

2022-23 Federal Budget Construction Industry Summary

This document is a summary of the Treasurer's media release, speech and Budget Paper No.1 in the 2022-23 Budget Papers relevant to the Australian construction industry. All text is taken directly from the relevant publications.

Treasurer's Media Release

Jobs

The Government is investing in measures to expand and upskill the workforce to secure the workers we need now and for the future.

This will also help Australians into more highly skilled and better paying jobs.

- The Government is transforming Australia's manufacturing sector and building resilient supply chains with over \$1 billion in new investment, building on the \$1.5 billion Modern Manufacturing Strategy announced in the 2020-21 Budget.
- We have also committed \$2.8 billion to support Australian apprenticeships, building on the \$13.3 billion spent on apprenticeships and traineeships since 2013.
- The Government has committed \$3.7 billion in Commonwealth funding for a new skills agreement, which has the capacity to deliver up to 800,000 additional training places for Australians.
- To develop the next generation of innovative Australian companies, this Budget includes \$2.2 billion for a research commercialisation action plan (including \$1.6 billion for a new economic accelerator) to bring industries and universities together.

Backing small businesses

Small businesses will have access to a new 20 per cent bonus deduction for eligible external training courses 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.

The Government is also providing \$1 billion for a new Technology Investment Boost to encourage small businesses to go digital.

Small businesses will be able to deduct a bonus 20 per cent of the cost of expenses and depreciating assets that support digital uptake.

Expenditure of up to \$100,000 per year will be supported by this new measure, which applies from Budget night until 30 June 2023.

Infrastructure

The Government is investing an unprecedented \$37.9 billion in regional Australia and priority infrastructure across the nation to create jobs and unlock the economic potential in our regions.

This includes \$7.1 billion for transformative investments including in the Northern Territory, North and Central Queensland, the Pilbara and the Hunter to unlock new economic frontiers of production in agriculture, low emissions manufacturing and renewable energy.

The Government has increased its 10-year transport infrastructure pipeline to a record \$120 billion with an additional \$17.9 billion committed to road, rail and community infrastructure projects supporting around 40,000 jobs.

Including through its \$8.9 billion National Water Grid Fund, the Government will provide a further \$7.4 billion to improve Australia's water security and open up new land for irrigation.

As well as projects in each state and territory, the Government is investing:

- \$2.0 billion through the Regional Accelerator Program to drive growth and productivity in regional areas.
- \$501.7 million for local councils to deliver priority road and community infrastructure projects across Australia
- \$2.0 billion in additional funding for the Northern Australia Infrastructure Facility, bringing total funding to \$7.0 billion.

Treasurer's Speech

BUILDING A STRONGER AND MORE RESILIENT ECONOMY

Mr Speaker, tonight we write a new chapter in Australia's economic story.

With a plan that backs Australians, their enterprise and their aspirations.

SKILLING AUSTRALIA

Mr Speaker, Australia's unemployment rate is heading towards a 50-year low.

We have a historic opportunity to get young Australians into skilled, secure and well-paid jobs.

The dignity of work is important for all Australians.

During this pandemic, we have already invested \$13 billion in skills and training.

With a record 220,000 Australians now in a trade apprenticeship.

The highest level since records began in 1963.

Tonight, we go further, with a new \$2.8 billion investment to increase take up and completion rates.

Providing \$5,000 payments to new apprentices.

And up to \$15,000 in wage subsidies for employers who take them on.

Mr Speaker, in this Budget we also lay the foundations for national skills reform with a \$3.7 billion investment.

Supporting an additional 800,000 training places.

Ensuring businesses get the skilled workers they need.

Tonight, we also fund new and expanded programs to help find employment for

disadvantaged youth, Indigenous Australians, the mature aged and Australians with a disability.

Skilling Australians is part of our plan for a stronger future.

BACKING SMALL BUSINESS

Mr Speaker, small and family businesses are at the heart of our economy and local communities.

They employ nearly 8 million Australians.

This Government has backed small businesses with the lowest tax rates in 50 years and record investment incentives.

Tonight, we go further, rewarding small businesses that invest in skills and new technology.

No one knows better than a small business owner what skills they need in their employees.

Starting tonight, for every hundred dollars a small business spends on training their employees, they will get a \$120 tax deduction.

Helping them become more productive and competitive.

In this Budget, we are also backing small businesses that are embracing the digital revolution.

