

2021-22 Federal Budget Construction Industry Summary

This document is a summary of the Treasurer's speech and Budget Paper No.1 in the 2021-22 Budget Papers relevant to the Australian construction industry. All text is taken directly from the relevant publications.

Treasurer's Speech

Tax relief

Mr. Speaker, 8 out of 10 jobs are in the private sector.

A sustainable recovery requires a strong private sector.

Our record investment incentives are filling the order books of the nation.

Over 99 per cent of businesses, employing over 11 million workers, can write off the full value of any eligible asset they purchase.

This has seen their spending on machinery and equipment increase at the fastest rate in nearly 7 years.

So tonight, we again go further.

Announcing the extension of these measures for a further year until 30 June 2023, so a tradie can buy a new ute, a farmer a new harvester and a manufacturer expand their production line.

Housing and small business

Mr Speaker, when construction work began to dry up, HomeBuilder came to the rescue.

New house starts are now the highest in 20 years.

New loans to first home buyers reached their highest level in nearly 12 years.

HomeBuilder has been a huge success.

And our \$2 billion investment in affordable housing is bringing on more supply.

Mr. Speaker, in this Budget, our housing measures go even further.

Helping another 10,000 first home buyers build a new home with a 5 per cent deposit.

Supporting 10,000 single parents to purchase a home with a 2 per cent deposit.

Increasing the amount that can be released under the First Home Super Saver Scheme from \$30,000 to \$50,000.

Under the Coalition, home ownership will always be supported.

And extending our small business loan scheme, which has already helped more than 45,000 businesses access low-cost finance.

Mr. Speaker, small and family businesses are the engine room of our economy.

They are at the heart of every local community.

As they strive to recover, we need the tax system to work for them, not against them.

So tonight we provide small business with peace of mind that an independent umpire will stand between them and the ATO when it comes to debt recovery actions.

We will take these disputes out of the courts and let small business get on with what they do best.

Under the Coalition, small business will always be stronger.

Record investment in skills and training

Mr Speaker, we need to equip Australians with the skills they need to get a job today and tomorrow.

In this Budget, we double our commitment to the JobTrainer Fund.

Supporting a total of more than 450,000 new training places to upskill job seekers and young people.

At a cost of \$2.7 billion, we will create more than 170,000 new apprenticeships and traineeships.

Building on the 100,000 new apprentices we have already helped into a job in the first stage of the program.

We will help more women break into non-traditional trades, with training support for 5,000 places.

We will provide 2,700 places in Indigenous girls academies to help them finish school and enter the workforce.

And more STEM scholarships for women, in partnership with industry.

Tonight, we are also providing another 5,000 places in higher education short courses.

And better matching job seekers to jobs.

We will invest in modernising employment services, including specialist assistance for young and Indigenous Australians.

Importantly, for those who find themselves without work, the Government has strengthened the safety net, increasing the JobSeeker payment while enhancing mutual obligations.

A dynamic and competitive economy

Mr. Speaker, our economic plan capitalises on the opportunities that will exist on the other side of this crisis.

Building the infrastructure our economy needs for the future with our 10-year, \$110 billion investment pipeline.

Tonight we make \$15 billion in additional infrastructure commitments including for:

- the North-South Corridor in South Australia
- the Great Western Highway and Newcastle airport in New South Wales
- the new Melbourne Intermodal Terminal in Victoria
- the Bruce Highway in Queensland
- METRONET in Western Australia
- highway upgrades in the Northern Territory
- Light Rail Stage 2A in the Australian Capital Territory and
- Midland Highway upgrades in Tasmania.

In this Budget we invest a further \$1 billion in road safety upgrades to save lives and a further \$1 billion in local road infrastructure projects.

Funding for these shovel-ready projects will be provided on a use it or lose it basis.

And through the Building Better Regions Fund, we will support a further \$250 million of regional community infrastructure projects, creating more jobs.

Under the Coalition, regional Australia will never be taken for granted.

Mr. Speaker, throughout the pandemic we have seen how quickly Australians have adapted.

Changing the way we work, shop and communicate.

A trend that will only accelerate.

Digital infrastructure and digital skills will be critical for the competitiveness of our economy, creating massive opportunities for growth and jobs.

In this Budget, we are investing \$1.2 billion in our Digital Economy Strategy.

