2022-23 FEDERAL BUDGET

What does it mean for SMEs?

more than money
nab

Group Economics overview of the Budget

With the looming election and the promise by the Opposition of a new budget if elected, there is considerable uncertainty over how many of the announced measures will be implemented. We also don't know what else the Government will announce in the lead up to the election (although the Contingency Reserve which widens to $15.4 billion by 2025-26 is pointing to some further announcements).

That said, the focus of spending was largely as expected. Cost of living measures were a centre piece, including halving the petrol excise for 6 months (worth 22c per litre), an extra $420 on the LMITO, and one-off special payment of around $250 for pensioners and welfare recipients.

Planned infrastructure spending was upped by $17.9 billion - largely concentrated on roads and rail. A new Regional Investment package of at least $11 billion was announced as well as significant new spending on defence - worth $270 billion over 10 years. Elsewhere there were incentives for investment in agriculture, medical manufacturing and digital.

Other measures included tax benefits for SMEs to invest in training and technology and an extension and expansion on home loan guarantees for housing.

Our analysis of the Structural Budget impulse using OECD methodology points to, very little structural tightening over the forward estimates - with the structural position improving by only 2% of GDP over the next 3 years. This sees the structural deficit still around 5% of GDP by 2024-25. Indeed, the small reduction in the headline Budget was largely brought about by a better economy - we think more could have been done.

In looking at the near-term trends, the fiscal situation is once again driven by the expense side rather than revenue. Indeed, compared to MYEFO there is little change. See Fiscal Stimulus section.

Overall, we have no problem with the focus on maintaining the support for economic growth but we see the scope for more structural/productivity enhancing measures to have been included. Further measures that cut red tape, reform taxation and provide greater support for renewable energy would have been welcomed. This budget also does not change expectations for monetary policy - i.e., the RBA will move soon to moderately increase rates (we expect that process to start by August this year).

Fiscal Outcome

The underlying cash balance for 2022-23 is estimated at $78 billion (or around 3.4% of GDP), while around $47 billion or 1.9% of GDP by 2023-24. Net debt is now expected to peak at around 33.1% of GDP by 2024-25 much lower and earlier than previously expected. That said, a return to surplus looks many years away.

Economic Outlook

Both we and the Treasury have similar views on the economic outlook. We see growth of around 3.8% in 2022-23 (Treasury has 3.5%). For 2023-24 we have 2.2% and they have 2.5%. Our expectations for consumption and investment are somewhat more modest in the short term than the Treasury's forecasts, but on the other hand we see unemployment lower for the near term at 3.5%.

Further out, Treasury see unemployment falling to 3.75% in 2023-24 - we are at 3.5% - and then they see unemployment rising back up to 4% in 2024. They also forecast less sustained business investment growth. Regardless, we share a positive outlook for the near term, albeit coloured by elevated inflation and ongoing virus and geopolitical risks.

Financial Markets

S&P has indicated that with Australia running a current account surplus in recent years, Australia's AAA rating is secured by a return to a budget deficit of around 2.5% of GDP, which this Budget presents.

Small Business Group's Agenda for Reform

Small and Medium-Sized Enterprises (SMEs) form the backbone of the Australian economy.
Small businesses (fewer than 20 employees) account for around 97% of all Australian businesses. SMEs employ 4.7 million workers or around 4 in 10 of the total workforce.

The 2022-23 Federal Budget is framed against a domestic economy that has recovered strongly from pandemic restrictions, with low unemployment, strong labour demand and rising commodity prices, but also faces uncertainties including further potential COVID-19 variant outbreaks, labour shortages, supply disruptions and more recently floods and war in Europe. The recovery currently underway is however flowing through to an improvement in conditions for businesses of all sizes, with SMEs making an important contribution to the national economy as well as being critical to the recovery of regional economies.

NAB's most recent SME Business Survey saw business confidence surge in Q4 2021, with conditions also stronger as the economy re-opened in the months following the Delta outbreak. In line with the wider rebound noted among larger firms in the NAB Quarterly Business Survey (QBS), SME confidence bounced back strongly to well above average levels (after falling below zero in Q3), with particularly strong gains in the major eastern states where restrictions had previously been in place.

SME business conditions also rose, with the smallest firms experiencing the largest gains. Though conditions improved for SMEs in all states, they remained negative in the Hospitality sector where SME businesses have been some of the hardest hit throughout the pandemic. Confidence in this sector however rebounded very strongly (though remained negative) as borders re-opened.

Leading indicators also rebounded. Capacity utilisation was back up levels similar to that recorded for larger businesses in the QBS. Forward orders also rose and capital expenditure plans for the next twelve months strengthened. But labour and materials availability was identified as a constraint for a growing share of SMEs.

Since the survey was taken, many SME businesses have faced disruptions related to the Omicron outbreak, though the strength of the rebound leading into the end of the year will have put businesses in a stronger position to manage that disruption. As the Omicron outbreak begins to ease, the survey results suggest SMEs will again be well positioned to take advantage of a rebounding economy over the coming months.

But as the **Council of Small Business Organisations Australia** (COSBOA) also noted "the compounding effects of COVID-19, increasing debt, fatigue, worker shortages, cost pressures from supply chain and the ongoing burden of keeping workplaces safe" has also left some previously strong, viable small business more vulnerable. COSBOA believes most small businesses in Australia simply need "time to breathe", and are looking for initiatives that "make business owners' lives easier and empowered with the tools they need to grow and thrive in the post-COVID world". And, as SMEs grow, so too does the economy, employment and access to new and diverse marketplaces.

It is against this backdrop that SMEs and business organisations set out their wish lists of potential reforms and changes as part of the 2022-23 Budget, building on a raft financial inducements and incentives introduced in the 2021-22 Budget to help SMEs on the road back to recovery - including the expansion of the instant asset write-off, temporary full expensing, loss carry back for businesses, small business tax concessions, investment into digitisation and changes to insolvency laws.

What did SMEs want this year?

For the 2022-23 Budget, a wide range of measures were advocated by industry bodies and small business leaders. **COSBOA's** Budget submission was based on 3 pillars - streamlining regulation; targeted needs-based support during post-COVID growth; and industry associations as a priority channel for business support. More specifically, they urged Government to:

- **Suspend** the creation of new compliance processes while small businesses recover from COVID-19.
- **Simplify** the industrial relations system with a small business model schedule, as well as reg tech and fin tech solutions.
- **Continue** COVID-19 deregulation measures, such as allowing electronic signatures on all documents.
- **Better incorporate** industry consultation when creating compliance processes for small businesses.
- **Re-instate** the government's business consultation website.
- **Use** industry associations to deliver programs designed to empower small business growth and provide small business advice, and use pre-existing pathways.
- **Empower** small business owners to use technology to grow their businesses.
- **Fund** an initiative for small business owners to better respond to cyber security threats.

- **Relax** the 20-hour working limit for certain visa holders for all industries for two years.
- **Address** concerns around tax implications, reductions to pensions or family tax benefits, and higher tax rates.
- **Create** initiatives to bridge the gap between small business employers and job seekers with relevant skills, and ensure VET students graduate with relevant skills.
- **Run** an inquiry into Australia's insurance market, give more resources to the ACCC, and review Australia's merger regime in line with international best practice.