From tonight, every hundred dollars these small businesses spend on digital technologies like cloud computing, eInvoicing, cyber security and web design will see them get a \$120 tax deduction.

Investments of up to \$100,000 per year will be supported by this new measure.

Mr Speaker, lower taxes for small business is part of our plan for a stronger future.

GROWING OUR REGIONS

Mr Speaker, our regions will always be an economic powerhouse generating prosperity for our nation.

No government has invested more in our regions than this Liberal-National Coalition.

Tonight, we go further.

Announcing an unprecedented regional investment package that includes

transformational investments in agriculture, infrastructure and energy in the Hunter, the Pilbara, the Northern Territory and North and Central Queensland.

These long-term investments will unlock new economic frontiers and grow our national economy.

Mr Speaker, our regional package also includes major new investments in water projects, a new regional accelerator, telecommunications and health.

A new \$7.4 billion investment in more dams and water projects to improve vital water security and expand irrigation.

A new \$2 billion regional accelerator program to invest in skills, education infrastructure, export market development and supply chain resilience for our regions.

A new \$1.3 billion telecommunications package to expand mobile coverage across 8,000km of regional transport routes

A RECORD INFRASTRUCTURE PIPELINE

Mr Speaker, our record \$120 billion infrastructure pipeline has already completed over 35,000 projects across the country since we came to government.

Nation building projects like the Melbourne to Brisbane Inland Rail, the new Western Sydney international airport and Snowy 2.0 are well underway.

Tonight's Budget includes new commitments to road and rail projects.

Brisbane to Sunshine Coast faster rail.

Sydney to Newcastle faster rail.

The METRONET project in Western Australia.

The North-South Corridor in South Australia.

Great Eastern Drive in Tasmania.

Central Australian Tourism Roads in the Northern Territory.

Melbourne Intermodal Terminals to increase the efficiency of the national freight network.

More than \$500 million for local councils to deliver priority projects and \$880 million to better connect regional Australia with ports, airports and other transport hubs.

Delivering our record infrastructure pipeline is a vital part of our plan for a stronger future.

MENTAL HEALTH SUPPORT AND SUICIDE PREVENTION

Mr Speaker, mental illness can be completely debilitating for patients and their families.

Too many people are living lives of quiet desperation.

Last year's Budget saw a landmark \$2.3 billion investment in mental health and suicide prevention.

Tonight, we build on that commitment.

More Headspace services, community-based treatment centres and digital mental health support.

Combating suicide is a national priority.

No government has invested more in mental health services.

HELPING MORE AUSTRALIANS TO OWN A HOME

Mr Speaker, home ownership is fundamental to the Coalition.

HomeBuilder, the First Home Super Saver Scheme and the Home Guarantee Scheme have helped make the dream of home ownership a reality.

Over the last year, 160,000 Australians purchased their first home.

Tonight we go further, more than doubling the Home Guarantee Scheme to 50,000 places per year.

Helping more single parents to buy a home with a deposit as low as 2 per cent.

Helping more first home buyers to buy a home with a deposit as low as 5 per cent.

In this Budget we are also increasing our support for affordable housing by \$2 billion through the National Housing Finance and Investment Corporation.

Helping more Australians to own a home is part of our plan for a stronger future

Budget Strategy and Outlook - Budget Paper No. 1

Statement 1: Budget Overview

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The Government is delivering a stronger future for all Australians through:

- Supporting small businesses to adopt digital technology and train and upskill employees with new tax incentives.
- Building the skilled workforce and industries that Australia needs, including \$2.8 billion for apprentices and \$2.2 billion to support Australian industries and universities to develop innovative companies and products.
- Securing our supply chains and transforming manufacturing with more than \$1 billion of new investment that builds on the Government's \$1.5 billion Modern Manufacturing Strategy.
- Investing to strengthen our regions, with over \$21 billion committed to ensure regions have the critical transport, water and communications infrastructure they need to grow.

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Table 1.1: Major economic parameters^(a)

	Outcome		Forecasts			
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP	1.5	4 1/4	3 1/2	2 1/2	2 1/2	2 1/2
Employment	6.5	2 3/4	1 1/2	1 1/2	1	1
Unemployment rate	5.1	4	3 3/4	3 3/4	3 3/4	4
Consumer price index	3.8	4 1/4	3	2 3/4	2 3/4	2 1/2
Wage price index	1.7	2 3/4	3 1/4	3 1/4	3 1/2	3 1/2
Nominal GDP	4.4	10 3/4	1/2	3	5 1/4	5

(a) Real GDP and Nominal GDP are percentage change on preceding year. The consumer price index, employment, and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.