Establishing a new national network of Artificial Intelligence Centres to drive business adoption of these new technologies.

Expanding our cyber security innovation fund to train the next generation of cybersecurity experts.

And undertaking a digital skills cadetship trial which combines workplace and vocational training.

Mr. Speaker, Australia's manufacturing sector will be a key driver of future jobs and higher wages.

That is why we have already committed \$1.5 billion to expand manufacturing activity and create jobs across six priority areas, including medical products and clean energy.

We backed in our Modern Manufacturing Strategy with an additional \$2 billion in R&D tax incentives.

Australia has led the world with innovations like WI-FI, the bionic ear and a vaccine for cervical cancer.

We want to see more innovation commercialised in Australia.

And so tonight, we are launching a new 'patent box' starting on 1 July next year.

Under the patent box, income earned from new patents that have been developed in Australia will be taxed at a concessional 17 per cent rate - almost half the rate that applies to large companies.

The patent box will apply to the medical and biotech sectors and we will consult on expanding it to the clean energy sector.

Mr. Speaker, Australia's effective management of COVID makes us an even more attractive place for the best and brightest from around the world.

To take advantage of this, we are streamlining visas to target highly skilled individuals when circumstances allow.

Simplifying our tax laws, including the treatment of employee shares in line with the rest of the world.

And improving Australia's competitiveness as a financial centre in the region.

Mental health

Mr. Speaker, everybody listening tonight knows someone struggling with their mental health.

Suicide is the leading cause of death in those aged 18 to 44.

Tragically, over 65,000 of our fellow Australians attempt to take their own lives each year.

These are not just statistics on a page but family, friends and colleagues.

In every Budget, we have committed more resources to front line services.

BeyondBlue.

Lifeline.

Kidshelpline.

Tonight we extend our support with a \$2.3 billion commitment to mental health care and suicide prevention.

More Headspace centres to support more young Australians.

Expanding this model to those aged over 25, with a new Head to Health national network of 40 centres.

Increased funding for the treatment of eating disorders.

Greater access to psychiatrists, psychologists and GPs through Medicare.

Universal access to care for people who have been discharged from hospital following a suicide attempt.

A new National Suicide Prevention Office.

And as the Prime Minister has announced, we will establish a Royal Commission into Defence and Veterans Suicide.

Mr Speaker, we have nearly doubled spending on mental health since we came to office.

It is a clear national priority.

It goes to the heart of who we are as Australians, helping those who need it most.

Budget Strategy and Outlook - Budget Paper No. 1

Statement 1: Budget Overview

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To secure the economic recovery, the Government is continuing to provide support to Australian households and businesses to drive the unemployment rate down. Key measures include:

- \$7.8 billion to extend tax relief to around 10.2 million low- and middle-income earners
- \$20.7 billion in tax relief through extending temporary full expensing and temporary loss carry-back
- \$15.2 billion in new commitments to infrastructure projects across Australia.

The Government is building skills for the future and encouraging more Australians to participate in the labour market. Investments are being made to support a dynamic and flexible economy, including by laying the foundations for Australia to be a leading digital economy and introducing a patent box for medical and biotechnology innovations. Major initiatives include:

- \$2.7 billion to extend the Boosting Apprenticeship Commencements wage subsidy
- \$1.7 billion to support an increased Child Care Subsidy for families with second and subsequent children aged five years and under
- \$1.2 billion to implement a comprehensive Digital Economy Strategy.

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Extending temporary full expensing and temporary loss carry-back

In the 2020-21 Budget, the Government introduced temporary full expensing of depreciable assets for businesses with turnover or statutory and ordinary income below \$5 billion.

In this Budget, temporary full expensing will be extended for 12 months until 30 June 2023 to encourage additional investment by allowing projects with longer lead times or that are experiencing COVID-19 related supply chain disruptions to be eligible for full expensing. Eligible businesses will be able to deduct the full cost of eligible assets, including the cost of improvements to existing assets, incurred between 7:30pm (AEDT) on 6 October 2020 and 30 June 2023.

The Government is also extending temporary loss carry-back to the 2022-23 income year. This will allow companies with turnover below \$5 billion to recoup tax previously paid on prior year profits, as far back as the 2018-19 income year, using 2022-23 tax losses. This will provide further cash flow support to businesses and encourage investment utilising the extended temporary full expensing measure while it is available.