CPA Australia also noted the current challenging conditions for business, and that despite Australia's low unemployment rate, "many businesses face labour shortages, supply disruptions, increasing costs and weak customer demand". While these challenges are likely to ease, "the risks of weaker than expected global growth, further supply and labour shortages, and future COVID-19 outbreaks and variants are real, adding considerable uncertainty to the short-term outlook". They also urged Government to consider a number of recommendations to support small business including:

- **Significantly increase** funding to assist small businesses to improve their capability and capacity to digitally transform.
- **Make** temporary full expensing (TFE) permanent for small businesses.
- **Increasing** the size of the skilled labour pool.
- **Back-off** on new regulatory requirements to give businesses breathing room to focus on current challenges.
- **Access** to business advice for small businesses, especially those in difficulty. An incentive could be in the form of a voucher or grant (the CPA suggest around $1,500).
- **Fiscal strategy** to prioritise economic transformation, as opposed to debt repayment.

The **Australian Chamber of Commerce & Industry** noted that as with the earlier lockdowns, "the recovery is likely to be uneven" and called on the government to:

- **Extend** the 25% small business corporate tax rate to cover all small to medium enterprises by increasing the base rate entity eligibility criteria to an aggregate turnover of less than $250 million.
- **Establish** a small business ICT Modernisation Fund to encourage greater investment in technology and digital innovation.

Among other key industry groups, **Australian Industry Group** also encouraged Government to invest in developing business capabilities such as digitisation and trade, particularly for SME businesses. **Chartered Accounts ANZ** urged Government to: further extend temporary full expensing and commit to an ongoing, simplified instant asset write-off regime for eligible small business taxpayers; make the loss carry-back permanent; support the implementation of small business CGT changes proposed in the Board of Taxation's review of small business tax concessions; and review the PAYG instalment system with a view to making it easier for micro and small businesses to comply on an opt-in basis.

More generally, small businesses hoped to see: further cuts to red tape to relieve them of onerous compliance tasks and reduce the cost of doing business; help with digital tools and processes; further reductions to the company tax rate; the creation of more assistance packages for businesses impacted by COVID and have struggled to stay afloat during the pandemic; and more measures to help hire and manage employees, such as low cost training and re-skilling packages and incentives to hire workers.

What did the Budget actually deliver?

- **Small business skills and training boost:** businesses with aggregated turnover of up to $50 million will be able to deduct an additional 20 per cent of expenditure incurred on external training courses provided to their employees.
- **Small business technology investment boost:** businesses with aggregated turnover of up to $50 million will be able to deduct an additional 20 per cent of expenditure (capped at $100,000) incurred on business expenses and depreciating assets that support digital adoption (e.g. subscriptions to cloud-based services, cyber security systems, portable payment devices).
- **Varying the GDP uplift factor for tax instalments:** GDP uplift factor for PAYG and GST instalments set at 2 per cent for the 2022-23 tax year (compared to 10 per cent that would have applied under statutory formula), subject to legislation being passed in parliament. The 2 per cent uplift rate is capped at $10 million annual aggregated turnover for GST instalments and $50 million for PAYG instalments.
- **Skills and training:** $2.8 billion in funding for an overhauled apprenticeship incentive scheme to grow the number of qualified trades people by subsidising the wages of select apprentices and trainees, providing up to $5,000 payments to new apprentices (in priority sectors) and up to

$15,000 in wage subsidies for employers who take them on.

- **Other Measures**

  $5.6 million over 4 years from 2022-23 for the **Fair Work Commission** to establish a dedicated unit to support small businesses, including unfair dismissals and general protections disputes.

  $25.2 million over 3 years ($18.4 million in 2022-23) to support small business including:

  - $10.4 million over 2 years from 2022-23 to enhance and redesign the **Payment Times Reporting Portal and Register** to improve efficiency and reporting;

  - $8.0 million in 2022-23 to the **Australian Small Business and Family Enterprise Ombudsman** to work with service providers to enhance small business financial capability;

  - $4.6 million over 2 years from 2021-22 to support the New **Access for Small Business Owners** program delivered by Beyond Blue to continue to provide free, accessible, and tailored mental health support to small business owners; and

  - $2.1 million over 2 years from 2021-22 to **extend the Small Business Debt Helpline** program operated by Financial Counselling Australia to continue to provide financial counselling to small businesses facing financial issues.

- **Tourism Support**

  Around $146.5 million to support the recovery of the Australian tourism sector in response to the pandemic impact, including further assistance for travel agents. Almost half will be rolled out globally as part of a government bid to reignite international tourism after nearly two years of border closures due to COVID-19.

- **Export Support**

  $80.0 million over 4 years from 2022-23 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.

- **Government Contracts**

  More help for SMEs to secure Commonwealth contracts. Under proposed changes, Government departments will be required to split up major projects to give smaller contractors a greater chance to compete for work. The Government has also authorised the Department of Defence to undertake limited tenders with SMEs for procurements up to $500,000 from 1 July 2022.

Small businesses were among the winners in the 2022-23 Budget. They will be pleased the government has increased tax breaks for SMEs investing in new technology and skills, as well as taxation reforms which should help improve business cash flows. Extra funding in apprenticeships will also be welcome by small businesses, while extra spending to reduce the burden of red tape should assist in bringing down the costs of doing business. Indirectly, SMEs serving the infrastructure sector stand to benefit from an additional $17.9 billion committed to infrastructure projects across the country. A $480 million investment to improve NBN infrastructure in regional, rural and remote areas should also benefit SMEs in these areas. But many will be disappointed the Government did not extend temporary full expensing of investments.

How did business react?

The Budget has been generally well received by key small business groups. The **Council of Small Business Organisations Australia** (COSBOA) welcomed the Budget as providing well considered structural reform with CEO Alexi Boyd stating:

"The Government should be highly commended for its commitment to reducing the regulatory burden on small businesses people."

The 120% tax deductions on skills training and better digitisation practices were especially welcomed by COSBOA as it has highlighted technology and cybersecurity needs as key impediments to small businesses. However, this year's Budget is not all perfect, with:

"the Budget lacking in more immediate relief measures to address the number one issue for small business right now: workforce shortages."

Business Council of Australia (BCA) CEO Jennifer Westacott said:

"This Budget helps take immediate pressure off Australians and begins laying the groundwork for a more secure economic future. A growing economy and a strong budget position - powered by the private sector - will deliver jobs for Australians and the revenues needed to fund services and support. The dividend of our world-beating recovery means the government can provide temporary cost-of-living relief while continuing to lock in growth and start repairing the Budget."

CEO of the **Australian Chamber of Commerce and Industry** Andrew McKellar however was more reserved stating that:

"While business has been well served by continued investment to skill our local workforce, slash red tape and enhance digital capability for small enterprises, we are without a long-term agenda for Australia to realise its economic potential."

The **Australian Small Business and Family Enterprise Ombudsman** Bruce Billson said:

"Tonight's Budget represents a financial and strategic commitment to ensuring small and family businesses are digitally enabled, resilient and have the support, incentives, skills and training needed to be truly competitive."

Key Sectors in Focus

1. Health Services

Many parts of healthcare have forever been transformed because of the COVID-19 pandemic. The virus accelerated innovation, co-operation, and digitisation across the health sector. Many healthcare businesses used this time to explore new business models and unlock the full potential of emerging technologies. Health providers will need to continue to pivot and respond to the evolving health and economic implications of the virus. Consumers increasingly expect care to be available when and how it is most convenient and safe for them. Telemedicine has improved face-to-face care, but certainly not replaced it.

