

14 May 2023

Federal Budget offers more of the same

The region's peak business organisation, **Business Hunter** says tonight's Federal Budget was clearly not targeted as a business budget, and while benefiting some sectors, will leave others wanting.

Business Hunter CEO, Bob Hawes said small to medium-sized businesses in some sectors remained particularly vulnerable.

"It's great to see people getting tax cuts and bill relief, but measures such as the energy bill assistance are limited and general. SME's with high energy costs are unlikely to benefit from these measures," said Mr Hawes.

"The government has focused on cost of living and lowering inflation, and rightly so, however if we see a steeper slowing down of the economy than expected we are also going to see a rise in unemployment, which is just as serious.

"Some of our SME's are particularly vulnerable. Having weathered years and years of difficult conditions, we know their steam is running out. They employ a lot of people, and tax cuts aren't of much use if you don't have a job," said Mr Hawes.

Future Made in Australia

The Commonwealth's signature \$22.7 billion Future Made in Australia program is of keen interest in the Hunter and has the promise to bring benefits in the short, medium and long term.

It promises support to establish the nation as a clean energy and critical minerals "superpower" by supporting research and innovation, attracting investment, and developing skills and workforce. Some key measures expected to trickle down into the Hunter include:

- Nearly \$400M over five years for Net Zero Economy Authority including funding for businesses to develop net zero plans.
- \$2 a kilogram tax incentive for renewable hydrogen produced between 2027 and 2040
- Other specific energy economy initiatives and project support, particularly in the hydrogen sector.

“We advocated for support for businesses to develop net zero plans, so we’re delighted to see that made the cut. Central to the success of any measures under the ‘Future Made’ package will be the government’s ability to streamline approvals and collaboration across all levels of government to get projects moving,” said Mr Hawes.

“We’re opportunity rich in the Hunter, and we want to make the most of the opportunities that could come from the general programs the Treasurer outlined in getting projects moving.”

“While we welcome the focus on domestic manufacturing, there also needs to be a solid understanding of fundamental drivers of innovation including lower taxes, lower energy prices and an industrial relations system that is flexible, modern and internationally competitive.”

“If it costs too much to do business here, businesses will simply go overseas. This is a sad but familiar story. Emerging enterprises will reach their limit here and then move on to more competitive or supportive business environments,” said Mr Hawes

Infrastructure

Business Hunter welcomed the announcement of \$137.5 million for upgrading Nelson Bay Road, between Williamstown and Bob’s Farm, a project they had advocated for, alongside other local groups.

Business Hunter also welcomed confirmation of funding for the M1 Motorway extension and High Speed Rail Authority (\$78.8M over three years). A total of \$578.6 million was confirmed for unspecified existing roads projects in NSW.

“We assume the Inner City Bypass and Singleton Bypass are accounted for in the unspecified funds, however the status of the Muswellbrook Bypass remains unclear. The freight rail bypass, which will ultimately benefit commuter rail travel and improve congestion, was also not mentioned within the papers,” said Mr Hawes.

“It would have been nice to be able to tick more boxes on the infrastructure list, but I guess the takeaway is that existing projects have not appeared to have suffered, which provides welcomed certainty” Mr Hawes added.

Education, training and skills

A range of new Skills and Training measures were announced in line with the Government's vision for a Future Made in Australia and their agenda for reform and strengthening of the Vocational Education and Training sector.

More than \$600 million in new policy measures were announced to help bolster skills growth in important sectors including clean energy, construction, and manufacturing, as well as providing direct support to priority occupation apprentices and their employers. Support has also been flagged to help break down barriers for women in male-dominated industries.

"We'll derive benefit from these measures, however we're keen to dig further into the priority occupation definitions. We are experiencing workforce shortages across the board in our region, with no immediate relief in sight. Funneling talent into specific training pipelines could have unintended consequences for maintaining and developing diverse industries across the region," said Mr Hawes.

