

2022-23 FEDERAL BUDGET OVERVIEW

‘PRIORITIES FOR VICTORIAN BUSINESS’

March 2022



Overview

The 2022-23 Federal Budget was handed down on 29 March 2022. The pre-election budget supports the Government's economic plan to get more Australians into work and grow the economy. The Budget supports business with several business-friendly commitments.

The Budget focused on balancing immediate spending priorities with the longer-term goal to reduce debt and deficit. The Budget had three key areas and aimed to address key worker shortages, curb the cost of living and invest in infrastructure.

The unemployment rate is forecast to reduce further to 3.75 per cent – its equal lowest level in 48 years – and drive wage growth to its strongest levels in a decade. The tight labour market is hurting businesses across the Victorian economy and commitments to address key skill shortages and increase the pool of trained workers are welcomed.

New skills commitments include \$49.5 million to provide an additional 15,000 low and fee free training places in aged care courses under the JobTrainer Fund. A further \$365 million has been committed to extend the Boosting Apprenticeships Commencements program, which was one of the key asks in the Victorian Chamber's Federal budget submission; unfortunately this was only for three months.

The Budget relieves financial pressure on Australian households through halving fuel excise for six months, boosting the low and middle income tax offset with a \$420 one-off payment, and providing a one-off \$250 payment for pensioners, welfare recipients, veterans and eligible concession card holders. Home buyers are also supported by expanding the Home Guarantee Scheme, HomeBuilder and First Home Super Saver Scheme. These measures will flow through to businesses through lower costs or more customer demand.

The Budget provided funding for infrastructure projects with a total of \$3.3 billion invested in Victoria over the next 10 years. This will help maintain Victoria's status as the freight and logistics capital of Australia. This includes \$740 million for the Western Interstate Freight Terminal in Truganina – an infrastructure priority the Victorian Chamber has been advocating for. Further funding to deliver the Melbourne Intermodal Terminal Package and the Beveridge Interstate Freight Terminal was also committed.

However, despite record funding for Victoria, our State is not getting its fair share of infrastructure investment with only 20.4 per cent of national spending, compared to 25.8 per cent of the population.

The Victorian Chamber was pleased another of our other priorities also received funding. The \$60 million tourism investment to drive more international demand, particularly into regional areas, is welcomed to help our tourism industry recover.

Defence spending was also boosted in the budget and new defence infrastructure in other states, such as the new submarine base on the east coast, will trickle through to Victorian businesses and support our world-class defence manufacturing and suppliers.

Further support to attract international students and skilled workers and invest in clean tech were unfortunately missed in this budget. These are key Victorian industries to which additional investment would have been welcomed by the Victorian business community.

Key Federal Budget outcomes for Victorian business

Building back business

Skills and training

- > \$954 million over five years from 2021-22 to introduce a new Australian Apprenticeships Incentive System
- > \$365.3 million to extend the Boosting Apprenticeships Commencements program for three months
- > \$49.5 million over two years from 2022-23 to provide an additional 15,000 low and fee free training places in aged care courses under the JobTrainer Fund
- > \$1.2 billion to expand the Transition to Work employment service for disadvantaged young Australians
- > \$3.7 billion over five years from 2022-23 to agree a new National Skills Agreement
- > \$19.5 million over two years from 2022-23 to continue the Global Business, Talent and Investment Taskforce
- > \$2.8 million in 2022-23 to increase apprenticeship In-Training Support by an additional 2,500 places for young Australians aged 15-20 years
- > \$52.8 million over five years from 2021-22 to deliver the new ReBoot initiative to support up to 5,000 disadvantaged young Australians develop employability skills
- > \$44.6 million over two years from 2022-23 to continue support for businesses who employ mature aged Disability Employment Services program participants through the Restart Wage Subsidy
- > \$295.2 million over five years from 2021-22 to establish new research training pathways for students and researchers
- > \$28.5 million over five years from 2021-22 to establish assurance functions to support the Vocational Education and Training system for the Australian Skills Quality Authority

- > \$38.6 million over four years from 2022-23 (and \$9.3 million per year ongoing) to provide additional support for women who commence in trade occupations that are higher paying trade occupation on the Australian Apprenticeships Priority List
- > \$4.7 million over five years from 2022-23 to improve women's participation and encourage women to consider a career in Australian manufacturing