These measures are estimated to deliver a further \$20.7 billion in tax relief to businesses over the forward estimates period. The cost over the medium term is only \$5.3 billion, given these measures work by bringing forward tax deductions or the utilisation of losses from future years.

Full expensing and loss carry-back, including the extension, is estimated to boost GDP by around \$2.5 billion in 2020-21, \$7.5 billion in 2021-22, and \$8 billion in 2022-23, and create around 60,000 jobs by the end of 2022-23.

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Setting Australia up for the future

The 2021-22 Budget introduces further measures to build skills for the future, assist vulnerable unemployed Australians to get back into jobs and boost labour market participation.

Building skills for the future

The Government is investing to build the skills that Australia's economy needs to thrive in a post-COVID-19 world. These measures build on the Government's successive reforms and investments in the skills sector since 2013-14, which includes \$6.4 billion that the Government will invest into the sector in 2021-22. These initiatives will assist those areas and industries that are facing challenges in getting the workers they need.

The Government is investing an additional \$500 million to expand the JobTrainer Fund, subject to matched funding by state and territory governments. Extending JobTrainer until 31 December 2022 will deliver a further 163,000 places. It will support 10,000 digital skills

training places and 33,800 places for existing and new aged care workers to upskill. The extended JobTrainer Fund will continue to support job seekers, school leavers and young people in areas of genuine need to reskill and upskill.

The Government is investing an additional \$2.7 billion to extend and expand the Boosting Apprenticeship Commencements (BAC) wage subsidy. In March 2021, the Government uncapped the BAC and extended the wage subsidy to 12 months. This is expected to benefit an additional 70,000 apprentices and trainees above the original 100,000 when the measure was announced in last year's Budget. In this Budget, the Government is extending the BAC to apprentices and trainees who sign up by 31 March 2022. This will support a further 100,000 apprentices and trainees and build a pipeline of skilled workers for Australia's economic recovery. The funding in this Budget includes 5,000 additional gateway services to women and in-training support services for women commencing in a non-traditional trade occupation.

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Boosting job creation

The Government is building on the substantial packages of support already provided to boost job creation, through major new investments in infrastructure, housing and the engineering construction sector.

Infrastructure investment

As part of the Government's record \$110 billion 10-year infrastructure pipeline, an additional \$15.2 billion over ten years is being committed to road, rail and community infrastructure projects across Australia. These new commitments will support over 30,000 direct and indirect jobs across the lives of the projects.

As part of this package, the Government is committing \$2.0 billion to support delivery of the Melbourne Intermodal Terminal. This project will boost productivity by increasing the efficiency and capacity of the national rail freight network and take thousands of trucks off the road.

Additional road and rail commitments across Australia include:

- \$2.6 billion for the North-South Corridor — Darlington to Anzac Highway in South Australia
- \$2.0 billion for the Great Western Highway Upgrade — Katoomba to Lithgow in New South Wales
- \$400.0 million in additional funding for the Bruce Highway in Queensland

- \$380.0 million for the Pakenham Roads Upgrade in Victoria
- \$237.5 million for the METRONET to support grade separations and the elevation of stations in Western Australia
- \$150.0 million for the Northern Territory National Highway Network
- \$132.5 million for the Canberra Light Rail — Stage 2A in the Australian Capital Territory
- \$113.4 million for the Midland Highway Upgrades in Tasmania.

This package also includes an additional \$1 billion to extend the Local Roads and Community Infrastructure Program, further supporting councils in maintaining and upgrading community assets and local roads. The Road Safety Program is also being extended to 2022-23, with additional funding of \$1 billion for projects that will improve roads and save lives. This brings the total investment by the Government in these two stimulus programs to \$5.5 billion since the start of the COVID-19 pandemic. Funding for projects under these programs is being provided on a ‘use it or lose it’ basis to ensure the projects are delivered efficiently.

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A flexible and dynamic economy

The Government is ensuring the Australian economy remains flexible, dynamic and competitive, and workers and businesses can capitalise on the opportunities of the future.

By delivering a comprehensive Digital Economy Strategy and investing \$1.2 billion in Australia’s digital future, the Government is laying the foundations for Australia to be a leading digital economy and society by 2030. This package takes advantage of the acceleration of digital transformation that has resulted from COVID-19 and builds on previous commitments to support digitalisation through the Digital Business Plan in 2020-21, the Cyber Security Strategy, the NBN upgrade plan and the JobTrainer Fund.

