



CMEIG Statement on Federal Government Stimulus Package

17 February 2009

The Government announced on the 3rd February a massive and unprecedented \$42 billion Nation Building and Jobs Plan and for more details refer to www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/008.htm&pageID=003&min=wms&Year=&DocType=0.

The main features of the package for the civil construction industry are:

- Increased spending on infrastructure projects
- Incentives to bring forward expenditure on plant and equipment

The Reserve Bank of Australia also announced in February another rate cut of 1% taking the cash rate down to 3.25%. This now makes the total interest cuts since September a massive 4%.

For equipment buyers the big news is the government has lifted the investment allowance from 10% to a massive 30% on eligible goods ordered by 30th June 2009 and delivered/installed no later than 30th June 2010. The allowance drops to 10% from the 1st July 2009 on eligible good delivered/installed by 31st December 2010.

Businesses with a maximum turnover of \$2 million the allowance has been lowered for eligible goods down to \$1,000. Businesses with turnover over \$2 million the minimum eligible goods price remains unchanged at \$10,000.

The cost of purchasing under finance eligible goods of say \$100,000 (\$90,909.09 ex GST) has crashed in the last 5 months. How?

- Savings on finance based on 4% reduction in interest rates since September. For example a contract over 60 months with zero balloon, is a reduction of \$184.00 per month. Total interest savings 60 by \$184 or \$11,040.
- With the investment allowance at 30%, the same expenditure of \$90,909.09 equates to \$27,272.27.
- Total savings per \$100,000 is a massive \$38,312.27 or 38.3%.

This stimulus package should hit a cord with many equipment buyers and make a serious consideration towards buying new equipment prior to 30th June 2009 to make it work in your favour. Please refer this information to your accountant to make this assessment work for your organisation.

The Government has also announced a \$155 million program encouraging employers to keep apprentices and trainees to avoid a repeat of the 1990's recession in which thousands of apprentices lost jobs. The program also includes a decision by Government to give employers wage subsidies worth \$150 per week if they hire apprentices who have been laid off before completing their training.

Both of these initiatives should assist employers in the construction and mining equipment industry to retain apprentices and thereby ensure a strong pool of qualified tradesmen for the next industry upturn.

For more information about CMEIG, go to www.cmeig.com.au