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2022 AUSTRALIAN BUDGET INDUSTRY REPORT

The Real Media Collective

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INTRODUCTION

The 2022-2023 budget comes after the country has experienced two years of a global pandemic that required society, and the federal government, to act in ways not previously contemplated. It has also been delivered as we approach the upcoming election for the 47th parliament of Australia in May. Last year's budget was entitled "Securing Australia's Recovery'. This year it has been dubbed by Treasurer Frydenberg as 'A budget for Australian families' and is centred around cost of living issues and the content of this year's budget generally reflects the title. The budget contains a range of budgeted measures for the next few years along with a range of temporary relief measures. Although these are helpful and welcomed, the budget does not necessarily address a range of issues affecting our industry, and businesses generally. That being said, certain elements and recommendations contained in TRMC's pre-budget recommendations to government were addressed in part, directly, or by nexus to the core issue.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

TRMC INDUSTRY RECOMMENDATIONS

Based on the ten budget recommendations TRMC in our **Federal Budget 2022 Paper + Print Industry Summary** put to government leading into this year's budget, these were the following outcomes.

RECOMMENDATION - TRANSPARENCY AND CLARITY ON THE GOVERNMENTS LONGER TERM BUDGET STRATEGY.

Given current Australian economic forecasts, and for the next few years, along with currently and forecasted government debt levels, TRMC wanted to see a balanced approach to budget repair over the short to medium term.

TRMC welcomes the governments tempered approach to budgetary deficit repair. Although Australia continues to have a significant budgetary deficit ($78b), the handbrake on government spending has not been pulled too tightly, nor did they open the spending floodgates or increase taxation. Effectively the deficit will reduce, but slowly.

The budget coffers have improved more quickly than expected as a result of the reduced unemployment rate (4% with the expectation of 3.75% over the next few months) and revenue upgrades from increased export commodity prices. Nonetheless, our economy will have to grow and prosper over the next years so as to continue a reduction in the deficit. Conversely, some of the spending measures proposed in this budget will put billions of dollars into the economy rather quickly and that may have a negative effect on inflation if not carefully managed.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION - THAT GOVERNMENT REDUCE OR DELAY ANY NEW REGULATORY CHANGES AND BURDENS FOR BUSINESS.

Over the last two years particularly, businesses within our industry have had to focus on economic survival and compliance relating to rapidly evolving state and federal requirements relating to COVID-19. It was TRMC's recommendation that in this year's budget the Government should not impose additional regulatory obligations or burdens on business so that we can focus on recovery and growth.

The government's ongoing Deregulation Agenda is focussed on making it easier for Australians to grow and run their businesses. It is forecast to generate, when fully implemented, deregulation benefits in excess of $21.0 billion over 10 years.

TRMC are buoyed by there being no significant or new regulatory, fringe benefit or other burdens placed on business in this year's budget. Although this is a benefit to industry, conversely there was no real immediate easing of current regulatory requirements, although the government's commitment to making related improvements over the coming years is welcomed.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION - THAT GOVERNMENT ADDRESS CURRENT AND FUTURE SKILLS SHORTAGES, INCLUDING MAKING MUCH NEEDED IMPROVEMENTS IN THE VOCATIONAL TRAINING SPACE.

With an industry experiencing an aging trade-based workforce and a diminishing uptake in new apprentices and trainees, the vocational training sector needs an overhaul and appropriate funding to change this trajectory.

The government has committed $2.3b to increase the take-up and completion of apprenticeships. The new Australian Apprenticeships Incentive Scheme will offer support to the economy through wage subsidies for employers in priority occupations and hiring incentives for employers in non-priority occupations.

From a small business perspective (annual turnover less than $50m) this budget has proposed that small businesses will also have access to a new 20 per cent bonus deduction for eligible external training courses (from a registered RTO) for upskilling employees. The Skills and Training Boost will apply to expenditure incurred from Budget night until 30 June 2024, providing $550 million in tax relief.

TRMC welcomes the budgetary measures proposed by government on this issue. However, we believe those steps should have gone further and more broadly. Additionally, TRMC will be demanding that apprenticeships in our industry are placed on the skills priority list so as to receive full benefit from this scheme.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION - THAT GOVERNMENT ENDORSE AND COMMIT TO A 100% GOVERNMENT BUY AUSTRALIAN PRINT AND RELATED SERVICES POLICY.