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In addition, the Government is taking action to enhance the competitiveness of Australian businesses and put Australia at the cutting edge of science and innovation through:

- \$387.2 million to build one of the world’s largest radio telescopes in Western Australia as part of the Square Kilometre Array (SKA) project, enabling scientific discoveries in astronomy and generating spin-off technologies that can be applied in other fields, such as advanced manufacturing.

Delivering comprehensive mental health and suicide prevention services

The mental health of Australians is a national priority. The Government is committed to undertaking significant structural reform of the mental health and suicide prevention system to improve the wellbeing of Australians living with mental illness and prevent suicide. The \$2.3 billion package in this Budget is a first step to responding to recommendations from the Productivity Commission and the National Suicide Prevention Adviser. With this commitment to Australians' mental health, the Government is laying the foundations for systemic, whole-of-government reform to deliver preventative, compassionate and effective care.

The Government will invest to improve access to in-person community based, multidisciplinary adult mental health services. This includes \$487.2 million to fund a network of specialist Head to Health Adult Mental Health Centres and to establish a central intake and assessment phone service. Additional centres will be opened in partnership with states and territories. For young Australians aged 12 to 25, \$278.6 million is being made available to enhance and expand headspace centres across the country. And for children under 12 years the Government will invest \$100.8 million to support parents and early intervention, and establish child mental health and wellbeing hubs with the states and territories.

We are also strengthening the broader primary health care system by supporting our general practitioners in their role as a key entry point into the mental health system by expanding and implementing the Initial Assessment and Referral (IAR) tool and providing additional mental health development opportunities and guidance. A further \$111.4 million is being provided for Medicare subsidised psychological therapy sessions for patients' family members and carers, and additional provisions for group therapy sessions under the Better Access Initiative. To ensure more Australians can quickly access appropriate care, \$111.2 million is being provided to expand and improve high-quality, low-cost digital mental health services.

To achieve its commitment of working towards zero suicides, the Government is expanding the services available to Australians experiencing suicidal distress and their loved ones. Through a National Agreement with states and territories, the Government will provide \$156.8 million to ensure that every Australian discharged from hospital following a suicide attempt is offered at least three months of follow up care. \$22.0 million will be provided for postvention support for the family and friends of people who die by suicide. A National Suicide Prevention Office will also be established as a central point of coordination for a national approach.

These significant reforms will deliver a system that is evidence-based, person-centred, informed by lived experience, acts early to help people before mental health conditions

and suicidal distress worsen, and provides the effective, compassionate care Australians deserve.

Statement 2: Economic Outlook

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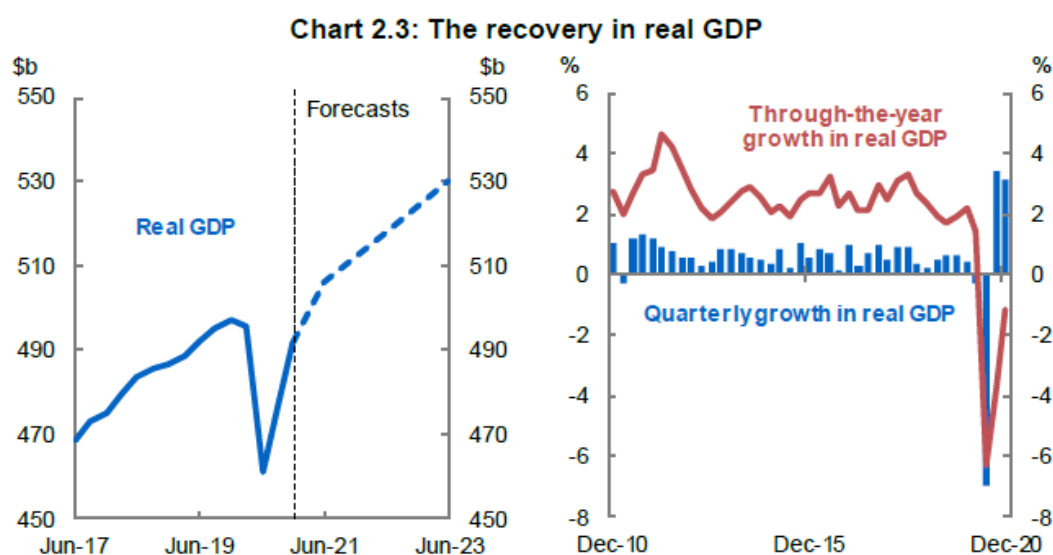
Box 2.1: Key assumptions underpinning the economic forecasts The control of the virus in Australia and globally remains a significant risk to the economic outlook. The key assumptions that underpin the economic forecasts are set out below. Outcomes could be substantially different to the forecasts, depending upon the extent to which these assumptions hold.