HICAPS data clearly showed that health volumes closely followed any restrictions imposed by state governments, irrespective of the ability to trade. Against this background, consumers became more mindful where they spent money, switched to less expensive products and services, and were more proactive and empowered as patients and more conscious of “wellness”. Some cost-conscious consumers decided that fewer visits to health practitioners and procedures were necessary. Any ongoing economic hardship for some could have longer-term impacts on the demand for private medical care, private health insurance membership and the use of public hospitals. The cost of health services in Australia is already relatively high compared to the OECD average, with many Australians having to pay out-of-pocket for Medicare services. There is a growing evidence of an economic divide, with rising financial and emotional stress rising among lower income groups, the unemployed and younger people. Further policy may be required to avoid exacerbating rising inequalities including making access to health services more equitable.

While COVID has motivated many consumers to be more proactive in caring for their health, the funding model for the health system remains focussed on treating illness. COVID saw a decrease in preventive screenings with some patients hesitant to see their health care provider. The impact of deferred detection and care across different conditions will vary, but the resulting cost to the health system could be substantial. Delays in GP visits could also increase the chance of more serious complications requiring costly hospital treatment at a later date.

The aged care sector has also been on the frontline of the pandemic response, working to protect the older Australians in their care. The ongoing Omicron wave continues to significantly impact the sector. The sector has called for greater preparedness for the next major wave of COVID cases, noting the double threat of a future wave in combination with seasonal influenza.

In March 2021, The Royal Commission into Aged Care Quality and Safety's final report listed 148 recommendations. These included: a new aged-care system underpinned by a rights-based Act; funding based on need; and changes to regulation and transparency. The Government has already implemented a number of compliance requirements including the Serious Incident Response Scheme, National Mandatory Aged Care Quality Indicators and increased reporting detail and frequency through the Aged Care Financial Report.

Last year’s Budget contained $17.7 billion worth of investments in aged care. The funding was allocated to address a number of issues including the size of the home care queue and wait times by making available more home care packages. Funds were also made available to ease financial pressures in residential care and to employ more carers and registered nurses in residential aged care. An independent pricing authority was also created.

While the aged care sector welcomed the investment made in the 2021-22 Budget and acknowledged that it could continue to do better, many have expressed their ongoing concern around underfunding, key workforce issues including incentives for nurses to work in regional areas and older workers to join the industry, and the challenges faced from the pace of compliance and regulatory change.

What did business want this year?

The **Australian Medical Association** argued that “the current health system funding model was not fit for purpose with a focus on the number of procedures hospitals provide” (and failing to adequately account for the fact that Australia’s population is growing, ageing, and developing more complex health needs). The system also does not provide sufficient funding to “keep people out of hospital through preventative and community care”. The AMA called on the Government to implement a four-point plan for public hospital reform:

1. **Improving performance** - reintroduce funding for performance improvement (e.g. improvement in elective surgery and emergency department waiting times), to reverse the decline in public hospital performance.
2. **Expanding capacity** - give public hospitals additional funding for extra beds (along with the staff) and support them to expand capacity to meet community demand, surge when required, improve treatment times, and put an end to ambulance ramping.

3. **Addressing demand for out-of-hospital alternatives** - fund alternatives for out-of-hospital care (so those whose needs can be better met in the community can be treated outside hospital). Programs that work with general practitioners to address avoidable admissions and readmissions should be prioritised.
4. **Increasing funding and remove funding cap** - increase the Commonwealth government's contribution to 50% for activity, beyond the temporary COVID-19 specific partnership agreement (an investment of $12.7 billion over four years between 2022-23 and 2025-26). Require states and territories to reinvest the 5% of 'freed-up' funds to improve performance and capacity. Remove the artificial 6.5% cap on funding growth that is shared between states and territories, so funding can meet community health needs based on realities on the ground. This represents an investment of $7.8 billion over four years between 2022-23 and 2025-26.

The **Royal College of General Practitioners** also noted the challenges GPs had faced over past year while undertaking the largest vaccination program Australia has ever seen. According to the College, general practitioners delivered over 20 million COVID-19 vaccinations while maintaining day-to-day care for their patients. But they also noted that the general practice workforce is ageing, with the proportion of GPs over the age of 65 increasing from 11.6% in 2015 to 13.3% in 2019. And at the same time, the proportion of final-year students listing general practice as their first preference specialty has fallen to just 15.2% - the lowest since 2012. This is of particular concern given "one in two Australians has a chronic disease and two in three have at least three or more risk factors for heart disease, diabetes or chronic kidney disease".

The **Pharmaceutical Society of Australia** noted that despite the significant strain on Australian pharmacists the over the course of the pandemic, "pharmacy doors remained open, and pharmacists remained on the frontline, when many other services closed". Pharmacists continue to "go above and beyond for their communities, helping the nation achieve its vaccination targets, managing the significant shortage of rapid antigen tests, and ensuring patients continue to have timely access to essential medicines, non-urgent care, and other services". Four key budget proposals were identified:

1. **Embedding** pharmacists in Residential Aged Care Facilities to improve medication management, reduce medicine-related harm, and improve quality of life for aged care residents.
2. **Introducing** an MBS service payment to pharmacists for administering National Immunisation Program (NIP) vaccinations (including COVID-19 vaccines).
3. **Supporting** a GP-Pharmacist Collaborative Prescribing Pilot to address the urgent workforce crisis currently facing regional, rural and remote General Practice.
4. **Introducing** an MBS rebate for pharmacists to be remunerated for multidisciplinary case conferences (i.e. where General Practitioners coordinate a team of allied health, home and community service providers to ensure their patient's care needs are being met through a planned and coordinated approach).

The **Pharmacy Guild of Australia** also argued that with rising cost of living pressures "the Government must act to make prescription medicines on the Pharmaceutical Benefit Scheme more affordable". In March 2022, the Guild argued that research showed 24% of non-concession card holders were struggling to afford their medicines and more than one in ten (13%) had not filled a script over the last three years due to cost.

The **Australian Dental Association** noted that good oral health was "pivotal for general health and well-being and should be available to all Australians". The ADA cited the recent AIHW, and that around one-fifth of dentate adults aged 15 years and over had avoided or delayed dental care in 2019–20 due to cost constraints. The ADA has repeatedly called on the Government to "address the urgent need for additional, targeted, and sustainable funding to meet vulnerable populations' oral and dental health care needs". In their 2022–23 Budget submission, the ADA identified three priority groups: older Australians; rural and remote Australians; and low-income adults. A range of initiatives were recommended for oral health promotion including: Senior Dental Benefits Scheme; dental practitioners to become integral members of aged care teams; an increase tele-dentistry services; scholarships for Indigenous dental or oral health students and for student placements in rural locations; and increased access to public dental care.

The **Australian Association of Psychologists,** noting the growing trend in anxiety, and indicators of PTSD and depression in Australia, recommend four key initiatives:

1. **One-tier** Medicare rebate for the clients of all registered psychologists in Australia.

2. **Raising** the Medicare rebate to $150 per session to allow for greater access, to facilitate more bulk billing, and to enable appropriate treatment rather than an inadequate psychological health care response.
3. **Implementing** the Productivity Commission recommendation for up to 40 rebated sessions per annum.
4. **Establishing** a 'Provisional Psychologist' Medicare rebate.

