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Federal Government Budget 2021-22

Big spending welcome but opportunities remain for a long-term, ambitious productivity agenda

The 2021 Federal Budget is one of the largest spending budgets in Australia's history - not surprising given the COVID-induced economic upheaval and ongoing uncertainty. How the budget will be judged depends on its capacity to shape the future liveability and prosperity of Australia.

The significance of this budget and those that follow will have consequences for decades. Therefore, it must create a vision for a prosperous future, that improves productivity and provides the foundations for the type of Australia we want to have.

There is much to like in the budget, especially in areas that will contribute to skills and productivity growth. One of the cornerstones of this budget is the guarantee of essential services, particularly for aged care, mental health, childcare, disability support and domestic violence victims. The return of a dialogue and strategies focused on women is welcome. Job creation and investment are prioritised, with transport infrastructure, digital transformation and skills development featuring prominently. The \$1 billion JobTrainer program which will allow individuals aged between 17 and 24 to access free or low-fee courses to help reduce skill shortages, as well as funding for apprentices, are welcome steps in driving skills development.

There were some notable exclusions. Establishing a robust, dedicated national quarantine system for all international travellers, including international students, should have been prioritised. Getting people back to Australia is an imperative if we are to continue to attract the skills, students and tourists that are so important to our economy.

Whilst housing affordability in Australia has worsened during the pandemic, there appears to be little provision for social and affordable housing needs. Universities, which underpin research, education and precinct development across Australia, appear to have missed vital funding to ensure their full programs of activity can be maintained.

Committee for Melbourne (the Committee) considers there were opportunities that were missed in the budget, some of which are highlighted below:

- The budget fails to adequately address **social and affordable housing**, which has reached crisis levels across Australia, including Melbourne. The government's plan to provide \$124.7m over two years to support affordable housing and homelessness falls well short of the infrastructure spending required. Many of the housing initiatives such as the new Family Home Guarantee scheme for single parents and the revised First Home Super Saver scheme, do little to address the issue of supply, particularly across the spectrum of types of affordable housing needed. Without a significant increase in housing stock in key areas of need, there is a risk that lack of affordable housing and homelessness across Australia will worsen. In its April 2021 report, [Delivering Affordable Housing](#), the Committee made recommendations for delivery of a social and affordable housing strategy in Victoria that would include support for those in need, including key workers. Amongst those recommendations, it was recognised that sufficient funds need to be collected on an ongoing basis if we are to ensure adequate housing supply across the spectrum of housing needs. Consideration of a housing levy or as Labor has highlighted in its budget response, a Housing Australia Future Fund, should be undertaken to determine an appropriate initiative that would deliver funding at scale and into perpetuity. Whatever the mechanism, action is urgently required.
- There was no major addition to the \$53.6 million package provided to support English language and non-university higher education providers struggling with the national border closure. **International students** conduct essential research, provide key social, community and hospitality services and bring a vibrancy to our cities and regions. Pre-COVID, international education was worth more than \$40 billion to the Australian economy. In its [submission](#) to the Federal Government on 12 May 2021, the Committee highlighted the imperative of investment in quarantine facilities and support mechanisms for the international student sector that is so important for Australia's economy, cultural diversity, tourism and global branding.
- There is no doubt that community and economic expectations about our commitment towards **renewable energy** has shifted, and that COVID has accelerated the expectation of greater investment in renewable energy and climate change mitigation. There is an expectation that government policy-making should support and enhance investment in renewable energy, and that a vision for a clean energy future should be a priority.

There was minimal new direct funding in the budget for renewable energy, with just \$30 million allocated for renewable energy projects in the Northern Territory. This amount was less than the \$58.6 million allocated to the “gas-led recovery”. Most spending is focused on low emissions technologies, with a \$1.6 billion investment over 10 years to encourage private investment in clean energy technologies, to create jobs, grow export industries and reduce carbon emissions. \$275 million was allocated towards developing four more hydrogen hubs in regional areas, however a clear strategy aligning renewables and hydrogen remains absent. The budget did not outline a clear long-term ambition for a clean energy transition creating a gap in certainty of policy and incentives for the sector going forward.

- The budget includes nearly \$1.2 billion towards the **Digital Economy Strategy**, which details the Federal Government’s policies and actions to ensure Australia has a modern, digital economy by 2030. Building digital skills, encouraging business investment in digital technologies and targeting investment in emerging technologies are prioritised. The creation of an Artificial Intelligence (AI) centre was announced, costing \$124 million. While welcome as a first step, much greater investment in AI capacity is needed for Australia to keep up with developments overseas. The Committee highlighted in its report, [The Future of AI in Australia](#), that there are many areas that the Commonwealth Government could contribute in AI and an AI centre would be welcome but would require significant resourcing to ensure that there is innovation and education across all stakeholders in AI.
- **Infrastructure investment** in Victoria included the \$2 billion investment in the Melbourne intermodal terminal, which is critical to realising the benefits of Inland Rail. It will enable goods to move more efficiently, better serving the needs of businesses and consumers. Additional investments in a range of road projects throughout Victoria are necessary – however vital infrastructure also includes areas such as electricity transmission lines, renewables, social and affordable housing and digital – all of which require a significant focus. Corresponding actions to incentivise community uptake of zero emissions vehicles would have been welcome.
- There is minimal support in this year’s budget for **tourism operators**. With Australia’s border not expected to re-open until the middle of 2022, operators reliant on international tourists will be disappointed. While a \$1.2 billion package for the sector was provided months ago and \$60 million provided in last year’s budget, support for the sector will be essential given vaccine rollout delays and the extended border closure.
- With delays in the vaccine rollout across Australia and continued ramifications of COVID playing out across the world, it appears that we will be facing challenges associated with the pandemic for some time to come. We need to continue to allow the return of Australians as well as international students. That is why investment in dedicated **quarantine facilities** is so important and collaboration with the states remains a priority. The Victorian Government proposals to establish a dedicated quarantine hotel for international students, as well as a 500-bed quarantine accommodation hub in Mickleham for all inbound travellers, are welcome. Cooperation between the Federal and State Governments on these proposals is necessary for timely implementation.

Extraordinary times call for extraordinary measures and this budget reflects that. Record spending to help Australia’s economy recover from the impacts of a global pandemic, as well as Australia’s most vulnerable people, will help cushion the blow.

The aim of spending to create jobs and growth should be supported. However, with a decade of deficits and debt that is set to peak at almost \$1 trillion in 2025, we must ensure that spending underpins a future of productivity and liveability. No dollar spent can be wasted - we owe that much to ourselves and future generations. Opportunities remain for our Federal Government to lay the vision and foundations in areas like renewable energy and housing, that we know are imperatives for Australia’s future prosperity.