



The Hon Jim Chalmers MP
Treasurer

TRANSCRIPT

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SUBJECTS: *Budget, Budget surplus, majority of revenue returned to the bottom line, relationship with states and territories, migration, Hydrogen Headstart, largest increase to bulk billing incentive in history, Pacific neighbours, inflation.*

KIERAN GILBERT, HOST: Welcome back to Budget 2023. Live with me is the Treasurer Jim Chalmers. Thanks for your time. You've delivered a surplus. Is the monkey finally off Labor's back?

JIM CHALMERS, TREASURER: Look, we forecast a surplus and we'll know for sure in a couple of months. But what is already certain is that we wouldn't be anywhere near this forecast surplus tonight were it not for the responsible economic management which has become a hallmark of the Albanese Government over two Budgets now – showing spending restraint, \$40 billion of savings over two Budgets as well as some modest but meaningful tax reform. All of that helps. It means we can get the Budget on a much more sustainable footing so that we can help people who are doing it tough and invest in the future.

GILBERT: Surplus, though, this year, yes. Thirteen billion dollar deficit next year. You've got in sight the possibility of two surpluses back-to-back.

CHALMERS: I'm not going to get ahead of ourselves, obviously, but we're pleased that not just the near-term improvement, but the deficits across all of the years have come down compared to what they were going to be in October and certainly what they were going to be in the last Liberal Budget. And that's been a good thing. Not as an end in itself and not even just because we avoid a lot of debt and a lot of debt interest payments, but also because if we can get the Budget in a much more sustainable position, then we've got the room then to do the things that we want to do for people, especially people doing it tough, but also to invest in more and better opportunities for more people and invest in the future of the economy and that's our objective. But in order to do that, we've got to clean up the mess we inherited. We've got to get the Budget on a more sustainable footing and tonight we made substantial progress on that.

GILBERT: Well, 82 per cent of the extra revenue windfall has gone to the bottom line. Combined with your October Budget, that's 87 per cent of all of that upgrade in revenue. I guess that is a big achievement, yes. It's half the job, though, isn't it? In the sense that you look out to those out years, those deficits are still persistent, aren't they? And they're going to call on some structural reform at some point.

CHALMERS: What we're pleased about in this Budget is we made a lot of progress in the near term by banking that upward revision to revenue which you've mentioned, which is really the key to the big improvement that we've seen tonight in the Budget. We've also made some progress on the structural side, getting that debt interest down, making sure that the money that's intended in the NDIS for people that we want to help gets there, and that we can do that while moderating the growth in costs in the scheme. We've made a structural difference, too. But if your question is, is there more work to do, there's always more work to do.

GILBERT: You said the inescapable truth, this is part of your speech is that "the federal Government cannot put all the services that Australians expect and deserve on a more sustainable footing by ourselves. That's why the Prime Minister's brought together the states and territories to agree on a new cooperative approach." So, are you flagging a more substantial sort of reform agenda going into the next election?

CHALMERS: Well, what we saw out of National Cabinet only a couple of weeks ago - and a tribute to Anthony Albanese's leadership of the National Cabinet and also the state leaders and the territory leaders - is people are prepared to work together and they're prepared to work together on some of these issues which have been neglected for too long. And what we saw there was progress on primary care, progress on the NDIS, progress on renters' rights, all of the things which are really quite fundamental. And people around Australia, they don't much care whether it's a federal responsibility or a state responsibility, they want people to work together and to fix problems where they can. That's Anthony's approach. We've seen it at the National Cabinet. We'll see more of it as well, and we saw it reflected in the Budget.

GILBERT: You've had a big impact as well from higher migration, a 2.7 per cent larger workforce in this country in 10 years by 2032-33 than you thought you were going to have six months ago. Has the Government also considered the need for the greater infrastructure, the hospitals, the schools that come with that? Because that is a substantial uptick.

CHALMERS: Yeah, of course we have - that's why we want to pass the Housing Australia Future Fund, that's why there's tax breaks for build-to-rent properties in the Budget tonight and a whole range of other measures. But it's important to remember that even though that net overseas migration is higher than we anticipated in October, it's still lower over that period than what we thought a year or more ago. We still haven't actually recovered the amount of people we lost during the worst couple of years of COVID. And so the students are coming back quicker, the long term tourists are coming back quicker. Those are good things. Fewer Australians are leaving for work, but we still haven't recovered the ground that we lost during COVID. But obviously we need to plan for population, Clare O'Neil and other colleagues are doing a heap of work on our migration settings to make sure that the migration system works in our interest.