As part of Australia's economic reinvigoration out of the effects of COVID-19 TRMC called upon all levels of government to implement clear policies that mandate the procurement of all print related products be from Australian made and manufactured products and sources. This recommendation would ensure up to $150m of government procurement spending is not offshored and support a local manufacturing directive.

Although the budget provided no immediate outcome on this issue, TRMC will be holding the government to its budgetary statement on Australian 'self-reliance' and strengthening its own supply chains by committing to procurement expenditure on 100% Australian made and manufactured print products. We have advised government that its support for this position will:

- Evidence government support for investing in the reinvigoration of the Australian economy,
- Minimise current and future supply chain disruptions,
- Ensure printed products and services are sourced from traceable and environmentally sustainable providers,
- Ensure greater compliance with human rights and anti-slavery legislation by sourcing products and services from local manufacturers,
- Create beneficial relationships with local Australian businesses, and
- Create an agile sourcing and procurement model, which brings economic benefits, savings and efficiencies to government.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION - THAT GOVERNMENT MAKE THE INSTANT ASSET WRITE-OFF AND THE TEMPORARY FULL EXPENSING A PERMANENT FIXTURE FOR MANUFACTURING BUSINESSES/ INDUSTRIES.

Unfortunately, the instant asset write off scheme will conclude at the end of June 2023 after its extension in the 2021 budget. Although only a temporary measure brought in during the height of the pandemic, it provided businesses in our industry with benefit through increased capital expenditure and less tax depreciation complexities. This budget does not offer anything new or novel on this issue beyond the conclusion of the current scheme.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION – THAT GOVERNMENT IMPLEMENT A FREIGHT SUBSIDISATION SCHEME TO BE ISSUED TO SUPPORT SUPPLY AND LOGISTICS FROM SE ASIA, SOUTH KOREA AND JAPAN INTO AUSTRALIA.

The Australian manufacturing industry has a high dependency on global supply chains and logistics networks. Given the ongoing current supply chain issues, particularly shipping delays, facing Australian businesses there is a strong case for government to develop and invest in a wider national sea freight subsidisation scheme that would have supported our industry, and others, to expeditiously import both raw and finished materials and goods.

Given the Treasurer has urged all Australian businesses to be more 'self-reliant' and to strengthen their local supply chains. For industries that require or rely in part or in full imported goods as part of the production process, the failure to address related issues in this budget was disappointing. This issue will remain a central point of TRMC's requirements of government.

Fuel excise – temporary reduction

On a related point, excise rates on fuel and petroleum products (other than aviation fuels and certain petroleum-based products) are indexed twice a year, based on the upward movement of the consumer price index (CPI). Generally, indexation occurs on 1 February and 1 August. The federal government collects around $19b per year from this excise duty.

Currently, the excise duty rates on vehicle fuels (particularly petroleum and diesel) is $0.442 per litre. As a result of international issues affecting the crude and refined oil market, Australia has seen significant price increases at the bowser. This issue has been one of the factors causing the recent spike in Australian inflation rates. This affects all Australian motorists, and impacts businesses who have either had to wear or pass on increased transportation and freight costs.

In an attempt to address this issue, the government is implementing the following measure:

- A temporary reduction of the fuel excise by 50% ($0.22c per litre).
- The reduction is for a six-month period.
- The ACCC is tasked with monitoring fuel companies to ensure the reduction is passed on at the bowsers.
- Although the reduction will cost the government $3b in lost excise, $12b is to be spent on roads nonetheless.
- Although this is a welcomed reduction at this time, if global crude and refined oil prices increase further in the current volatile market, the temporary measure may be of limited relief. TRMC are concerned this measure does not adequately address the need for government intervention across freight costs.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION - THAT GOVERNMENT INVEST IN AUSTRALIAN SOCIETY, AND THEREFORE THE OVERALL ECONOMY, VIA IMPROVED GENDER RESPONSIVE BUDGETING MEASURES.

The implementation of such measures bring about better outcomes for women and the economy. TRMC recommended that there should be an expansion of support and training opportunities that attracts women into manufacturing, specifically the print and visual communications sectors.

TRMC welcomes the outcomes from the budget on this overall issue were promising, with $1.3b allocated to targeted anti-violence programmes. Further, $10m has been allocated to the Future Women's Job Academy which aims to upskill women. This year's budget has also provided $331m on women's health initiatives.

Additionally, the government is investing $482m in women's economic security measures across a range of issues, including increasing workforce participation, encouraging and supporting women to take up apprenticeships and roles in previously male dominated industries. From an industry perspective, TRMC welcomes supportive initiatives that will attract new employees into our industry.