Australian Aged Care Collaboration, a group comprising six peak bodies that deliver around 70% of in-home and communal residential aged care services, outlined a range of priorities for this year's Budget noting that aged care was "experiencing a workforce crisis and the financial viability of residential aged care operators continued to be compromised". Measures needed to better support and protect older Australians were divided into two packages:

1. COVID-19 package

- **Testing** - adequate testing available with sufficient supply of rapid antigen tests to allow screening every 72 hours and more frequently where there are outbreaks or exposures.
- **PPE** - more reliable access, including investment in strengthened logistics chains and additional outbreak stock.
- **Surge staffing** - capable of addressing shortages on the scale experienced during the Omicron wave (i.e., an average 25% of shifts unfilled).
- **Shifting allowances/retention** - financial recognition of the efforts staff undertake in responding to COVID-19. Previously the Government has paid one-off retention bonuses.
- **Precautionary costs** - current funding for COVID-19 costs is largely through grant arrangements that remain linked to responding to COVID-19 exposures rather than preparing for them.
- **Vaccines and antivirals** - plans must be in place to ensure further doses can be delivered ahead of when they are needed.

2. Workforce and Sustainability package

- **Supporting** aged care providers to pay a competitive wage - increase indexation payments to ensure they cover, as a minimum, the Fair Work Commission Minimum Wage increase for 2021-22 and 2022-23.
- **Incentivising** nursing students, prospective care, support, and foreign workers - suggestions included: subsidised university fees; graduating nurses having to complete time at an aged care facility; incentives for registered nurses to upskill and to work in regional & rural areas; pathway programs for secondary school students and re-skilling programs for those in other sectors; Permanent Residency and visa concessions for Regional Australia.

Private Healthcare Australia noted the pandemic had "demonstrated the value of Australia's flexible, varied health system which is a strong protection for the community in times of crisis, with private health care proving to be the best way to receive timely, supported health care for a range of conditions". It urged the Government to address cost of living pressures and improve health care through:

- **Restoring** the Private Health Insurance Rebate to 30 percent for low-and middle-income earners to provide immediate cost relief for consumers (currently less than 25 percent).
- **Improving** continuity of care and out of hospital options through removing unnecessary red tape.
- **Reducing** the cost of medical devices, which remain well above international benchmarks.
- **Improving** Commonwealth procurement processes where there is evidence of market failure in access to medical technology (e.g. price gouging by intermediaries in the supply of rapid antigen tests (RATs) and personal protective equipment (PPE) throughout the pandemic).
- **Implementing** measures flagged from previous budgets on default benefits, risk equalisation and community rating.
- **Providing** immediate cost relief for younger Australians with private health insurance through Fringe Benefits Tax changes.
- **Reviewing** the model for consumer input to policy-making in private health to better ensure consistency and alignment with community values.

The **Australian Private Hospitals Association** called for a range of additional initiatives including: reforms to skilled migration regulations; a 12-month moratorium on charges to employers for health care related skilled migration; pathways to permanent residency for highly skilled employees; more training opportunities; better management and coordination of the National Medical Stockpile; support for domestic manufacture of essential medical supplies; retention of temporary MBS COVID-19 telehealth items on a permanent basis; and, funding and financial incentives for the improvement of IT compliance and digital health capacity building.

What did the Budget actually deliver?

COVID-19 measures

The Government will spend $2.6 billion over 2 years from 2021-22 (with the majority of spending occurring in 2021-22) to procure and distribute rapid antigen tests and personal protective equipment.

In addition, the Government will spend $1.1 billion over 2 years from 2022-23 to continue the emergency response to COVID-19. This includes:

- $984.0 million over 2 years to extend the National Partnership on COVID-19 Response.
- $56.9 million in 2022-23 to continue COVID-19 activities of the National Incident Centre and Therapeutic Goods Administration, as well as expanding the National Medical Stockpile.

The Government will spend $1.0 billion over 2 years from 2021-22 for the continued distribution of COVID-19 vaccines in Australia.

The Government will spend an additional $886.0 million over 2021-22 and 2022-23 to fund the health response to the COVID-19 pandemic. This funding includes:

- $546.0 million in 2022-23 to extend temporary Medicare Benefits Schedule pathology items for COVID-19 testing.
- $248.1 million from 2021-22 for the General Practitioner-led Respiratory Clinics Program to diagnose and manage COVID-19 cases.
- $43.3 million in 2022-23 to support the COVID-19 response in rural, remote and Indigenous communities.

Medicines and Appliances

The Government will spend $2.5 billion over five years from 2021-22 to fund new and amended listings on the Pharmaceutical Benefits Scheme, the Repatriation Pharmaceutical Benefits Scheme, the Stoma Appliance Scheme and the National Epidermolysis Bullosa Dressing Scheme.

In addition, the Government will spend $525.3 million over 4 years from 2022-23 to lower the Pharmaceutical Benefits Scheme Safety Net thresholds from 1 July 2022. This will lower the cost of medications for around 2.4 million Australians.

Aged Care

The Government will spend $458.1 million over the 5 years from 2021-22 to provide additional COVID-19 support for the aged care sector. This funding includes:

- $215.3 million over 2021-22 and 2022-23 to provide bonuses to aged care workers in residential aged care and home care.
- $124.0 million in 2022-23 to fund the Aged Care Preparedness program to support providers to manage and prevent COVID-19 outbreaks and transition to living with COVID-19.
- $50.4 million over 4 years to train residential aged care workforce to deliver vaccinations.
- $37.6 million over 2 years to provide infection prevention and control training for qualified nurses in residential aged care.

The Government has pledged an additional $122.6 million over 5 years from 2021-22 as part of the existing funding package in response to the Royal Commission into Aged Care Quality and Safety. The majority of this funding is focused on improving the administration of medication management for residential aged care residents, along with funding for workforce training, regulatory and professional support.

Mental Health

The Government will spend an additional $303.2 million over 5 years from 2021-22 to provide mental health Stage 2 reforms through the 5 pillars of the National Mental Health and Suicide Prevention Plan. These pillars are: Prevention and Early Intervention; Suicide Prevention; Mental Health Treatment; Support for Vulnerable Australians; and Workforce and Governance support.

Other Healthcare Measures

The Government will provide an additional $1.3 billion to the Medical Research Future Fund (MRFF) Ten Year Investment Plan.

The Government will spend an additional $380.6 million over five years from 2021-22 to treat and prevent cancer. The majority of the funding will to contribute to establishing the Western Australian Comprehensive Cancer Centre in Perth.

The Government will spend an additional $226.5 million over five years from 2021-22 to improve access to primary care services. This includes:

- $108.5 million over 2 years from 2022-23 to improve access to public dental services.
- $56.0 million in 2022-23 to support after-hours health care services.

The Government will provide $224.4 million over 4 years from 2022-23 to improve primary care in rural and remote Australia. The majority of funding is to support training doctors in these regions.

The Government will spend an additional $112.4 million over 4 years from 2022-23 for a range of women's health initiatives and to support the implementation of the National Women's Health Strategy.

Changes to the Medicare Benefits Schedule will see the Government spend an additional $40.3 million over 5 years from 2021-22.

How did business react?

The President of the **Australian Medical Association**, Dr Omar Khorshid welcomed the continued spending on the COVID-19 response, but argued that additional Medicare and hospital funding in this year's Budget fails to address stress in the health system, noting that:

"The Medicare and hospital funding in tonight's Budget amounts to little more than usual recurrent spending and planned growth, not the new injection of funds our health system desperately needs……this Budget was the last chance for the Government to show it is serious about primary care reform by delivering the extra funding needed to improve patient access to high quality General Practice."

