

Budget 2010 – Building the Recovery

Focuses on growth, helps Kiwi families get ahead

- Delivers the biggest reform of the New Zealand tax system for nearly 25 years, typically leaving someone on the average wage about \$15 a week better off and an average family about \$25 a week better off.
- Strongly supports research, science and technology – a key engine for a faster growing economy - with \$321 million over four years.
- Provides an extra \$2.1 billion for frontline health priorities over the next four years – including an extra \$512 million in 2010/11.
- Invests an extra \$1.4 billion into better schooling and early childhood education over four years – including an extra \$417 million in 2010/11.
- Takes more steps to control rising debt and returns the Government to surplus by 2016 - three years sooner than in Budget 2009.

Biggest tax reform in 25 years

- Tax package provides incentives for Kiwis to get ahead, leaves the vast majority better off and tilts the economy towards savings, exports and productive investment.
- From 1 October, all personal tax rates cut, GST rises to 15 per cent and NZ Superannuation, Working for Families and benefit payments will all rise.
- From the start of the 2011/12 income year, the company tax rate will fall to 28 per cent and tighter rules around the taxation of investment property take effect.
- At all taxable income levels, the across-the-board personal tax cuts will more than offset the rise in GST –low, middle and high income groups receive broadly similar proportionate increases in disposable income.

Improved public services

- Another \$1.8 billion of lower priority Government spending is freed up over the next four years for priority areas such as healthcare, education and law and order. This is in addition to the \$2 billion of lower priority spending found in Budget 2009.

Sound financial management

- The Government will live within its \$1.1 billion annual operating allowance for new spending in Budget 2010. It will restrict subsequent increases in the allowance to 2 per cent annually.

Budget initiatives at a glance

(All figures four years to 2013/14, unless stated otherwise)

Investing in NZ's future – research, science and technology

- \$321 million over four years for new science, research and technology initiatives. The centrepiece of the extra funding is a \$234 million boost for supporting business R&D – including technology development grants for firms doing significant R&D.

Health

Budget 2010 includes an extra \$2.1 billion investment in health priorities – including an extra \$512 million in 2010/11.

- District Health Boards receive an extra \$1.4 billion.
- An extra \$51.5 million for additional elective surgery, plus an extra \$8 million for breast reconstruction surgery.
- Mental health services funding rises by \$40 million.
- \$24 million for a national bowel cancer screening pilot programme.
- 20 new medical training places in 2010/11.
- Funding for medicines increased by \$80 million.

Education

An extra \$1.4 billion will be injected into better schooling and early childhood education – including an extra \$417 million in 2010/11.

- Total funding for Early Childhood Education rises to \$1.3 billion in 2010/11 – up \$107 million on the previous year – and continued funding for 20 hours' ECE.
- \$155.9 million in new operational funding for schools.
- \$349.3 million in new operating and capital funding for school property, including \$82 million in 2010/11 to fix leaky school buildings.
- \$48.1 million for the Youth Guarantee, increasing the number of places available from 2000 to 2500 next year.
- \$48.3 million to build ultra-fast broadband support for schools.
- **Tertiary Education** - Savings across the tertiary sector allow for the purchase of 1735 additional full time places at universities and 3173 extra full-time places at Polytechs and Institutes of Technology than previously budgeted, to respond to demand. This will mean the number of places in universities will be 765 greater than this year's record number and the number of places at Polytechs and Institutes of Technology will be 455 greater than this year.

Social Development

- \$90.5 million into a fund for non-government organisations to deliver extra high-quality services.
- \$14.9 million invested in services for teenage parents.

- \$26.7 million in 2010/11 to expand the Job Ops programme – doubling the places for 16-24 year olds with low or no qualifications to 12,000.

Housing

- \$20 million to extend the Housing Innovation Fund for another year.
- \$16 million for grants and loans to support social and affordable housing and a further \$4 million to cover loan impairments.
- The Welcome Home Loan limit extended from \$280,000 to \$350,000 for first home buyers in higher priced areas.

Infrastructure

- Another \$1.45 billion for projects in 2010/11 – the second year of a five-year \$7.5 billion infrastructure programme.
- Broadband - \$200 million for the roll out of ultra-fast broadband, as well as \$48 million more for broadband in schools.
- Rail - \$500 million for electrification of Auckland rail lines, as well as \$250 million for the wider rail network and rolling stock.
- Prisons - \$337.4 million to lift prison capacity and manage justice sector pressures.
- Schools - \$177.4 million for new schools and school property.
- In addition, \$10.7 billion over the next 10 years for State Highways and \$3.3 billion in the next five years to upgrade the national grid.

Protecting our borders

- \$75.9 million of capital funding for a new joint border management system (JBMS) to replace ageing border clearance systems run by the Ministry of Agriculture and Forestry and the New Zealand Customs Service.

Treaty of Waitangi

- An extra \$6.5 million over the next three years to help settle all historic Treaty claims by 2014.

Other key initiatives

- Nearly 40,000 Kiwi households have joined the Government's home insulation and energy efficiency programme. The Government is investing \$347.3 million to retrofit 180,000 homes with insulation and clean heating devices.
- The number of Police has grown by 350 in the past 18 months; the Government is on track for 600 extra frontline Police by the end of 2011.

Budget figures at a glance

- An operating deficit before gains and losses of \$8.6 billion forecast for 2010/11 – up from \$6.9 billion the previous year, partly due to timing issues around the tax package, which will be fiscally neutral over the forecast period. Deficits will continue until 2016.
- Net Crown debt forecast to rise from 14.1 per cent of GDP in the current year to a peak of 27.4 per cent of GDP in 2015, before falling.
- The Government will live within its \$1.1 billion annual operating allowance for new spending in Budget 2010. It will restrict subsequent increases in the allowance to 2 per cent annually.
- Total Core Crown expenses increase by \$5.9 billion to \$70.7 billion in 2010/11 – including adjustments to welfare benefits and NZ Super, and higher Government finance costs, which fall outside the operating allowance.
- An additional \$1.45 billion in capital spending is included in the Crown accounts over the forecast period.
- Gross domestic product is forecast to increase 3.2 per cent in the March 2011 year, compared with the 2.4 per cent predicted in December.
- Budget 2010's tax package is conservatively forecast to add about 1 per cent to the size of the economy by 2017.

Economic and fiscal data at a glance

Economic data

March years	2010	2011	2012	2013	2014
Real GDP growth (annual average % change)	-0.3	3.2	3.1	2.9	3.0
Inflation (annual % change March quarter)	2.2	5.9	2.4	2.4	2.4
90-day interest rate (March quarter)	2.7	4.3	5.2	5.4	5.7
Unemployment rate (March quarter)	7.1	6.2	5.5	5.1	4.6

Fiscal data

June years	2010	2011	2012	2013	2014
Core Crown expenses (\$b)	64.8	70.7	71.5	74.2	77.0
Core Crown revenue (\$b)	56.4	60.3	64.5	68.5	72.9
Operating balance before gains and losses (\$b)	-6.9	-8.6	-5.4	-4.4	-3.0
Operating balance before gains and losses (% of GDP)	-3.7	-4.2	-2.5	-1.9	-1.3
Net debt (\$b)	26.6	40.0	49.6	57.1	63.0
Net debt (% of GDP)	14.1	19.6	23.0	25.3	26.5
Gross Sovereign Issued Debt (\$b)	53.8	67.0	69.7	71.6	77.8
Gross Sovereign Issued Debt (% of GDP)	28.4	32.8	32.3	31.7	32.7