Business Hunter, along with other regional groups, had advocated for an Institute of Applied Technology style training and education facility to help drive the new energy economy, however the Budget committed \$10 million to establish a National Hydrogen Technology Skills Training Centre in partnership with the Victorian government.

"As always we'll take some time to pick through the budget documents in detail and look forward to working in collaboration with business, industry and government to embrace the challenges and opportunities ahead," said Mr Hawes.

Summary of key measures of relevance for the region:

Defence: the reconfirmation of commitment to Defence industry funding will benefit a wide range of business active in this sector across the region.

Energy: \$325 energy rebates for eligible small businesses from 1 July. Around one million businesses will benefit. The credits will be applied in quarterly instalments. The Government is also providing \$1.8 million to progress regulatory reforms to retail energy markets that will support consumers experiencing hardship.

Instant asset write-off: Businesses with turnovers capped at \$10 million can deduct \$20,000 from all eligible assets until 30 June 2025 (\$290 million in total support). The Opposition has called for the eligibility threshold to be restored to \$50 million in turnover and the write-off amount increased to \$30,000.

Apprentices: Employers taking on apprentices in priority areas will be eligible for an additional \$1000 (\$5000 in total) to help subsidise costs associated with employing an apprentice. Individual apprentices training in priority areas will be eligible for an additional \$2000 (\$5000 in total) to assist them to undertake and complete their training.

Construction skills: \$90.6 million to boost the number of construction workers, including 20,000 new fee-free TAFE places and fast-tracked visa processing for around 1900 potential migrants.

National Skills Agreement: The Government will provide \$5.5 million in 2023–24 to continue supporting negotiations on a long-term skills funding agreement with the states and territories. Subject to the outcome of these negotiations, the Government has also retained \$3.7 billion in the Contingency Reserve for a 5-year National Skills Agreement that will commence on 1 January 2024

Housing: \$11.3 billion towards building new homes. This includes \$1 billion for roads, sewers, energy, water and community infrastructure, a doubling of Commonwealth homelessness funding to \$400 million every year (matched by states and territories) and \$9.3 billion for a 5-year National Agreement on Social Housing and Homelessness. The government aims to build 1.2 million homes by 2030.

Domestic manufacturing: The Made in Australia initiative involves a significant investment in our local manufacturing capabilities (\$22.7 billion over ten years). NSW benefits from a share in a \$1 billion investment for solar panel subsidies. A Hydrogen Production Tax Incentive and Critical Minerals Production Tax Incentive will provide \$6.7 billion and \$7 billion of support respectively over the decade, as part of the Future Made in Australia package.

Regions: The Future Drought Fund will get a \$519.1 million boost to fund programs to help farmers and regional communities prepare for dry conditions and improve climate resilience.

Tariffs: Abolishing 457 nuisance tariffs from 1 July 2024 to boost productivity, reduce red tape and cut compliance costs.

Investment: The Federal Government will provide a single point of contact for investors and companies with major investment proposals.

Energy skills: Support for SMEs taking on clean energy, construction and manufacturing apprentices through access to Group Training Organisation services, with up to \$1500 in annual reimbursements over the life of an apprenticeship. There is also a \$50 million capital and equipment investment fund for facility upgrades to expand clean energy training

capacity across wind, solar, pumped hydro, grid battery storage, electricity networks and hydrogen, as well as key electrical and construction trades. \$30 million to boost the clean energy teacher, trainer and assessor workforce. The Government will use \$1.9 million over three years to provide targeted grants to industry led projects that can encourage more people into the agricultural workforce via the AgUP grants.

Investment: The Federal Government will provide a single point of contact for investors and companies with major investment proposals.

Debt helpline: \$3.1 million over two years from 2024-25 will extend support available through the Small Business Debt Helpline.

Mental health support: \$7.7 million over two years from 2024-25 to continue providing mental health support through the NewAccess for Small Business Owners program, so small businesses can access free and specialised help.

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