Dr Khorshid also noted that the Budget failed to address hospital waiting lists or improve patient access to high quality General Practice.

"While the Health portfolio has been spared funding cuts, the Government's focus on cost of living has overlooked quality of life, particularly for the thousands of Australians languishing on hospital waiting lists."

The **Royal Australian College of General Practitioners** (RACGP) welcomed many of the Budget measures but warned that it failed to address the fall-out of the COVID-19 pandemic and the future challenges of a fatigued health system. The College's main concern is that vital components of the Primary Health Care 10 Year Plan remain unfunded. The Budget also failed to include funding for the implementation of the long-overdue reforms related to voluntary patient enrolment, aimed at providing more support for patients who need it most.

The **Australian Aged Care Collaboration** condemned the Government's response to the Royal Commission, having failed to address the workforce recommendations. Failing to provide wage uplifts leaves aged care workers on the edge of poverty and many older Australians without services.

"There is nothing in the Budget 2022 to improve aged care wages, leaving our dedicated workers on the edge of poverty & many older Australians without the services they need. The Royal Commission's workforce recommendations are the key area of unfinished business."

The **Australian Nursing and Midwifery Federation** criticised the Budget for lacking sustainable funding and real reform for health and aged care - particularly Royal Commission recommendations around staffing levels, increased wages for aged care workers and accountability for public funding.

The Chief Executive of **cohealth**, one of Australia's largest non-profit community health services, Nicole Bartholomeusz expressed disappointment that the budget failed to address upstream factors – with no change to Centrelink payments, investment in social housing or measures to address insecure and low paid work - that can restrict people from seeking healthcare. Ms Bartholomeusz noted that one-off payments do not provide sufficient support for low income earners to address increasing costs of living.

The President of **People With Disability Australia**, Samantha Connor criticised the Budget for not providing better support for people with disability, with no new funding commitments of any significance.

2. Education

Education is another key sector exposed to the disruptive effects of the pandemic. From the challenges of home-schooling, to the issues related to closed borders for international education providers, the effects have been pervasive. Educators and students have adapted to meet these challenges, with more flexible timetables, and uptake in technology for remote learning. Predictions many parents would withdraw their children from private schools because of the financial pressures caused by COVID have fallen flat, with enrolments at many independent schools actually increasing since the pandemic. By the time they reach secondary school, NAB research suggests around 1 in 5 children will be educated in the private system.

For the tertiary sector, which contributes heavily to Australia's services exports, funding constraints associated with physical border closures have been particularly damaging due to the absence of international students. Over the past year, the sector (along with other institutions that host international students, including VET, ELICOS and schools), expressed fear that students abroad were growing impatient and turning to competitor countries which made immigration concessions allowing internationals to return to their studies on campus.

The sector was encouraged to increase diversification (with some analysts arguing that even before COVID hit, rates of growth of on-campus enrolments were not sustainable), and to focus more on domestic students, and online delivery models for international students. That said, there is broad consensus that Australia must work harder to rebuild trust among foreign students after two years of closed borders. Many also believe more must be done to provide foreign students with viable employment pathways in Australia once they graduate. There are currently around 365,000 international students enrolled in Australian education institutions, compared to 529,000 prior to the pandemic.

Childcare centres have also had to navigate COVID outbreaks with the rules governing how to handle cases different in each state. The sector also acknowledged that for many, particularly women, high childcare costs mean the financial benefits of working are often marginal, making it harder for parents to return later and producing much lower lifetime earnings. This is being compounded by rising cost of living pressures for many families. In particular, children from rural areas, and from disadvantaged households are more likely to start school behind their city counterparts. The sector is also facing a major workforce crisis with low pay, high staff turnover and uneven access to quality training mean services leading to a struggle to find the quality staff needed by children and families.

Under changes announced in last year's Budget, the Federal child care subsidy rate for a second child aged five or under has been increased for all families earning $180,000 or less. The move costing taxpayers $1.7 billion over four years will benefit about 250,000 families across Australia by an average of $2,260 a year. However, an estimated 700,000 families will not benefit at all because the policy only affects rates for a second child in care.

What did business want this year?

Early Learning Association Australia (ELAA), **Community Early Learning Australia** (CELA), and **Community Child Care Association** (CCCA) provided a joint submission, with the objective to "ensure every child in Australia has the same opportunities, regardless of what their family earns or where they live". They also noted the sector was facing "a major workforce crisis, with low pay, high staff turnover and uneven access to quality training meaning services were struggling to find the quality staff needed". The joint submission proposed a 6 Point Plan for Australia's education and care sector which included:

1. **two days a week** of funded early education and care for all children from birth to school;
2. **a commitment** to the inclusion of all children;
3. **mandatory** National Quality Standard assessments and ratings at least every three years;
4. **the creation of** a national industrial instrument for the education and care sector to provide educators with fairer levels of pay;
5. **a National** Children's Education & Care Workforce Strategy; and
6. **properly funded** infrastructure and sector support.

National Catholic Education Commission (NCEC) represents 1,755 catholic schools, and educates one in five, or over 777,000 school students. The NCEC has recommended that the Non-Government Reform Support Fund be extended for another 5 years beyond 2022. In addition, there are submissions which focus on early childhood education funding, with priority to disadvantaged communities. The NCEC also has recommendations for increased capital funding and remote area programs, with one focus aligning to 'closing the gap' initiatives.

Independent Schools Australia (ISA) represent 1,169 schools, and over 647,000 or one in six students. The ISA noted the need to protect and support all students and staff had never been more important. The ISA referenced increased incidence of mental health concerns at a younger age, with half of mental illness onsetting prior to 14 years. The ISA note that Safework Australia also reports that teachers are over-represented in the number of paid claims and early career teachers are leaving the profession at high rates. With the number of ISA students expected to increase (projected 11% or an additional 62,000 by 2028), the sub submission highlighted three current key areas of concern for the Independent school sector:

1. **Support for Learners** - ensuring that the wellbeing and mental health needs of staff and students.
2. **Support for Choice** - ensuring schools affected by funding methodologies remain accessible; ensuring schools' funding is stable and predictable; strengthening education in regional and remote areas and for Indigenous students; and contributing to the capital costs of new Independent schools or significant extensions to existing schools.
3. **Support for Reform** - protecting the quality of Independent schools by maintaining funding to assist the sector continue to deliver on existing and new national priorities.

Universities Australia (UA) noted the university sector had been hit hard. Student enrolments (and more critically, commencements) had fallen, student accommodation buildings were empty, and small businesses dependent upon international students suffered - and in some cases closed down. At the same time, however, "the unprecedented crisis of the last two years highlighted the indispensable contribution that universities make to the nation. University researchers studied and sequenced the virus, followed its medical, economic and social impacts, and developed effective, expert responses". Similarly, universities continue to educate the health professionals who work on the front line. UA set out 12 policy recommendations including:

1. **ensuring** the funding framework for Government-subsidised university places is adequate to meet future student demand due to changes in population and the labour market.
2. **extending** demand-driven places to all Aboriginal and Torres Strait Islander students, not just those from regional and remote areas.
3. **funding** a time-limited health service placement adjustment package to support health workforce supply and skills growth.
4. **extending** eligibility to access the Higher Education Loan Program (HELP) to Australians undertaking non-award micro-credentials.
5. **providing** a time-limited targeted grant program to support additional clinical education technology in the university sector.
6. **increasing** long-term investment in university research.
7. **shifting** Research and Development Tax Incentive (RDTI) funds away from indirect funding of industry R&D towards targeted, direct-funding programs that aim to increase innovation, additionality, and absorptive capacity in industry.
8. **funding** the development of information for culturally and linguistically diverse populations to provide guidance on self-isolation requirements on arrival into Australia, access to COVID-19 testing and to assist them in proving their vaccination status.
9. **re-establishing** the Endeavour Program to help students and early to midcareer researchers build international networks.
10. **funding** service providers to ensure international students are able to access physical and mental health support services.
11. **reviewing** the New Colombo Plan with a view to expanding the program to include a broader range of destination countries and to provide targeted opportunities for specific cohorts of students who are currently under-represented.
12. **working in partnership** to identify and deal with regulatory overlap and to coordinate regulatory and reporting requirements more effectively in different portfolios.