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

Budget priorities

This Budget delivers Australia's plan for a stronger future through:

- Building a stronger and more productive economy to create more jobs by:
 - Backing small businesses with tax incentives to digitalise their operations and upskill and train their employees.
 - Training the next generation of apprentices and reopening borders to encourage skilled migration and address workforce shortages.
 - Securing our supply chains by transforming Australia's manufacturing capability through the Modern Manufacturing Strategy.
- Strengthening our regions and critical infrastructure by:
 - Investing to diversify growing regional areas, including through \$7.1 billion for transformative infrastructure projects, including in 4 regions primed for growth.
 - Committing to build \$17.9 billion of priority road and rail infrastructure as part of the record \$120 billion 10-year infrastructure investment pipeline.
 - Establishing the \$2.0 billion Regional Accelerator Program to drive growth and productivity in regional areas.

Supporting small business growth

The Government is supporting small businesses to digitalise their operations and upskill their employees by introducing a Technology Investment Boost and a Skills and Training Boost.

Small businesses, with aggregated annual turnover less than \$50 million, will be able to deduct a bonus 20 per cent of the cost of business expenses and depreciating assets that support digital uptake, up to \$100,000 of expenditure per year. The Technology Investment Boost will apply to eligible expenditure incurred between 7:30pm (AEDT) on 29 March 2022 (Budget night) and 30 June 2023. It will support investment in digital items such as cloud computing, cyber security, accounting and e-invoicing software and web page design.

The Boost is estimated to provide \$1 billion in tax relief, encouraging small businesses to invest more in digital products and it will help strengthen business confidence, accelerate digital transformation and create jobs.

Small businesses, which employ around 7.8 million employees, will also have access to a bonus 20 per cent deduction for the cost of external training courses delivered to their employees by providers registered in Australia. The Skills and Training Boost is estimated to provide \$550 million in tax relief for small businesses, incentivising them to upskill their employees. More skilled employees will drive productivity gains for small businesses, attract and retain staff in a tight labour market and support their future growth. This boost will apply to eligible expenditure incurred between Budget night and 30 June 2024.

Creating a pipeline of skilled workers

Australian apprenticeships are central to the Government delivering on its National Workforce Strategy. Following record investment of \$13.3 billion since 2013, there are now around 220,000 trade apprentices in training in Australia. The Government will invest a further \$2.8 billion over 5 years from 2021-22 to upskill apprentices, including by introducing a new streamlined Australian Apprenticeships Incentive System. This investment establishes a pathway that backs and develops apprentices in priority trades and moves away from a complex system with over 30 different payments for employers and apprentices.

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The Commonwealth and state and territory governments continue to work towards a new National Skills Agreement, which would provide each jurisdiction with a major boost to funding for skills training in priority areas. The Commonwealth is offering a \$3.7 billion increase in funding under the new agreement, which has the capacity to deliver an additional 800,000 training places. A new agreement would increase transparency in the system and lower student fees, ensuring students can access high-quality, relevant training to ensure they have the appropriate skills for the jobs of the future.

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Investing in the Digital Economy

The Government continues its investment under the Digital Economy Strategy to position Australia as a top 10 digital economy and society by 2030.

The Government has invested more than \$3.5 billion in digital initiatives since the 2020-21 Budget. This includes \$1 billion in this Budget to support small businesses to digitalise their operations with a technology investment boost that will encourage investment in digital assets and services.

Next steps in the Government's deregulation agenda

Building on the \$480.5 million investment in the Modernising Business Registers program to make interactions with government simpler and quicker, the Government is reforming the fees attached to registry services. This will simplify registry compliance obligations, improve the currency and accuracy of registry information and promote transparency and counterparty trust in commercial

activities. These changes will save Australians and their businesses \$64.9 million in fees over 3 years from 2023-24.

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Supporting women's economic security and leadership

The Government is also committing \$56.2 million to support more women into a greater array of occupations and jobs of the future. To boost the number of women in trades, the Government is investing \$38.6 million over 4 years from 2022-23 to provide wrap-around support for women commencing in trade occupations on the Australian Apprenticeships Priority List. Building on the Government's \$147 million of investments to support gender equity in STEM, additional funding is being provided to encourage women to consider taking up careers in manufacturing and the technology workforce. Support is also being provided to further enable more women to develop entrepreneurial skills.