- The first phase of Australia's vaccination program, our COVID-19 Vaccine and Treatment Strategy, commenced in late February 2021 with most priority populations having been vaccinated. It is assumed that a population-wide vaccination program is likely to be in place by the end of 2021.
- During 2021, localised outbreaks of COVID-19 are assumed to occur but are effectively contained.
- While most domestic activity restrictions have been lifted, it is assumed that general social distancing restrictions and hygiene practices will continue until medical advice recommends removing them. The lifting of domestic activity restrictions will help support consumer and business activity.
- It is assumed that there are no extended or sustained state border restrictions in place over the forecast period.
- A gradual return of temporary and permanent migrants is assumed to occur from mid-2022. Small phased programs for international students will commence in late 2021 and gradually increase from 2022. The rate of international arrivals will continue to be constrained by state and territory quarantine caps over 2021 and the first half of 2022, with the exception of passengers from Safe Travel Zones.
- Inbound and outbound international travel is expected to remain low through to mid-2022, after which a gradual recovery in international tourism is assumed to occur.

Outlook for the domestic economy

Outlook for real GDP growth

The recovery in real economic activity from the COVID-19 recession has continued to outperform expectations. On the back of strong growth in the September quarter of 2020, real GDP grew by 3.1 per cent in the December quarter of 2020, and marked the first time on record when Australia has experienced two consecutive quarters of economic growth above 3 per cent (Chart 2.3). Growth over the December quarter was broad-based across most components with strength in household consumption, business investment, residential construction and favourable conditions in the agricultural sector, which saw near-record levels of farm production in late 2020.



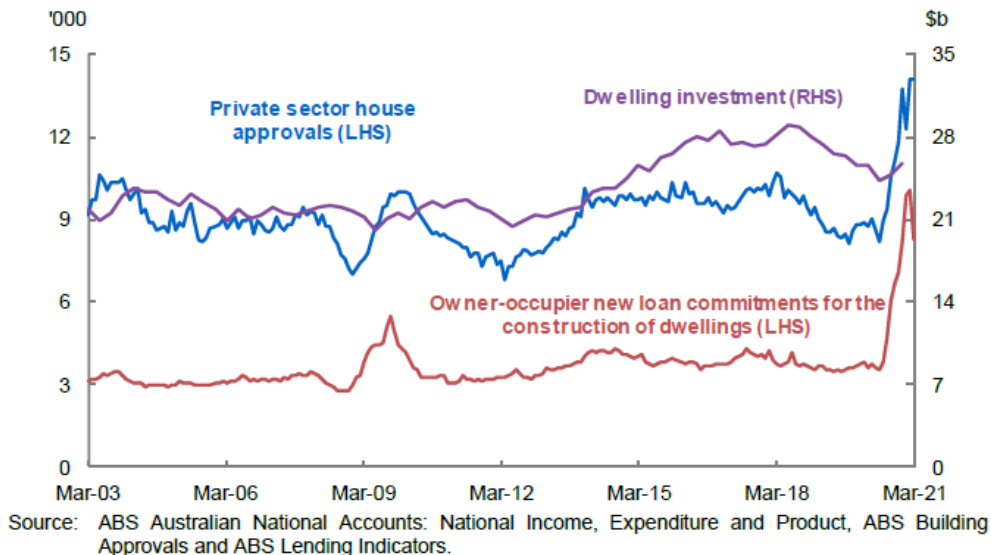
Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

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Dwelling investment

Dwelling investment has continued to strengthen amid robust housing market fundamentals, including record low interest rates and stimulatory housing policy incentives from Commonwealth, state and territory governments — including the HomeBuilder program (Box 2.2). The housing market rebounded in the second half of 2020 and this has continued into early 2021 with sustained strength in building approvals and owner-occupier lending, including to first home buyers (Chart 2.6). Housing prices have risen significantly in early 2021 and these have been broad-based across the country, with regional growth outpacing rises in capital cities.