The **Australian Academy of Science** also noted that the Budget provides an opportunity for the Australian Government to secure the scientific base. Science and technology continue to offer the "only exit strategy from the pandemic for Australia and the world". The Academy called on the Government to sustain excellence in fundamental research; foster a scientific workforce more diverse in race, gender, and geography; and support high-quality science and mathematics education. Additionally, it believes there is a need to foster closer ties between academia and industry, keep borders open to promote international partnerships, and promote ethical research practices.

The **Australian Council of Social Service** (ACOSS), the peak body of the community services and welfare sector, noted that the COVID-19 pandemic and the 'Black Summer' bushfires had "exposed the weaknesses of our most basic social, economic and environmental supports". Specific to education, ACOSS noted a flexible Jobs and Training Guarantee for people unemployed long-term.

What did the Budget actually deliver?

Childcare and Preschools

An extension of the four year preschool reform agreement from 2021. $6.9 million for business continuity payments of $10,000 to early childhood education and care services in flood affected areas. $19.4 million over 5 years from 2021 for Community Child care for services in rural areas.

School Education

$228.5 million over 5 years from 2021-22, of which $62.4 million over 2 years from 2022-23 extend the National School Reform Funds, $29.4 million over 4 years allocated to extend the Indigenous Boarding schools grants program for one additional year, $10.4 million (from 2021) for emerging priorities, and $7.2 million (from 2021) for teachers, school leaders, and improve student engagement, $6.3 million for a boarding facility in Tennant Creek.

Job Training

The Boosting Participation and Building Australia's Workforce program, allocates $52.8 million over 5 years for the ReBoot initiative for up to 5,000 training places aimed at disadvantaged young people, $49.5 million for 15,000 low and fee-free aged care training places over 2 years.

Of the $1.3 billion over 5 years under the "Investing in skills development and growing Australia's workforce" initiative, $954 million is allocated to the Australian Apprenticeships Incentive System, and $365.3 million to extend an existing apprenticeship program.

Tertiary Support

$988.2 million over 5 years from 2021-22 to deliver the research reform package aimed at university-industry collaboration. Of which, $505.2m has been allocated to the "Australia's Economic Accelerator (AEA)" program, $295.2m for research training pathways including Industry PhDs, and $150m to expand the CSIRO innovation fund. Much of this funding was previously announced.

How did business react?

Universities Australia Chief executive Catriona Jackson said:

"Tonight's budget recognises the pressures faced by ordinary Australians and strives toward a stronger, more productive economy in turbulent times... We welcome the extra $11.3 million for the 80 new Commonwealth Supported Places, commencing from 2023-24, to deliver full medical school programs at new or existing rural training locations."

Swinburne University Professor Pascale Questor raised concerns about the lack of change in research funding noting:

"We continue to have a system where research is not fully funded and has to be subsidised by teaching."

National Catholic Education Commission (NCEC) Jacinta Collins welcomed the increase to early childhood services in regional and remote areas, and continued support for boarding facilities. In addition, the extension of the reform funds is also welcome.

The Parenthood, an independent not-for-profit, issued a mixed response. They welcomed improvements to the paid parental leave scheme, but were disappointed with no further changes to childcare subsidies.

Science and Technology Australia Professor Mark Hutchinson welcomed the investment in research commercialisation. establishment of Australia's Economic Accelerator, and industry PhDs and Fellowships program, along with the CSIRO research translation program. STA also noted the $2 million over 4 years to build the STEM profile of women.

3. Agriculture & Regions

The 2022-23 Budget takes place against a backdrop of a generally very strong two years for Australian agriculture, but with emerging challenges around input costs and trade disruptions. Seasonal conditions since autumn 2020 have generally been excellent, resulting in record crop production combined with generally excellent commodity prices for many sectors.

The La Nina event, underway since last November, weakened somewhat in February but this has stalled in March as trade winds remain stronger than average over the western Pacific. This brings an increased risk of tropical cyclones, although we are reaching the tail end of the season. The event has seen destructive storms across parts of Queensland and New South Wales, as well as high rainfall in some agricultural districts. Meanwhile, other regions remain drier than average. Much of northern Queensland and the Northern Territory is abnormally dry.

Given the traditional start to the winter cropping seasons is just a month away, producers in some southern regions are looking for more rain. The three-month outlook for April to June points to a potentially very wet period in the tropical north and wetter than average to average conditions elsewhere, with the notable exception of the WA wheatbelt, where average to drier than average conditions are forecast. It is important to note that autumn long range outlooks typically have relatively low confidence.

The **NAB Rural Commodities Index** ticked up another 0.9% on a monthly basis in February - its eleventh consecutive gain to another record high. Our latest partial data for March points for a roughly 2% gain in the month. The index is now over 20% higher than the same time in 2021.

This is also reflected in our customer data, which shows grain customer inflows across Vic, NSW, SA and WA now at the highest level since our series began in 2015. WA has seen particularly strong conditions, with January income around 25% higher than the same period in 2019, when WA growers experienced a strong season combined with strong drought-induced eastern states demand.

Russia's invasion of Ukraine has sent shockwaves through agricultural commodity markets across the globe. Grains, fertiliser and oil prices have all seen substantial increases as well as volatility as a result, with considerable uncertainty over production at risk in Ukraine. While western sanctions do not extend to Russian agricultural products, the old commodity trading routes of the Cold War are being re-established.

Farm inputs prices are a mounting concern, especially ahead of winter crop planting which is just a month away. While high agricultural commodity prices combined with generally very good production have more than offset the pressure for most producers so far, this could be less of a comfort as the year rolls on. Fertiliser has seen a sustained uplift since the onset of the pandemic and the war in Ukraine has only exacerbated the challenges. Overall, our fertiliser index was up 40.5% on a year on year basis in February, and 119% compared to the same time in 2020. Oil prices have been extremely volatile over the last month. Brent is now hovering around USD120/bbl range, but with large daily swings fairly common, this could well move significantly. This has led to a sharp rise in domestic fuel prices, especially for diesel. National average diesel prices are now exceeding 220c/l and could move even higher.

The Russian invasion of Ukraine has particularly caused havoc with global grain markets. Russia and Ukraine combined constitute around 25-30% of global wheat exports, a share that has been trending up from well under 5% through the 1990s. This compounds already mixed overseas growing conditions and low global stocks outside China, creating the conditions for high volatility.

Many regional areas have experienced strong growth during the pandemic. The onset of the pandemic shifted migration patterns, with many people relocating to rural areas. While beneficial to many regional economies, there have been increased housing cost pressures as well as regional labour shortages, particularly in hospitality and agriculture.

