

# Costello eyes baby boom

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PETER Costello has flagged new policies to lift the fertility rate and keep ageing baby-boomers working as Australia confronts a less-secure economic future.

But the federal Treasurer has been forced to revise an earlier doomsday scenario, after a new forecast sliced \$15 billion from the projected annual deficit in 40 years time.

Unveiling the second Inter-generational Report, Mr Costello said yesterday a series of government initiatives had reined in health spending during the past five years.

Australia was at a demographic "sweet spot" because the baby-boom generation was fully engaged in the workforce, he said.

He said lifting the fertility rate remained an important goal, and he signalled additional policies "which make it easier for families to have children".

Calling for vigilance and tighter fiscal policy, Mr Costello said the ageing of the population still presented a huge challenge over coming decades.

"Demography is working against us," Mr Costello told the National Press Club, in a speech designed to reinforce the Government's economic credentials.

Treasury now forecasts a fiscal gap of \$35 billion a year by 2047 — down from an estimated \$50 billion, from the first IGR — as the number of retirees overwhelms the size of the workforce.

"Still unsustainable, still un-fundable — but a significant improvement on where we were five years ago," he said.

Among the improvements, the Treasurer cited a slight increase in the fertility rate and improved participation by older workers.

The projected growth of the Pharmaceutical Benefits Scheme has also been pared back, reducing its future impost on the

budget. But there will also be much higher costs as people live longer.

Life expectancy for women is forecast to reach 90 by 2047, while men will live to 86.

A higher immigration intake will see the population reach 28.5 million within 40 years — 10 per cent more than expected five years ago.

With Kevin Rudd urging a new productivity agenda, Treasury expects no improvement in this important indicator.

Treasury has sharply changed its 40-year forecasts from five years ago, but Mr Costello defended their accuracy.

"A lot can happen between now and 2046, I'll be the first to concede that," he said.

Mr Costello said the ageing population problem would get worse from 2010.

"After 2010, the dependency ratio, the ratio of children and older people to people of working age, is expected to increase

more rapidly as the baby boomers reach age pension," he said.

One month before announcing his 12th budget on May 8, Mr Costello said the challenge was to "maintain discipline" and continue the reform agenda.

But Labor said Mr Costello should stop patting himself on the back and said the improved fiscal outlook came from an improved world economy — not the Government's hard work.

"We need to understand this one important point — most of this growth comes from the mining boom," Opposition treasury spokesman Wayne Swan said.

"Most of this comes from the rivers of gold flowing from the mining boom. The Treasurer can't pat himself on the back. He should be patting the miners of Australia on the back when he's presenting the results of this report."