GILBERT: Four hundred thousand immigrants this year, 315,000 next. Was there a conscious decision to up that, to sort of play catch up on those COVID years?

CHALMERS: No, I'm pleased you asked me about that because it's a common misconception. It's not actually a government policy or a government target that gets the net overseas migration number. There's a permanent intake number, which we've actually taken down from 195,000 to 190,000. Net overseas migration is demand driven - students, tourists, Australians coming and going. And that's what's driving that big number. It's not a government policy, not a government target, it's just the numbers that we're dealing with now. But they will moderate again and they still won't catch up to what we lost.

GILBERT: Yes. So, just proving popular at the moment, now that the Biden Administration has been, really the US has been hoovering up investments, many of our viewers would be aware their manufacturing policy, or it's called the Inflation Reduction Act, sounds technical, but basically it really boosts manufacturing and clean energy. Are the measures you've announced tonight enough to keep investment here?

CHALMERS: Yes, we've got our own advantages and we want to capitalise on that. We want to maximise our advantages in this defining decade and the thing that will play a huge role in whether we succeed or fail in the coming decade is whether or not we can make the most of this transformational opportunity that comes with net zero. And like all countries around the world, we're watching what the Americans are doing and we're working out how we can be beneficiaries, not victims, of that massive amount of investment that's going in in the US. So, tonight's \$2 billion *Hydrogen Headstart* is about working out where we fit in the global supply chains. Hydrogen is a big opportunity for Australia –

GILBERT: Is it still unproven, though?

CHALMERS: No, the technology is terrific and what we need to do is to make sure that we're making the most of our comparative advantages in technology in a whole bunch of other things which make us more competitive than we would otherwise be. A central part of our growth plan in the Budget is cleaner and cheaper energy, the industrial and economic opportunities that come from that, and hydrogen is an important one of those.

GILBERT: The centrepiece of the Budget, as you put it, Labor delivering the largest increase to the bulk billing incentive. It's three times, actually, for some cohorts. Is it enough, though, to rescue bulk billing, which is really not in a great state?

CHALMERS: Yes, I think bulk billing and Medicare is probably in the worst shape that it's been in since its inception. And we care deeply about that. We want people to be able to find bulk billing doctors so that they report when they're sick and so that they can get well. And one of the big things that's worried us is the way that Medicare is in trouble. So, we've got more than \$5 billion in strengthening Medicare broadly. A big part of that is \$3.5 billion to triple the bulk billing incentive. We want more doctors bulk billing in the bush and in the suburbs and in the cities. And this bulk billing incentive will make a difference.

GILBERT: Budgets are more than just economic documents. They're strategic too - \$1.9 billion over five years for our Pacific neighbours. Does that get the relationship between Australia and our near neighbours back on an even keel?

CHALMERS: Well, it remains to be seen -

GILBERT: Will it be enough to do that?

CHALMERS: Well, it'll be a crucial investment in that objective. We want to be good neighbours and our region is increasingly important and we want our near neighbourhood to be peaceful and prosperous and stable and secure and we've got a role to play in that. The Budget reflects that. I think Australians understand how important our Pacific brothers and sisters are as the world becomes more complex. And the investments in the Budget tonight recognise that.

GILBERT: Some suggestion, I know the Opposition will say this is inflationary. Is part of the reason why it's not going to be inflationary because you've also seen the \$11 billion low and middle income tax offset, that's gone. So, that's out in terms of government spending. Does that counterbalance the [indistinct] that you have made?

CHALMERS: The reason that's not part of it is because that was last year that ended. The former government ended that, we didn't restart it. That's been factored into last year. The key reason why this Budget is carefully calibrated to address cost-of-living pressures rather than add to inflation is because we've worked out where the cost-of-living pressures are the most acute, out of pocket health costs, energy and rent and we've provided some responsible assistance in each of those areas to put downward pressure on prices.

GILBERT: Treasurer Jim Chalmers. I appreciate your time.

CHALMERS: Appreciate yours, Kieran.

GILBERT: Talk to you soon.

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