What did business want this year?

The **National Farmers Federation** (NFF) has set a target for Australian agriculture to be a $100 billion industry by 2030 - a vision shared by industry and Government. The NFF Pre-Budget Submission recommendations can be summarised under the five pillars of the NFF's 2030 Roadmap:

1. **Customers and Value Chains** - specific measures include: establishment of an Infrastructure Fund focused on productivity improvements within the supply chain; 20 Regional Development Precincts across Australia, including funding for investment in priority precinct infrastructure; the waiver of export certification fees, and the continuation of the International Freight Assistance Mechanism until international borders are fully reopened; establishing the Office for the Perishable Agricultural Goods Advocate.

2. **Growing Sustainably** - specific measures include: continuation of pilot and expansion of programs such as the carbon and biodiversity and enhanced remnant vegetation programs, including contribution to the development of natural capital markets; and support complementary measures in the Murray Darling Basin Plan
3. **Unlocking Innovation** - specific measures include: establishing a Regional, Rural and Remote Telecommunications Fund to resource ongoing mobile network expansion; the Mobile Blackspots Program; the establishment of the Australian Local Power Agency and the associated Local Power Fund.
4. **Capable People and Vibrant Communities** - specific measures include: a centrally managed Seasonal Worker Fund; initiatives which promote education and training for the agriculture sector; mental health awareness and early intervention programs in rural, regional and remote areas.
5. **Capital and Risk Management** - specific measures include: retention in perpetuity of the fuel tax excise rebate for off-road use; further round of the Emergency Water Infrastructure Scheme; review and reform of the tax system and drought measures, with respect to definitions of a primary producer to incentivise sound on-farm risk management.

GrainGrowers noted the Australian grains sector was in a "prime position to drive continued economic growth in the COVID-19 recovery". There are 22,300 farm businesses in Australia growing around 40 million tonnes of grains, oilseeds and pulses each year for domestic and global customers. The industry accounts for over 6% of Australian employment looking after 31 million hectares of land. Grain constitutes around 22% of Australian agriculture's gross value of production. A number of key recommendations can be summarised under 4 headings:

1. **Trade and Market Access & Quality** - activities that accelerate market development; increase focus on the elimination of commercially meaningful non-tariff barriers; and an Australia-India Agreement that improves market access.
2. **Freight, Infrastructure and Telecommunications** - improvements to Australia's logistics system; removing bottlenecks along grain freight routes and key ports; more funding for local road upgrades and maintenance; improving telecommunications infrastructure and access to both broadband and voice services.
3. **Farm Business and Economics** - Government review of the Farm Management Deposit.
4. **Innovation, Farm Inputs & Biosecurity** - more opportunities for domestic manufacturing of fertiliser, chemical, fuel, spare parts, etc; improving price transparency in fertiliser markets; AgVisa to be accessible for all of commodities; Government support for initiatives like GrainGrowers Grains Employer of Choice Program; and a National Biosecurity Strategy.
5. **Sustainability, Climate Change & Natural Resource Management** - more education, awareness programs & tools to measure and integrate carbon, biodiversity, soil and environment health data; a new Regional Investment Corporation (RIC) loan to assist farmers undertake emissions reduction activities; research and technologies to reduce grains related emissions and support pathways to carbon neutrality (net zero) or better which are economically and socially feasible for the grains sector.

What did the Budget actually deliver?

The Budget allocates an **additional $135.6 million over 5 years to support the NFF's ambition for a $100 billion industry by 2030.** Key measures include:

- $61.6 million for biosecurity infrastructure;
- $20.1 million for on-farm biosecurity;
- $20 million for pest and weed reduction;
- $15.4 million for agricultural shows and field days;
- $12 million for trade events; and
- $6.6 million for the AgMove program.

The **National Water Grid** will receive $6.9 billion, of which around $1 billion is in the Budget and forward estimates period, for a range of water projects. This includes Hells Gate Dam, Paradise Dam improvement, Dungowan Dam and pipeline, Darwin water infrastructure and Emu Swamp Dam and pipeline.

The Government will provide $114.6 million over 5 years for **forestry and fishing sustainability**, including $86.2 million for new plantations.

Murray-Darling basin will receive an additional $139.9 million to improve environmental outcomes and economic development, to be met from existing departmental resources.

The **tax treatment of Australian Carbon Credit Units** will change, classing them as primary production income, allowing concessional tax treatment under the FMD scheme or tax averaging. This will cost $100m over the forward estimates.

There is an additional 85.4 million for **drought readiness**, to be met from the Drought Future Fund.

While the Budget has **halved fuel excise** for the next six months (a cut of 22c/l), its impact for agriculture is likely to be limited by the fact that agricultural machinery was already eligible for the fuel tax credit. There will be however be a benefit for vehicles used on road, such as trucks and utes.

Four regional areas are set to receive $7.1 billion over 11 years in a major investment into the **Energy Security and Regional Development Plan**, which will focus on improving infrastructure and developing supply chains. The regions are the Northern Territory, North and Central Queensland, the Pilbara and the Hunter. Some of the funding is existing and some beyond the forward estimates. The Budget provides around $1.4 billion over the course of the Budget and forward estimates period.

Key focus areas for each region are as follows:

- **Northern Territory**: manufacturing, onshore processing of critical minerals and renewable energy infrastructure.
- **North and Central Queensland**: water infrastructure and supply chain improvements to support agriculture.
- **Pilbara**: mining, mineral processing, manufacturing, hydrogen and renewable energy.
- **Hunter**: transport infrastructure to improve supply chains and diversify the economy, facilitate the development of new industries.

A new **Regional Accelerator Program** (RAP) will be established, providing $2 billion over 5 years for economic growth and productivity in regional areas. It will provide "dedicated funding for regional businesses and communities to access programs targeted to local priorities in infrastructure, manufacturing and industry development, skills and training, research and development, and education".

The Budget provides $1.3 billion over 6 years for improved **regional mobile services and internet**. $1.12 billion is allocated over the Budget and forward estimates period.

How did business react?

The **National Farmers Federation** (NFF) reacted positively to new telecommunications funding, commenting:

"While work remains to be done, this investment is hugely positive. The next step for the Government must be to deliver on the NFF's call for a multi-billion regional connectivity commitment to resource ongoing network improvement and expansion into the future."

4. Infrastructure & Construction

A record $225 billion in major infrastructure investments has been committed by governments across the country between now and 2023-24, as well as investments being planned and delivered by the private sector.

Infrastructure Australia (IA) have noted that "many leading infrastructure economies, such as the United Kingdom and Canada were pursuing significant reform to the way infrastructure was delivered and operated in order to ensure they remain attractive places to live and work in, as well as safe and secure places to invest. The competitive pressures have been compounded by the COVID-19 pandemic, which has radically changed existing patterns of use for infrastructure and constrained the availability of international skilled labour". IA believes that the Australian construction industry has "failed to keep pace with the global transformation of the sector, which is seeing a shift from a focus on manual work on site to digitally enabled, prefabricated production processes delivered off-site". IA recently released a report providing a roadmap for the long-term reform it argues the sector needs to overcome skills and procurement challenges and deliver the critical infrastructure Australia needs. The report's key reform recommendations include:

- **Shifting** from a focus on manual work on-site to off-site digitally enabled, pre-fabricated production processes, in line with international best practice.
- **Developing** and publishing jurisdiction-wide, cross-sectoral infrastructure investment pipelines that outline current, funded, committed and planned public and private infrastructure activity over a ten-year horizon.
- **Shifting** from current combative contracting models to longer-term, collaborative models that integrate the supply chain.
- **Supporting** the financial sustainability of the infrastructure industry by adopting principles of fair return, improving benchmarking, reviewing payment terms and risk allocation
- **Establishing** and embedding equality, diversity and inclusion objectives through each infrastructure investment.