Visitor economy

- > \$45 million for Tourism Australia to focus on regional destinations (in Victoria, the Great Ocean Road) including:
 - o \$15 million for advertising in crucial international markets to support regions most reliant on international tourists
 - o \$25 million for direct partnership activities to drive international demand back to key regions
 - o \$5 million to extend Business Events Australia's highly successful bid fund
- > \$76.7 million over two years from 2021-22 to extend the COVID-19 Consumer Travel Support Program to support travel agents and tour arrangement service providers
- > \$63 million over three years from 2021-22 to accelerate international tourist and backpacker arrivals through targeted marketing initiatives
- > \$6.8 million over three years from 2021-22 for increased data availability and analysis to improve planning in the tourism sector and to establish an employment platform to promote career opportunities in the sector

Regional Victoria

- > \$2 billion over five years from 2022-23 to establish the Regional Accelerator Program to drive transformative economic growth and productivity in regional areas
- > \$28.5 million over two years from 2021-22 to extend the Regional Airports Screening Infrastructure program

- > \$811.8 million over five years from 2022-23 to expand mobile coverage, connectivity, resilience and affordability in regional Australia
- > \$18.6 million over three years from 2022-23 to establish a pilot program to provide unique digital and data training and employment opportunities for regional Australians
- > \$15.2 million over seven years from 2022-23 to pilot Australian Public Service (APS) Hubs across regional Australia
- > \$501.7 million over three years from 2022-23 to extend the Local Roads and Community Infrastructure Program

Export

- > \$127.4 million to continue and expand the Digital Services to Take Farmers to Market initiative
- > \$80 million to provide additional support for small and medium export businesses to re-establish their presence in overseas markets through the Export Market Development Grants program
- > \$48 million to modernise Australia's trade system, reduce the regulatory burden on exporters and to identify opportunities for further reforms
- > \$11.7 million to expand the Trade Information Service to provide exporters with a single source of online information to facilitate access to international markets

Building for our future

Infrastructure

- > 10-year transport and freight infrastructure investment pipeline will increase from \$110 billion to over \$120 billion in funding for new and existing projects including:
 - o \$5.03 billion for the Melbourne Airport Rail Link
 - o \$14.5 billion for an inland rail link between Melbourne and Brisbane
 - o \$3.1 billion in new commitments to deliver the Melbourne Intermodal Terminal Package
 - o \$1.2 billion for the Beveridge Interstate Freight Terminal in Beveridge
 - o \$280 million for Road Connections, including Camerons Lane Interchange, to the Beveridge Interstate Freight Terminal
 - o \$740 million for the Western Interstate Freight Terminal in Truganina
 - o \$920 million for the Outer Metropolitan Ring - South Rail connection to the Western Interstate Freight Terminal
 - o \$109.5 million for the Mickleham Road Upgrade
 - o \$45 million for the Ballarat to Ouyen - Future Priorities
 - o \$23.1 million for the Canterbury Road Upgrade
- > \$4.5 billion to further upgrade the NBN across the country

Innovation

- > A new Moderna mRNA facility in Victoria
- > \$7 billion over the next 10 years to develop the Defence's space capabilities
- > \$65 million for a new Space Infrastructure Fund, with half allocated to the Australian Space Association and the other half toward building launch site infrastructure
- > \$200 million for the critical minerals industry
- > \$2.2 billion research commercialisation package to transform academic research into business

- > \$505.2 million over five years from 2021-22 (and around \$182.3 million per year ongoing) to establish Australia's Economic Accelerator grants to support university research projects from proof of concept and proof of scale through to commercialisation
- > \$37.4 million over four years from 2022-23 to establish CSIRO's Research Translation Start program
- > \$250 million over two years from 2022-23 to extend the Modern Manufacturing Initiative to support businesses in National Manufacturing Priorities (NMPs) sectors to deliver high-impact projects
- > \$53.9 million over four years from 2021-22 to extend the Manufacturing Modernisation Fund to support technology adoption in NMPs
- > \$6.9 million over two years from 2021-22 to develop Manufacturing Investment Plans to guide government and industry investment in NMPs
- > \$247.1 million over five years from 2021-22 to support increased private sector investment in low emissions technologies including hydrogen and the continued development of a hydrogen Guarantee of Origin scheme
- > \$50.3 million over two years from 2022-23 to accelerate the development of priority gas infrastructure projects consistent with the Future Gas Infrastructure Investment Framework and support investment in carbon capture and storage pipeline infrastructure
- > \$148.6 million over two years from 2022-23 to support more investment in affordable and reliable power, including the development of community microgrid projects in regional and rural Australia
- > \$9.9 billion over 10 years to the Australian Signals Directorate to deliver a Resilience, Effects, Defence, Space, Intelligence, Cyber and Enablers package
- > \$130.1 million over four years from 2022-23 to continue implementation of the Digital Economy Strategy
- > \$83.1 million over five years from 2022-23 to support the transformation of Australia's waste and recycling sector and expedite Australia's transition to a more circular waste economy
- > \$84.7 million for the Sovereign Industrial Capability Priority Grants Program