Of further note, the recalibration of the government paid parental leave scheme will expand the entitlement to 20 weeks paid leave and allow parents to choose to split the leave between them in whatever way they prefer. The government's also amending the scheme so that single parents will be able to access the full 20 weeks of leave. This should take effect by March 2023.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION – THE ONGOING FUNDING OF PURPOSEFUL AND BENEFICIAL MENTAL HEALTH PROGRAMMES AND SERVICES ACROSS THE MANUFACTURING INDUSTRIES.

The cost to society and businesses due to absenteeism, from lost potential, and or underperformance at work due to poor mental health is significant. The increased implications arising from this situation impact economic efficiencies. On that basis alone, there is a strong business case for ongoing government investment in the mental health of employees.

Investing in psychosocial wellbeing in workplaces brings several significant returns. From a return on investment (ROI) perspective, workplace mental health initiatives result in strong, positive outcomes for businesses. Financial return is estimated that for every $1 invested in mental health brings a $4 return. Despite all the immediately beneficial economic returns, there are more than monetary reasons for investing in mental health. Investing in mental health has beneficial effects across the whole workforce, the community and society generally.

TRMC recognises and welcomes the ongoing commitment by the government for building upon its previous $2.3 billion commitment to suicide prevention and mental health with an additional $547 million committed to the ongoing funding of these programmes.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION - THAT GOVERNMENT PARTNERSHIP WITH INDUSTRY TO BUILD ADDITIONAL PAPER MANUFACTURING INFRASTRUCTURE FOR EXPANDED LOCAL CAPACITY, ACCOMMODATION OF THE 2024 WASTE PAPER EXPORT BAN AND OTHER IMPLEMENTED POLICIES.

TRMC sought Government commitment, assistance and partnering with our industry to overcome these industry specific supply chain issues, and to develop commercial solutions for the waste export ban on paper and cardboard which is to commence on 1 July 2024.

The government has committed to a $250 million recycling fund which aims to find new and innovative ways to make recycling more efficient. Particularly, the budget announced a number of key initiatives in relation to waste management. In particular, the Government will provide $83.1 million over 5 years from 2022–23 to support the transformation of Australia's waste and recycling sector and expedite Australia's transition to a more circular waste economy. This includes:

- $60.4 million to boost Australia's plastics recycling capabilities through state-of-the-art technologies and advanced recycling solutions for problematic plastics under the Recycling Modernisation Fund.
- $18.2 million to develop and promote a 'ReMade in Australia' brand and certification scheme that supports Australians to buy quality, locally recycled products.
- $4.4 million to support the delivery of the Government's waste export ban by reducing licence assessment timeframes and helping industry to meet regulatory requirements.

As part of our ongoing approach to this issue, TRMC continues to work with government and stakeholders to consider and fund initiatives for our industry to create value added products from industry by-product.

TRMC BUDGET RECOMMENDATIONS AND OUTCOMES

RECOMMENDATION - THAT GOVERNMENT UNDERSTAND AND SUPPORT INDUSTRY LED AWARENESS CAMPAIGNS, LOVE PAPER, PROMOTING AUSTRALIAN MANUFACTURING AND EMPLOYMENT IN THE LARGEST MANUFACTURING EMPLOYMENT SECTOR IN THE COUNTRY – PAPER, PRINT, MAIL AND PACKAGING.

Our industry supports ~258,000 direct and indirect jobs in an environmentally sustainable industry. Further, the products and services our industry provide a socially inclusive channel for aged, marginalised, remote and regional communities compared to the limitations on electronic delivery.

Given the spending commitments across various areas of this budget, including environment, employment, training, gender-based initiatives, mental health and suicide prevention, data safety and tax-deductible investment opportunities for small business, these will support and create opportunity within our industry initiatives and the Love Paper awareness campaign.

ADDITIONAL MATTERS

WAGES GROWTH

Currently Australia has a 4% unemployment rate. This means the budget coffers are in better condition than might have been expected through having to cover less unemployment related benefits than planned and increase personal taxation contributions. Additionally, budgetary expectations and forecasts are that the unemployment rate will continue heading down towards 3.75% for Q2 and Q3 this year. Although that is a good sign in many respects, it does create a situation that is likely to result in wages growth in various sectors as employers seek to attract and retain talented workers.