What did business want this year?

Infrastructure Partnerships Australia welcomed the commitment by the Government to establish the National Intermodal Corporation, noting it was essential to have the right governance and planning mechanisms in place to facilitate the sectors continued growth. This will not only support the move towards a more integrated freight network but facilitate critical investment in intermodal terminals in Melbourne and Brisbane. The infrastructure sector welcomed the focus on increasing competition and efficiency by ensuring open-access arrangements across the Australia's east-coast network and making rail freight a preferred long-haul mode under the new Intermodal governance model. The sector looked forward to further funding clarity for these critical intermodal terminals in the upcoming Budget.

The **Australian Logistics Council** (ALC) focused their submission on six specific issues including intermodals and rail; critical infrastructure legislation and risk management; funding of SMEs to assist digitisation of information; compliance with Public Health Orders; International Freight Assistance Mechanism (IFAM); and emissions reduction. The ALC noted that "the ability of moving freight from Melbourne to Brisbane in one day could change the way freight is moved in Australia from a ratio of 30% movement by rail, to 62% by 2050". The ALC also recognised that with transport Australia's third largest source of greenhouse gas emissions (and the highest rate of growth), a specific and targeted focus on the heavy vehicle sector (with additional funding) would provide added impetus at an early, and important, stage of the transition and help fast track enterprise-level initiatives, (including testing and trialing of zero emissions vehicles for the freight and logistics sector for use in Australian conditions).

The **National Growth Areas Alliance** (NGAA), which represents Councils from fast-growing areas, noted that "the COVID-19 pandemic had disproportionately impacted growth area communities" and particularly in Victoria and NSW. More than five million people live in an outer urban growth area around our major cities - 20% of Australia's population. The NGAA believes there is a "new looming infrastructure crisis in growth areas exacerbated by the high take-up of Homebuilder grants, which has seen record building approval rates in all growth area LGAs across the country, which will see development occur long before vital infrastructure is planned and funded, let alone delivered". Among their recommendations, they called for a financing mechanism to secure current and future infrastructure delivery, and a strong role for national and state infrastructure bodies (with less ad hoc infrastructure funding announcements). The NGAA endorsed Infrastructure Australia's call for place-based planning.

What did the Budget deliver?

The Budget includes funding for 'priority road and rail projects' at a cost of $17.9 billion over 10 years. Water infrastructure projects in regional communities are worth $7.4 billion over 12 years, and there is also $1.3 billion in new spending on regional communications over 6 years. A new 'regional accelerator program' will cost a further $2 billion over 5 years.

New South Wales is set to receive $3.3 billion for infrastructure, of which $1.33 billion is in the Budget and forward estimates period. Key projects include (but are not limited to):

- $1.0 billion for Sydney – Newcastle faster rail
- $352 million for the Milton – Ulladulla bypass
- $355 million for the Pacific Highway
- $300 million for grade separations
- $232.5 million for the Newell Highway
- $232.5 million for Mulgoa Rd stage 2
- $100 million for Southern connector Rd
- Other projects below $100 million in value

Victoria is set to receive $3.4 billion for infrastructure, of which $208.4 million is in the Budget and forward estimates period. Key projects include (but are not limited to):

- $1.2 billion for the Beveridge Interstate Freight Terminal
- $920 million for Outer Metropolitan Ring Rail South
- $740 million for the Western Interstate Freight Terminal
- $280 million for the Beveridge Interstate Freight Terminal road connections
- $109.5 million for Mickleham Rd
- Other projects below $100 million in value

Queensland is set to receive $3.3 billion for infrastructure, of which $446.5 million is in the Budget and forward estimates period. Key projects include (but are not limited to):

- $1.6 billion for the Beerwah-Maroochydore rail extension
- $1.1 billion for Brisbane – Gold Coast faster rail
- $190 million for the Mount Isa to Rockhampton corridor
- $114.4 million for the Tennant Creek to Townsville corridor
- Other projects below $100 million in value

Western Australia is set to receive $1.7 billion for infrastructure, of which $1.05 billion is in the Budget and forward estimates period. Key projects include (but are not limited to):

- $441.2 million for METRONET
- $320 million for the Bunbury outer ring road
- $200 million for the Tonkin Highway
- $178 million for the Pinjarra Heavy Haulage Deviation
- $145 million for the Thomas Road Dual Carriageway
- $140 million for regional road safety
- Other projects below $100 million in value

South Australia is set to receive $2.8 billion for infrastructure, of which $229.3 million is in the Budget and forward estimates period. Key projects include (but are not limited to):

- $2.3 billion for North - South Corridor
- $200 million for Marion Road - Anzac Highway to Cross Road
- $120 million for Adelaide Hills roads
- Other projects below $100 million in value

Tasmania is set to receive $639.9m for infrastructure, of which $185.3m is in the Budget and forward estimates period. Key projects include:

- $336m for northern roads
- $100m for the Great Eastern Tourism Drive
- $96.0m for Tasmanian rail freight.

The **Northern Territory** is set to receive an additional $237 million for infrastructure, of which $105 million is in the Budget and forward estimates period. Projects funded are:

- $132 million for Central Australian tourism roads
- $55 million for Tiger Brennan drive
- $50 million for Alice Springs – Hall Creek road upgrade.

How did business react?

Infrastructure Partnerships Australia Chief Executive Adrian Dwyer said:

"We welcome the significant $9 billion increase in funding for infrastructure, lifting total spending to $66 billion over the next four years. We are particularly pleased to see a sensible focus on freight in Victoria and faster rail in NSW and QLD. Our freight sector plays a vital role in keeping Australia's economy moving, so it is essential we have the infrastructure in place to make rail freight a preferred long-haul mode over the longer term."

But Mr Dwyer also added: *"While we welcome these well-considered rail infrastructure commitments, there is still taxpayer money chasing sub-economic projects in this Budget."*

Group Economics

Alan Oster

Group Chief Economist

+(61 3) 8634 2927

Jacqui Brand

Executive Assistant

+(61 3) 8634 2181

Dean Pearson

Head of Behavioural & Industry Economics

+(61 3) 8634 2331

John Sharma

Economist

+(61 3) 8634 4514

Australian Economics and Commodities

Gareth Spence

Senior Economist

+(61 0) 436 606 175

Phin Ziebell

Economist – Australia

+(61 0) 475 940 662

Behavioural & Industry Economics

Robert De Iure

Senior Economist – Behavioural & Industry Economics

+(61 3) 8634 4611

Brien McDonald

Senior Economist – Behavioural & Industry Economics

+(61 3) 8634 3837

Steven Wu

Economist – Behavioural & Industry Economics

+(61 3) 9208 2929

International Economics

Tony Kelly

Senior Economist

+(61 3) 9208 5049

Gerard Burg

Senior Economist – International

+(61 3) 8634 2788

Global Markets Research

Ivan Colhoun
Global Head of Research
+(61 2) 9237 1836