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BUDGET NEITHER TOUGH NOR VISIONARY SAYS BUSINESS

NSW Business Chamber, the State's largest and most representative business organisation, said the Federal Budget provided sound initiatives in infrastructure, skills and education and training, but had failed to address many of the major longer term challenges facing the Australian economy.

"There are clearly confluent factors impacting the economy. On one hand, we are benefiting from the greatest commodity boom in history and significant employment growth, and on the other hand we are seeing low levels of confidence and declining relative productivity", said Stephen Cartwright, CEO of NSW Business Chamber.

"In such an environment the temptation is to ignore the longer term challenges and focus on delivering popular easy wins. Unfortunately, the Government has succumbed to this temptation.

"This is neither a tough budget nor a visionary budget. The real challenges of seeking greater efficiency from within government, improving national competitiveness, investing the proceeds of the resources boom and securing the nation's long term financial future have been left for another day.

"There are, however a number of initiatives that business welcomes. We applaud the Government's commitment to increase Australia's yearly skilled migration intake by 16,000 workers a year. Australia currently has over 200,000 vacancies, including 80,000 jobs in NSW. This decision will strengthen the economy and take pressure off wages growth.

"Whilst business acknowledges that overall funding levels and direction of the Government's approach to training and skills is sound, we do have grave concerns about the decision to redirect training incentives from occupations perceived to be of 'low economic value'. Many of these positions are in entry-roles and the Government is running the risk of harming the most vulnerable in our workforce.

"The immediate write-off for assets worth up to $5,000 will provide a greater incentive for small business to invest in income producing assets and at the same time, simplify tax calculations.

"The commitment to cut small business company tax to 29% from 2012/13 is also welcome, particularly given the pressures many small businesses throughout Australia are experiencing.

"The decision to set the increase in small business PAYG instalments in 2011-12 at 4% and not 8% will also take some pressure off small business cash flow. Significantly, a decision of this nature, has little cost to Government, but will provide a significant cash flow benefit to small business.

"The increase in funding for Infrastructure Australia projects by 40% over the coming four years is recognition that we are suffering from significant capacity constraints. However, the decision to exclude the Regional Infrastructure Fund and projects of "unique national interest" do raise legitimate concerns about the potential for future pork-barrelling.

"However, there is disappointment that the some of the broader opportunities offered for tax reform that were detailed in the 2010 Henry Tax Review continue to be ignored – and others have been excluded from the promised tax summit.

"Given that the Budget projects that unemployment is expected to fall to 4.5% during 2012/13 and continuation of the resources boom, we do believe fiscal policy could have been tightened further. Whilst we dispute some of the wilder claims about Australia's indebtedness, an earlier shift to surplus would provide some protection from further tightening in monetary policy as well as ensure that some of the benefits of the resources boom were quarantined for the longer term."

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