Easing the cost of doing business

Taxation

- > \$20 million per annum for a new Digital Games Tax Offset providing a 30 per cent refundable tax offset
- > Tax concessions for farmers who sell Australian Carbon Credit Units and biodiversity certificates

Small and medium sized enterprises

- > A cash flow support and red tape reduction package including:
 - o \$9 million to recognise international safety standards
 - o \$2.8 million towards digitising legal documents
 - o Lowering tax instalments that apply to PAYG and GST to two per cent for the 2022-23 income year
 - o Facilitating pre-filling of payroll tax returns through data sharing
- > Changes to Commonwealth procurement rules will make it easier for SMEs to win infrastructure, defence and other government procurement contracts
- > A 20 per cent tax bonus (investment allowance) for investment in digital technology and expenditure incurred on external training courses for upskilling staff
- > A new employee shares scheme for start-ups, allowing employers to offer an unlimited number of shares of unlimited value so long as an employee is not charged more than \$30,000 a year for
- > \$5.6 million over four years from 2022-23 for the Fair Work Commission to establish a dedicated unit to support small businesses

VCCI priorities addressed

Fully addressed priorities

- 1.** **Priority:** Fund the Western Interstate Freight Terminal to revitalise industry, create Victorian jobs and cement Victoria's place as Australia's principal freight point
- 2.** **Priority:** Expand funding and eligibility for the Export Market Development Grant (EMDG) scheme to help more SMEs enter new export market

Partially addressed priorities

- 1.** **Priority:** Support the creation of more apprenticeships and traineeships by extending the Boosting Apprenticeships Commencement Scheme
- 2.** **Priority:** Create a Tourism Recovery Fund to assist tourism, accommodation, events and creative businesses to remain viable and operate at full capacity by the end of 2022

- > The Victorian Chamber's two themes of 'Building back business' and 'Building for our future' set the scene for the priorities put forward to the Federal Government as part the Victorian business community's agenda.
- > Several of Victorian Chamber's priorities were addressed in the budget and we were pleased to see funding announced to help the tourism industry recover and attract international visitors and build a new interstate freight terminal to secure both Victoria's and the national supply chain.

Fiscal and economic outlook

- > Australia's strong economic recovery is forecast to continue with the private sector expected to be the main driver of growth as pandemic-related policy support continues to taper.
- > The unemployment rate is now forecast to be 3.75 per cent before the end of September 2022 and remain at that level until the end of 2024-25.
- > Real GDP is forecast to grow by 4.25 per cent in 2021-22 then decline to 2.5 per cent by 2023-24 and stabilise at this level.
- > The underlying cash balance has improved significantly since MYEFO due to stronger than forecast revenue and lower welfare payments.
- > Net debt is estimated to be \$631.5 billion in 2021-22 (27.6 per cent of GDP), increasing to \$714.9 billion (31.1 per cent of GDP) in 2022-23 and then rising to \$864.7 billion (33.1 per cent of GDP) in 2025-26.
- > Inflation is forecast to increase in the near term, with the Consumer Price Index to grow by a forecast 4.25 per cent in the year through to June 2022. Headline inflation is predicted to moderate to three per cent in the year to June 2023, reflecting pressure from global supply chains, then decrease to 2.75 by June 2024.
- > Net overseas migration is expected to rise from negative 90,000 in 2020-21, to be positive 41,000 in 2021-22, it will then increase to 180,000 in 2022-23 and 213,000 in 2023-24, and an estimated 235,000 persons in 2024-25 and 2025-26.

Australia's economic forecast (%)

	Outcomes	Forecasts				
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP	1.5	4.25	3.5	2.5	2.5	2.5
Employment	6.5	2.75	1.5	1.5	1	1
Unemployment rate	5.1	4	3.75	3.75	3.75	5
Consumer price index	3.8	4.25	3	2.75	2.75	2.5
Wage price index	1.7	2.75	3.25	3.25	3.5	3.5

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia and Treasury.



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