The Government is committed to encouraging more women into leadership positions in the public and private sector. Women now hold a record 50.2 per cent of Australian Government board positions. To further drive change, the Government is investing \$40.4 million to create pipelines for women to progress into board and leadership positions, including as sporting coaches and managers.

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Transforming our manufacturing capability

The Government is transforming Australia's manufacturing sector by building scale, supporting international competitiveness, and driving innovation. The \$1.5 billion Modern Manufacturing Strategy, announced in the 2020-21 Budget, is focused on high-value and high-priority areas of manufacturing, and facilitating greater collaboration, commercialisation and technology adoption.

The Government is investing a further \$328.3 million in the Strategy. This includes \$250.0 million for the Integration and Translation Streams of the Modern Manufacturing Initiative to assist manufacturers to translate good ideas into commercial outcomes. It also includes \$53.9 million to fund a third round of the Manufacturing Modernisation Fund to enable small to medium manufacturers to innovate and adopt new technologies. In addition, \$500.0 million will support manufacturers in regions through a new Regional Accelerator Stream of the Modern Manufacturing Initiative.

The Government is also strengthening supply chain resilience in critical products, including through a new dedicated \$200.0 million Regional Accelerator Stream of the Supply Chain Resilience Initiative that will assist regional businesses to address supply chain vulnerabilities and additional funding for the CSIRO. The initiatives in this Budget will continue to support the Government to anticipate and respond swiftly to emerging supply chain challenges.

Supporting the delivery of more affordable housing

Since its establishment in 2018, the National Housing Finance and Investment Corporation (NHFIC) has supported more than 15,000 new and existing affordable dwellings through the provision of low-cost loans to Community Housing Providers. In this Budget, the Government is increasing NHFIC's liability cap by an additional \$2.0 billion, to \$5.5 billion. This increase in NHFIC's lending capacity is expected to support around 10,000 more affordable dwellings for vulnerable Australians.

The Government's Home Guarantee Scheme has assisted almost 60,000 Australians to achieve homeownership. The Government is committing \$8.6 million to expand the Scheme to 50,000 places per year. Up to 35,000 places per year will be available for first home buyers under the First Home Guarantee (previously the First Home Loan Deposit Scheme). A new Regional Home Guarantee with up to 10,000 places per year will help aspiring homebuyers in regional areas. The Family Home Guarantee will be increased to 5,000 places per year to provide a supported pathway into homeownership for more single parents with dependants.

Strengthening our regions and critical infrastructure

Building on the Government's \$100 billion funding commitment to regional economic development since 2013, the Budget provides record funding for regional infrastructure, improvements to telecommunications and support for the agricultural, fisheries and forestry industries.

A \$2.0 billion Regional Accelerator Program will diversify growing regional economies and create jobs in new and existing industries. This includes investments in infrastructure, advanced manufacturing, apprenticeships, and higher education.

Transforming regions primed for growth

The Government will invest \$7.1 billion in transformational infrastructure to help Australia push into new frontiers of production and growth. This will focus on 4 key regions that are Australia's export frontiers and poised for major growth at a scale that will boost our national prosperity. The funding includes:

- \$2.6 billion for infrastructure that unlocks the Northern Territory's exports through Darwin's gateway to Asia. A further \$300.6 million from the Government's \$8.9 billion National Water Grid Fund will help improve water security in the greater Darwin region.
- \$1.7 billion for water infrastructure and supply chain projects in North and Central Queensland. This is in addition to the \$5.4 billion the Government is providing for the Hells Gates Dam.
- \$1.5 billion in the Pilbara region to help diversify the north-west economy by increasing low emissions production.
- \$750.0 million for the Hunter region for transport and port infrastructure projects that will improve supply chain efficiency and boost exports.

The Government is also increasing funding for the Northern Australia Infrastructure Facility by \$2.0 billion – bringing total funding to \$7.0 billion – to drive economic growth and promote Indigenous employment in Northern Australia.

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Supporting Australia's water infrastructure

Through its \$8.9 billion National Water Grid Fund, the Government will provide \$7.4 billion to improve Australia's water security and open up new land for irrigation. This will help drought-proof the Peel Valley, with an additional \$433.0 million for the Dungowan Dam, bringing the total investment to \$675 million. It also includes \$300.6 million to improve water security in the greater Darwin region. This funding will also transform irrigated agriculture throughout Queensland, with \$600.0 million for the North Burnett region and \$126.5 million for its Granite Belt region.