Chart 2.6: Dwelling investment and leading indicators



Dwelling investment grew at its fastest pace in more than five years in the December quarter 2020, driven by strength in detached housing construction and renovation activity. Demand for established and new housing has predominantly been driven by owner-occupiers, particularly first home buyers.

Dwelling investment is forecast to grow by 2½ per cent in 2020-21 as the large pipeline of work supports construction activity over the next year. Dwelling investment is expected to remain strong, with flat growth in 2021-22, before falling by 1½ per cent in 2022-23 as the elevated pipeline of work, which reflects some bring-forward in demand for residential construction, winds down. The near-term strength in dwelling investment is expected to be led by detached housing construction following record-high house approvals over late 2020 and early 2021.

It is not yet clear what structural changes will result from the pandemic, particularly given the greater propensity to work from home during the pandemic. Changing preferences for more outer-city, spacious and detached housing may also limit growth in apartment construction in coming years.

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Box 2.2: Recent strength in the housing market Australia is experiencing a renewed upturn in residential construction, spurred on by a range of government policies designed to support the sector, alongside record low interest rates. This has seen key leading indicators of residential construction activity surge to levels not seen in previous policy-led growth cycles and is providing significant benefits to the broader economy as it recovers from the pandemic.

Growth in residential construction activity supports growth in the broader economy in multiple ways, including through greater employment in the construction sector and associated industries. Additionally, as housing prices rise, household wealth grows and households who benefit from this are expected to increase their level of consumption as their confidence and financial position improves.

The Commonwealth Government's HomeBuilder program was designed to mitigate the impacts of a significant fall in residential construction activity that was forecast in the early stages of the pandemic. This initiative has been highly successful and has driven a strong recovery in dwelling investment, which is now forecast to increase 2½ per cent in 2020-21 compared to a fall of 11 per cent forecast in the 2020-21 Budget. Announced in June 2020, the program provides eligible owner occupiers with a grant of up to \$25,000 to build a new home or undertake substantial rebuilds of an existing home. Over 120,000 applications have been received, supporting over \$30 billion of residential construction activity.

The HomeBuilder program is now supporting significant activity in detached housing construction, with private sector house approvals reaching a record-high level in March 2021 (Chart 2.7). This contrasts with the residential construction boom of the mid-2010s, which was driven by medium- and high-density housing.

There has been a significant increase in the number of new loans to owner-occupier first home buyers over the past year (Chart 2.8). The proportion of new loan commitments to owner-occupier first home buyers is around its highest level since 2009. Overall, in February 2021, the monthly number of new loan commitments for owner-occupier dwelling construction rose to its highest level since the series began in 2002 (Chart 2.6). This contrasts with the level of investor activity in the housing market, which, despite recent increases remains lower than in previous upturns.

Box 2.2: Recent strength in the housing market (continued)

Chart 2.7: Private sector residential building approvals

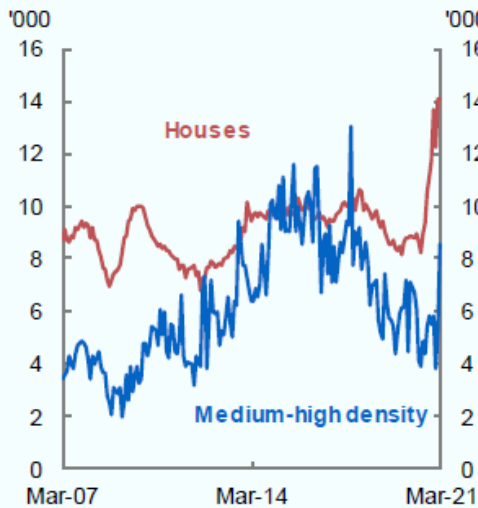
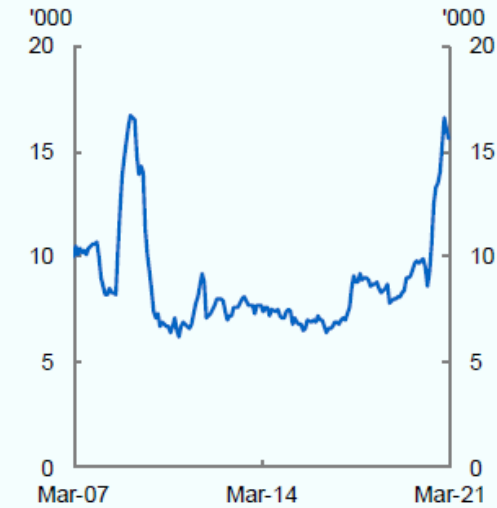


