support could be delivered. I pay tribute to the NSW Government who are doing some exciting things in affordable housing in freeing up stock, to develop new stock, working with the private sector to ensure that's delivered in important parts of the city. It's great work that Brad Hazzard has done and I mightn't agree with everything with Mike Baird but I agree with him on what he's doing there.

UHLMANN: Time is getting on so our broadcasters know where we are heading. We'll take three more questions and then finish. Bernard Keane from *Crikey*?

QUESTION: Bernard Keane from *Crikey*. Thank you for your address. In your remarks you mentioned the hard work of Andrew Robb obviously in relation in trade and in relation to trade agreements such as the TPP, Trans-Pacific Partnership. You referred to made a very interesting description of them leading to generations of prosperity. A productivity commission which is in your portfolio repeatedly asked to be able to conduct a full independent assessment a cost benefit analysis of the TPP and was not allowed to by the Government. The only analysis that has been done by the bureaucrats who negotiated it in Foreign Affairs they don't have any macroeconomic expertise. Would you allow your Productivity Commission or even your own department to conduct a proper public assessment of the benefits of the TPP in order to demonstrate that it will indeed along with other trade agreements lead to generations of prosperity?

TREASURER: The work has been done Bernard and all of that is in securing these agreements and the sceptics will always doubt the trade benefits of these sorts of deals, they're welcome to their scepticism, the Government is convinced of it, that's why we've set about it and I do believe it will provide that real prosperity for the future of the country. Doing rear view analysis on these things after the work has been done, that can be contemplated, but frankly we're a bit more focussed on getting on to the next set of issues that need to be addressed to back Australians into support the transitioning economy, we don't intend to run the economy with a rear view mirror, we intend to look forward on what we have to do next. That's where my attention is focussed.

QUESTION: Peter Jean from the *Adelaide Advertiser*. Treasurer, just in the past couple of hours Arrium, the owner of the Whyalla steel works, has indicated they may have to close the plant this year with the loss of up to 1100 jobs. Do you think there is a viable future for the Australian steel industry and in this case is there potentially something the Federal Government could do to help this operator?

TREASURER: I'll leave the specifics of that to the Industry Minister who I am sure is far more involved in the workings of what is happening there. Over the last few years we've seen a tremendous amount of change in our local economy and there's been quite a lot of disruption and I think what has changed so over the last couple of years to say ten years ago or more than that is Australians are coming more and more to terms with the nature of this change. The future of our economy is in front of us, it is not behind us and it's very important that we do all we can to help people to continue to transition. Where there are enterprises and operations, that aren't able to continue to go forward, there needs to be other ones that take their place in new areas and new industries. We need to continue to support those who are making that transition from one to the next. Vocational education and training for example I think has a really important role to play in all of that. Not just in the post school period but over someone's life time and the ability for people to reskill and on their own initiative. One of the most depressing stories I heard when I was in my last portfolio was the story of a bloke who was about my age and he was a carpenter. He went up to his boss, a builder and he said, "Look I want to keep working for you, I like this company. But my body will only enable me to do this sort of work so many more years, I'd like to do this course and that course and get some training" and the boss told him he wasn't interested. That was a really stupid boss. What sort of better employee could you get than that? And here he was understanding the transitions ahead of him and what he needed to do for his family and remain a very positive contributor to his own enterprise and that's the sort of person I think we need to back in.

UHLMANN: Our final question is from Catherine McGrath from *SBS*

QUESTION: Treasurer, thank you very much. We're hearing a lot from ministers particularly from you about the problem of bracket creep, which is looking obviously like we're getting to hear more about the problem because the Government is planning on doing something on Budget night. Should Australians be getting prepared and should they expect to see some action on bracket creep? Secondly can you be a bit reflective about this tax debate I think the country has been involved in, although I'm not sure how citizens have really been involved in it and now the Business of Council of Australia finds itself being criticised for putting its plan out there. Has there really been an honest debate and are in you in danger of losing time to campaign on policy as we wait for an announcement on clear policies?

TREASURER: I think what I've said today particularly about the tax mix switch and the decision the Government has come to on the GST, I think certainly rescales and rescopes what's possible in this area now. Previously, what we were looking at with $30 billion worth of income tax cuts would have delivered one of the biggest changes to income tax rates and schedules that we'd seen in 30 years or more. But we know that the cons of that argument impeded us from going forward with that plan. If you're not dealing with that scope and scale, you're obviously looking at far more modest measures.

Far more modest measures. I think modest would be the way I'd seek to frame expectations around these things. At that scale of measures you've got to work with, it would be very difficult to deal with past sins when it comes with the bracket creep, but there is a modest potential to deal with future sins that could be committed in this area. What I mean by that, as I said a lot about that average wage earner moving into the second highest tax bracket which is something that deeply troubles the Prime Minister and I and the whole team, and we may be able to depending on how other issues are analysed a what they can deliver up, we may be able to prevent that outcome going forward, but when you're dealing with the situation we are dealing with, when you have to fund it out of either a surplus which doesn't exist and more spending cuts, you've got to look at other tax measures that can fund the reductions in personal income tax, and company tax I should stress.

I'll let others commentate on the debate we'd had over several months and I believe because we've had enormous feedback, we had the Rethink paper we put out last year receive thousands of submissions there was a feedback into that process, there's continue to be a lot of dialogue around these issues both in the public space and directly with members and directly with me and the Prime Minister in the short time we've been in these roles. But you have to make some decisions on the big threshold issue. Today I've explained the process for how we've done that, we could have made an earlier decision if we were going to make it on the politics, we decided to make the decision on the policy and that's how we'll make future decisions and as we move forward to the Budget, the Budget will be a Budget that seeks to back Australians who are working and who are saving and investing.

Thank you.