The National Water Grid Fund will also provide \$5.4 billion for the Hells Gates Dam on Queensland's Burdekin River. This transformational project will redefine North and Central Queensland's agricultural sector and underpin long-term export market growth and investment.

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Infrastructure investment

The Government has increased its unprecedented 10-year infrastructure pipeline to a record \$120 billion with an additional \$17.9 billion committed to road, rail and community infrastructure projects across Australia. These commitments build on over 35,000 infrastructure projects that have been completed since 2013-14 and are expected to support around 40,000 jobs over the lives of these projects.

This Budget includes \$3.1 billion for Melbourne Intermodal Terminals and related infrastructure that will increase efficiency and capacity of the national and Victorian freight industry, creating jobs and boosting productivity while taking trucks off the road. Major commitments also include \$3.7 billion for faster rail projects in New South Wales and Queensland that will better connect cities with our growing regions.

The Government's road and rail commitments in this Budget include:

- \$3.1 billion for the Melbourne Intermodal Terminals Package, including delivery of the Beveridge and Western Interstate Freight Terminals, and the Outer Metropolitan Ring Rail South in Victoria.
- \$2.7 billion for the Brisbane to the Sunshine Coast (Beerwah-Maroochydore) and Brisbane to the Gold Coast (Kuraby-Beenleigh) Faster Rail projects in Queensland.
- \$2.3 billion for the North-South Corridor – Darlington to Anzac Highway in South Australia.
- \$1.0 billion for the Sydney to Newcastle – Tuggerah to Wyong Faster Rail Upgrade in New South Wales.

- \$441.2 million for the METRONET, including the Thornlie-Cockburn Link, High Capacity Signalling, Morrison Road Level Crossing Removal and the Yanchep Rail Extension in Western Australia.
- \$392.0 million for the Tasmanian Roads Package.
- \$132.0 million for the Central Australian Tourism Roads in the Northern Territory.
- \$46.7 million for the Athllon Drive Duplication in the Australian Capital Territory.

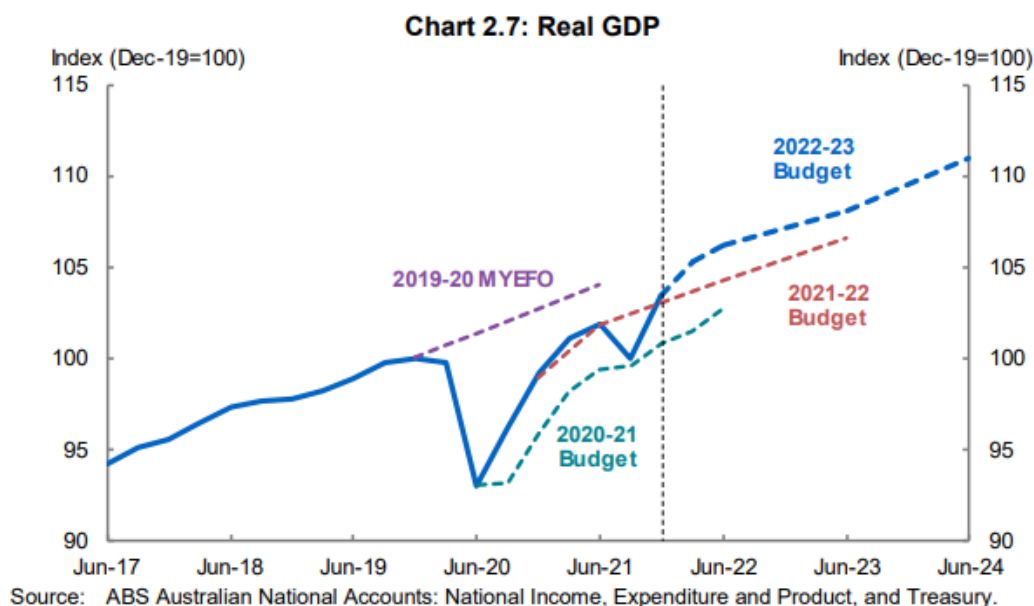
The Government is also extending the Local Roads and Community Infrastructure Program until 2024-25, providing \$501.7 million for local councils to maintain and deliver priority local road and community infrastructure projects across Australia.