Chart 2.8: Owner-occupier first home buyer new loan commitments

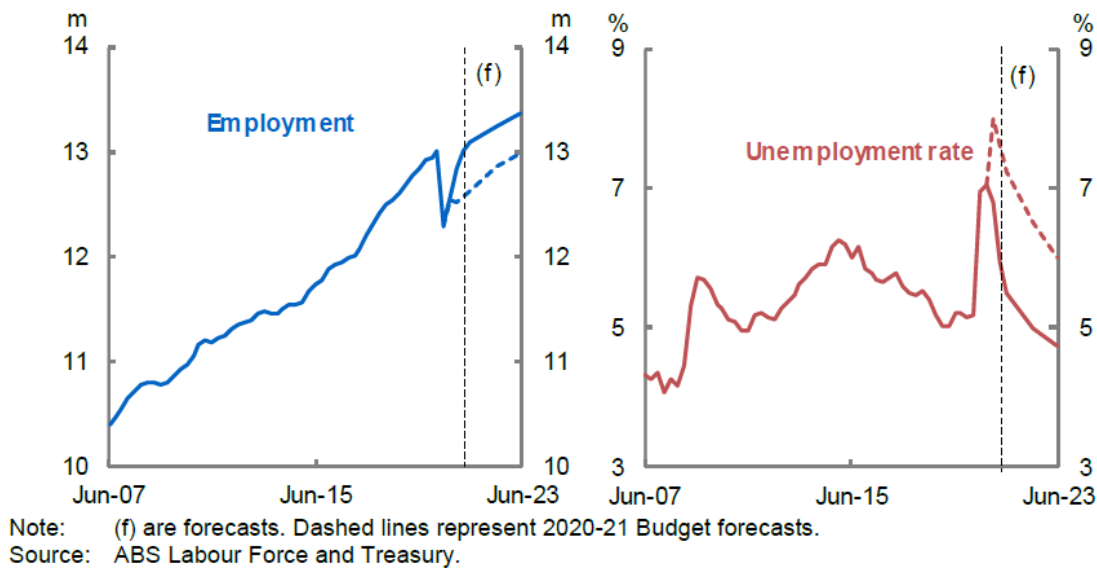


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The labour market

Australia's labour market has shown remarkable resilience in the wake of the pandemic, recovering faster than any major advanced economy and surpassing even the most optimistic of expectations. More people are in work than ever before, with close to one million jobs being created or restored since May 2020. By March 2021 almost 75,000 more people were in work than before the pandemic. This, along with a faster-than-anticipated fall in the unemployment rate and participation reaching a record high, has laid a strong foundation for Australia's economic recovery to continue. Initial indicators suggest that the conclusion of the JobKeeper Payment will not hinder growth in the broader economy and strong momentum in the labour market has been sustained during the early stages of transition. In March 2021, employment reached a record high, as the unemployment rate fell further to 5.6 per cent (Chart 2.13) and labour force participation continued to rebound to reach a record high of 66.3 per cent.

Chart 2.13: Employment and the unemployment rate



Overall, the outlook for the labour market is positive with increasing economic momentum expected to support robust labour demand. Over the four weeks to 30 April, immediately following the conclusion of JobKeeper, the number of people on the JobSeeker Payment and Youth Allowance (other) has fallen by approximately 105,000. Recent data for job advertisements, a key leading indicator for employment growth, have significantly surpassed pre-pandemic levels. ABS Job Vacancies reached a record high in February 2021. In March 2021, ANZ Job Ads were at their highest level since November 2008, before increasing further in April 2021 to be 28 per cent higher than their pre-pandemic level. The ratio of unemployed people to vacancies is now at its lowest level in over a decade (Chart 2.14).