INFRASTRUCTURE SPENDING

The government has committed $12b to a range of infrastructure programmes, particularly across rural and regional Australia. Regional road and rail projects, rural telecommunications upgrades, dam building, logistic hubs and other programmes have been announced in this budget. Although not a direct benefit, there will be expected workflow benefits to our industry from numerous of those infrastructure related initiatives.

ECONOMIC CONTEXT

ECONOMIC CONTEXT FOR THE 2022 BUDGET

Contextually, this Budget has been delivered a week prior to the Reserve Bank Board meeting on 5 April 2022 which will consider the need, or not, to increase interest rates. The Reserve Bank's aim is to contribute to the stability of the currency, full employment, and the economic prosperity and welfare of the Australian people. To achieve these statutory objectives, the Bank has an 'inflation target' and seeks to keep consumer price inflation in the economy to 2–3%, on average, over the medium term. The RBA's central forecast is for underlying inflation to increase further in coming quarters to around 3.25%, before declining to around 2.75% cent into 2023 as the supply-chain problems are resolved and consumption patterns normalise.

Given the experiences and needs of the country over the last two years, the primary factor to move Australia back into the clean air of solid and consistent economic growth is investment that increases the economy's production output across both goods and services. Government policy is a significant component in facilitating these outcomes.

Additionally, this budget has been delivered as we move towards electing the 47th Australian Parliament in May. Whatever policies and budgetary commitments are offered as we head to the ballot box, and given where the country is economically and socially, short-term fixes and voter friendly platitudes are unlikely to cut it moving forward. However, preaching austerity will also not likely win an election even though there is a $78b deficit that will need to be addressed in the coming years. Election related platforms soon become palimpsest after the dust settles. History shows they may or may not eventuate, or even be achievable.

Since the start of the pandemic, the federal government has racked up about $300b of extra debt, trying to stimulate the economy. One of the methods the government did that was through the JobKeeper scheme, which used taxpayer money to supplement people's incomes. At the end of 2020, there were about 1.5 million people on JobKeeper. Although Australia has experienced recession like conditions throughout 2020 and 2021, without government cushioning over the last two years Australia would have been in a much worse position.

ECONOMIC CONTEXT

BUDGETARY PROCESS

So how does the Treasurer get to their budget day speech with solid proposals? It is essentially a five-step process:

1. Strategic Phase – set objectives for revenue, expenditure debt repayment and investment.
2. Decision Phase – Treasury assessment of proposed Government initiatives and decisions.
3. Production Phase – detailed preparation of budgetary package.
4. Legislative Phase – delivery and appropriation of funds.
5. Implementation Phase – timetabled delivery of stated initiatives.

BUDGETARY TERMS

A GUIDE TO KEY BUDGETARY TERMS

Leading into the delivery of the budget, a number of economic related terms are used, used incorrectly, overused, and even abused. Each of the terms are interrelated when it comes to the economy and for budgetary purposes. The following are some of those most used terms and what they mean.

> **Fiscal policy –** essentially taxation and government spending used to influence the economy.

> **Monetary policy –** think interest rates and the Reserve Banks determinations. Given the interest rates are at all-time lows, governments have had to rely on fiscal policy to move the economy along.

> **Surplus/Deficit –** revenue and income exceeds Government expenditure or the reverse creates a deficit.

> **Forward estimates –** rolling baseline of projections for government budgeting including proposed expenses. Usually the proposed government spending announced in a particular Budget is spread across several years. The whole budgetary process is built on forward estimates.

> **Inflation/Deflation –** a decline or increase in purchasing power, usually based on Consumer Price Index.

> **Consumer Price Index (CPI) –** is a measure of the cost increases or decreases on a weighted average of a 'basket of goods' that includes particular goods and services. Inflation is an increase in the level of prices of those goods and services that households buy. Typically, prices rise over time, but prices can also fall (deflation). In Australia, the Consumer Price Index is calculated by the Australian Bureau of Statistics (ABS) and published quarterly.

> **Gross Domestic Product (GDP) –** the monetary value of finished goods and services within a country as an indicator for calculating economic growth rates.

> **Unemployment rates –** those who are employable and actively seeking work - another indicator of the state of the economy.

> **Productivity –** put simply it is how efficiently production inputs are being used to produce a given level of outputs. Often considered as a key source of economic growth, but the method of calculation is often disputed and the meaning can be unclear.

> **Wellbeing indicators –** measurement of health, connectedness, and other quality of life indicators.

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IMPORTANT NOTICE

FURTHER INFORMATION

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