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As pandemic-related policy support continues to taper, the private sector is expected to be the main driver of growth. Strong labour market conditions combined with personal income tax relief, totalling \$40 billion since the start of the pandemic, will underpin robust growth in household disposable incomes and strengthen consumer spending as the savings rate returns to more normal levels. The record pipeline of work in the residential construction sector will support strong dwelling investment. Business investment has been boosted by temporary business tax incentives and investment intentions remain strong.

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The Australian economy is forecast to experience a sustained period of strong economic growth, low unemployment, and rising wages growth. However, there are a range of domestic and international factors that pose risks to the outlook.



The labour market

The labour market has displayed resilience through the pandemic and has again recovered strongly in recent months. Employment reached a then-record high in November 2021 and continued employment growth since then has seen the unemployment rate fall to just 4.0 per cent – the equal lowest outcome since 1974. The employment-to-population ratio reached a new record high of 63.8 per cent in February 2022, with the participation rate also at a record high of 66.4 per cent.

Hours worked fell sharply in January reflecting unseasonably high levels of annual leave, as well as the Omicron outbreak leading to around 3 times as many people as usual having worked less hours due to illness or sick leave. During the peak of the Omicron outbreak, absenteeism rates from COVID-19 are estimated to have reached around 6 per cent nationally.

The Omicron wave had a short-lived impact on the labour market compared with previous outbreaks, with hours worked returning to just 0.5 per cent below their December level in February. However, there remained around 50 per cent more people than usual working reduced hours because of illness or sick leave.

The recovery in the labour market in recent months reflects growth in private consumption supporting strong labour demand. The number of unemployed people per vacancy, a key measure of labour market tightness, fell to just 1.6 in November. This is the lowest value on record and around half the

pre-pandemic level (Chart 2.16). The underemployment rate has also fallen sharply to 6.6 per cent in recent months, 2.2 percentage points lower than it was in March 2020. Strong labour demand has allowed more than one million workers to start a new job in the 3 months to November 2021, an increase of 65 per cent from the low experienced in 2020. As a share of employment, the rate at which people are taking up new jobs is around its highest level in nearly a decade.

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Significant measures in this Budget include:

- funding for priority road and rail projects across Australia to support economic recovery and jobs, which is expected to increase payments by \$16.8 billion over 10 years from 2021-22.
- investment in nationally significant water infrastructure projects to assist in developing regional communities, which is expected to increase payments by \$6.9 billion over 12 years from 2021-22, and establishing the Regional Accelerator Program to drive transformative economic growth and productivity in regional areas, which is expected to increase payments by \$2.0 billion over 5 years from 2022-23.

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Targeted tax support for small businesses

Small businesses – those with annual turnover below \$50 million – are a critical part of our economy. In 2013-14, there were around 3.3 million small businesses employing around 7.1 million people. By 2018-19, this had grown to around 3.6 million businesses, employing around 7.8 million people. Sole traders are an important part of this sector, with around 1.4 million in operation. The Government is committed to leveraging the tax system to support small businesses to invest, grow and employ more Australians.

Prior to the COVID-19 pandemic, the Government legislated a staged reduction in the company tax rate for small businesses, from 30 per cent in 2013-14 to 25 per cent from 2021-22 onwards. The incorporated small business share of total company tax paid declined in each year between 2015-16 and 2018-19. By 2018-19, these small businesses were paying 29 per cent of company tax compared with 35 per cent in 2015-16. Alongside the company tax cut, the Government has introduced and subsequently enhanced the tax discount for unincorporated small businesses. It is estimated these two legislative changes will deliver more than \$21 billion in tax cuts to small businesses between 2015-16 and 2024-25, with around \$2.6 billion flowing to small businesses in 2022-23.

In response to the COVID-19 pandemic, the Government introduced the Boosting Cash Flow for Employers measure, which supported over 820,000 eligible businesses and not-for-profit entities that employ individuals, providing around \$36 billion in support to date. The Government introduced accelerated depreciation deductions and an expansion of the instant asset write-off. The accelerated depreciation deductions allow businesses with annual turnover below \$5 billion to immediately deduct the full cost of eligible assets used or ready for use by 30 June 2023. This can work in

combination with the loss carry-back scheme, which allows companies to obtain a tax offset or refund by offsetting losses against previously taxed profits derived in earlier years.

In this Budget, the Government is providing \$1.6 billion in tax incentives for small businesses through the technology investment boost and the skills and training boost. Small businesses will be able to deduct a bonus 20 per cent of the cost of expenses and depreciating assets that support digital uptake, up to \$100,000 of expenditure per year, between 7.30pm (AEDT) on 29 March 2022 and 30 June 2023. Small businesses will also have access to a bonus 20 per cent deduction for the cost of eligible external training courses for employees, which will apply between 7:30pm (AEDT) on 29 March 2022 and 30 June 2024. Small businesses also benefit from the Government's other initiatives to encourage innovation such as the patent box (which has been extended in this Budget) and the Research and Development Tax Incentive.

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Education

The education function includes expenses to support the delivery of education services through higher education institutions; vocational education and training providers (including technical and further education institutions); and government (state and territory) and non-government primary and secondary schools. Total education function expenses are expected to remain largely stable in real terms from 2021-22 to 2022-23 and increase by 0.6 per cent in real terms from 2022-23 to 2025-26.

Table 5.7: Summary of expenses – education

Sub-function	Estimates				
	2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
Higher education	10,666	10,434	10,360	10,551	10,935
Vocational and other education	2,150	2,300	2,198	2,385	2,530
Schools	25,028	26,411	27,699	28,688	29,657
<i>Non-government schools</i>	15,302	16,126	16,890	17,468	18,005
<i>Government schools</i>	9,726	10,284	10,808	11,220	11,652
School education – specific funding	800	836	810	695	726
Student assistance	4,422	4,513	4,686	4,756	4,853
General administration	291	294	280	278	275
Total education	43,357	44,788	46,034	47,353	48,977

Expenses under the higher education sub-function are expected to decrease by 5.4 per cent in real terms from 2021-22 to 2022-23 and decrease by 3.6 per cent in real terms from 2022-23 to 2025-26. The decrease in expenses in 2022-23, and the subsequent decrease in expenses over the forward estimates, primarily reflect lower costs under the Commonwealth Grant Scheme as a result of the Job-ready Graduates higher education reform package.

Expenses under the vocational and other education sub-function are expected to increase by 3.4 per cent in real terms from 2021-22 to 2022-23 and increase by 1.2 per cent in real terms between 2022-23 and 2025-26. The increase in expenses in 2022-23 primarily reflects the impact of new

investment in this Budget in skills reform, and support for job seekers to access training to develop new skills in growth sectors of the economy, through the 2022-23 Budget measure Skills Reform to Support Future Growth.

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Housing and community amenities

The housing and community amenities function includes expenses for the Australian Government's contribution to the National Housing and Homelessness Agreement, other Australian Government housing programs, the expenses of Defence Housing Australia (DHA), urban and regional development programs and environmental protection initiatives.

Table 5.10: Summary of expenses – housing and community amenities

Sub-function	Estimates				
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Housing	4,645	3,018	2,617	2,523	2,539
Urban and regional development	1,780	2,891	2,571	2,234	1,565
Environment protection	2,006	2,312	1,987	2,187	2,170
Total housing and community amenities	8,431	8,221	7,174	6,944	6,274

Total expenses under the housing and community amenities function is estimated to decrease by 5.7 per cent in real terms from 2021-22 to 2022-23 and decrease by 29.8 per cent in real terms from 2022-23 to 2025-26.

The housing sub-function includes the Australian Government's contribution to the National Housing and Homelessness Agreement, the provision of housing for the general public and people with special needs, and DHA expenses. Expenses for this sub-function are estimated to decrease by 37.2 per cent in real terms from 2021-22 to 2022-23 and decrease by 22.6 per cent in real terms from 2022-23 to 2025-26. This is largely driven by the cessation of the temporary HomeBuilder program in 2022-23, the conclusion of the National Housing and Homelessness Agreement on 30 June 2023, and decreasing payments under the National Rental Affordability Scheme which is now closed to new applicants.

The Government also provides housing support through the National Housing Finance and Investment Corporation in the form of guarantees, loans, investments and grants to encourage investment in housing, with a particular focus on affordable housing. These are not captured within this Statement as they are balance sheet items and are recorded separately in the Government Financial Statements.

The urban and regional development sub-function comprises City and Regional Deals, services to territories, and regional development programs, including Community Development Grants and the Building Better Regions Fund. Expenses are estimated to increase by 57.0 per cent in real terms from 2021-22 to 2022-23 reflecting a number of 2022-23 Budget measures, including Regional Accelerator Program – establishment, Energy Security and Regional Development Plan, and the

South East Queensland City Deal and Albury Wodonga Regional Deal. Expenses are estimated to decrease by 50.2 per cent in real terms from 2022-23 to 2025-26, largely reflecting the expected completion of a number of projects under key programs such as the Building Better Regions Fund, the Regional Growth Fund, and various City Deals.

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Mining, manufacturing and construction

The mining, manufacturing and construction function includes expenses for programs designed to promote the efficiency and competitiveness of Australian industries. The major components include the Research and Development Tax Incentive and industry assistance programs.

Table 5.14: Summary of expenses – mining, manufacturing and construction

Sub-function	Estimates				
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Mining, manufacturing and construction	4,310	4,781	4,616	4,012	4,081
Total mining, manufacturing and construction	4,310	4,781	4,616	4,012	4,081

Total expenses under the mining, manufacturing and construction function are expected to increase by 7.3 per cent in real terms from 2021-22 to 2022-23 and decrease by 21.5 per cent in real terms over the period 2022-23 to 2025-26. Table 5.14.1 sets out the major components of the mining, manufacturing and construction sub-function.

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Table 5.14.1: Trends in the major components of mining, manufacturing and construction sub-function expenses

Component(a)	Estimates				
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Research and Development Tax Incentive	2,729	2,759	2,891	3,030	3,176
Growing Business Investment	845	1,035	878	312	290
Northern Australia Infrastructure Facility	407	540	456	323	303
Other	330	447	390	346	312
Total	4,310	4,781	4,616	4,012	4,081

(a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for the Research and Development Tax Incentive, administered by the Australian Taxation Office, are expected to increase by 5.9 per cent in real terms from 2022-23 to 2025-26, reflecting

changes in the number and size of expected claims from eligible companies with an annual turnover of less than \$20 million.

Expenses under the Growing Business Investment component are expected to increase by 18.5 per cent in real terms from 2021-22 to 2022-23 and decrease by 74.3 per cent in real terms from 2022-23 to 2025-26. The increase and subsequent decrease in expenditure reflects the funding profile of the Modern Manufacturing Strategy, including additional investment through the 2022-23 Budget measure Boosting the Modern Manufacturing Strategy and Addressing Critical Supply Chain Vulnerabilities, which provides financial support to the manufacturing sector.

The Northern Australia Infrastructure Facility offers debt and equity finance to project that contribute to the establishment or enhancement of economic activity in northern Australia. Expenses are expected to increase by 28.3 per cent in real terms from 2021-22 to 2022-23 and decrease by 48.4 per cent in real terms from 2022-23 to 2025-26 due to changes in concessional loan discount expenses associated with the expected commitment of concessional loans across the forward estimates.

Transport and communication

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Table 5.15: Summary of expenses – transport and communication

Sub-function	Estimates				
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Communication	2,090	1,791	1,578	1,558	1,591
Rail transport	2,755	3,658	4,164	3,700	2,976
Air transport	1,866	410	322	282	267
Road transport	8,663	12,315	13,788	11,803	7,213
Sea transport	458	459	480	488	488
Other transport and communication	238	281	239	190	204
Total transport and communication	16,070	18,915	20,570	18,020	12,739

The expenses under the rail transport sub-function primarily consist of grants provided under the Infrastructure Investment Program. Expenses are estimated to increase by 28.4 per cent in real terms between 2021-22 and 2022-23 and decrease by 25.2 per cent in real terms from 2022-23 to 2025-26. The initial increase in expenditure primarily reflects the Government's continued investment in priority rail projects, including through the 2022-23 Budget measure titled Infrastructure Investment – Priority Regional Infrastructure Investments. The subsequent decrease in expenditure from 2022-23 to 2025-26 reflects priority rail projects nearing completion.

The expenses under the road transport sub-function primarily consist of grants provided under the Infrastructure Investment Program. Expenses are estimated to increase by 37.4 per cent in real terms between 2021-22 and 2022-23 and decrease by 46.1 per cent in real terms from 2022-23 to 2025-26. The initial increase in expenditure reflects the Government's continued investment in priority road projects, including through the 2022-23 Budget measure titled Infrastructure Investment

– Priority Regional Infrastructure Investments. The subsequent decrease in expenditure from 2022-23 to 2025-26 reflects the realignment of profiles to more accurately reflect delivery schedules, completion of road infrastructure projects, and the completion of short-term stimulus initiatives, including the \$3.0 billion Road Safety Program.