

**BUDGET SPEECH 2020-21  
DELIVERED ON 6 OCTOBER 2020 ON  
THE SECOND READING OF THE  
APPROPRIATION BILL (NO. 1) 2020-21  
BY  
THE HONOURABLE JOSH FRYDENBERG MP  
TREASURER OF THE COMMONWEALTH  
OF AUSTRALIA**

**Introduction**

Mr. Speaker, I move that this Bill now be read a second time.

In 2020, Australians have been tested like never before.

Flood, drought, fires, and a global pandemic.

So many Australians, through no fault of their own, are doing it tough.

Lives have been lost.

Businesses have closed.

Jobs have gone.

Our cherished way of life has been put on hold.

Our local heroes, the healthcare workers on the frontline, just as our volunteer firefighters did over summer, are showing us the way.

Their courage, commitment, and compassion reflects the very best of Australia.

Tonight, a grateful nation gives thanks.

These qualities are the invisible strength of Australia.

A resilient people, a proud nation and we will get through this together.

The Great Depression and two World Wars did not bring Australia to its knees, neither will COVID-19.

*Budget Speech*

## **Economic Environment**

Mr Speaker, COVID-19 has resulted in the most severe global economic crisis since the Great Depression.

Across the world the equivalent of 600 million people have lost their jobs.

The global economy is expected to contract by 4.5 per cent this year compared to just 0.1 per cent during the GFC.

Australia has not been immune.

Our economy has been hit, and hit hard.

In the space of just one month, more than one million Australians lost their jobs or saw their working hours reduced to zero. In my home state of Victoria, millions have been in lockdown.

In response, the Morrison Government committed unprecedented support, saving lives, cushioning the blow and helping Australians remain in work.

Our measures were temporary, targeted, and proportionate.

JobKeeper is a \$101 billion economic lifeline that is supporting around 3.5 million Australian jobs.

The Cashflow Boost has already provided \$28 billion, helping around 800,000 small and medium businesses to stay afloat.

JobSeeker doubled the safety net.

Two \$750 payments went to millions of pensioners, carers, and others on income support.

Together, our actions saved 700,000 jobs.

We could do this because we entered this crisis from a position of economic strength, brought the Budget back to balance for the first time in 11 years and maintained our AAA credit rating.

This gave us the fiscal firepower when we needed it most.

Mr Speaker, our economic response has come at a significant cost.

COVID-19 will see our deficit reach \$213.7 billion this year, falling to \$66.9 billion by 2023-24.

Net debt will increase to \$703 billion or 36 per cent of GDP this year and peak at \$966 billion or 44 per cent of GDP in June 2024.

This is a heavy burden, but a necessary one to responsibly deal with the greatest challenge of our time.

By comparison, Australia's net debt as a share of the economy will peak at half of that in the United Kingdom, around a third of that in the United States and around a quarter of that in Japan today.

Australia's economy contracted by 7 per cent in the June quarter. By comparison, there were falls of around 12 per cent in New Zealand, 14 per cent in France, and around 20 per cent in the United Kingdom.

Mr Speaker, the Australian economy is now fighting back.

More than half of those who lost their job are back at work.

There remains a monumental task ahead.

But there is hope. Australia is up to the task.

Tonight, we embark as a nation on the next phase of our journey.

A journey to rebuild our economy and secure Australia's future.

Our plan will grow the economy.

Our plan will create jobs.

Our plan will continue to guarantee the essential services Australians rely on.

Without increasing taxes.

Our plan is guided by our values.

Our circumstances may have changed, but our values endure.

Providing a helping hand to those who need it.

Personal responsibility.

Reward for effort.

The power of aspiration.

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We owe it to the next generation to ensure a strong economy so that their lives are filled with the same opportunities and possibilities we have enjoyed.

Tonight, I lay out the Morrison Government's economic recovery plan to steer Australia through this crisis and build for the future.

### **JobMaker hiring credit**

Mr Speaker, there is no economic recovery without a jobs recovery. There is no budget recovery without a jobs recovery.

This Budget is all about jobs.

Starting tonight, there will be a new JobMaker hiring credit to encourage businesses to hire younger Australians.

The JobMaker hiring credit will be payable for up to twelve months and immediately available to employers who hire those on JobSeeker aged 16-35.

It will be paid at the rate of \$200 per week for those aged under 30, and \$100 per week for those aged between 30-35.

New hires must work for at least 20 hours a week.

All businesses, other than the major banks, will be eligible.

Treasury estimates that this will support around 450,000 jobs for young people.

Having a job means more than earning an income.

It means economic security.

It means independence.

It means opportunity.

We can't let this COVID recession take that away.

### **Record investments in skills and training**

Mr. Speaker, this Budget is making a record investment in upskilling and reskilling Australians.

We have established the \$1 billion JobTrainer fund to create up to 340,000 free or low-cost training places for school leavers and job seekers.

We have also committed \$2.8 billion to protect 180,000 apprenticeships and trainees.

Tonight, we go further.

We commit an additional \$1.2 billion to create 100,000 new apprenticeships and traineeships, with a 50 per cent wage subsidy for businesses who employ them.

In this Budget, to help Australians get a job we are funding:

- 50,000 new higher education short courses in agriculture, health, IT, science and teaching
- 12,000 new Commonwealth supported places for higher education in 2021
- 2,000 indigenous students through the Clontarf Foundation to complete Year 12 and pursue further education or find employment.

We are investing in regions across Australia to connect job seekers to local employment opportunities.

Including in Darwin, Townsville and Cairns in our north, through to Gippsland, Hobart and Adelaide in the south; from Perth in the west, and the Hunter in the east.

Tonight, we are making changes to our tax system to further encourage businesses and employees to retrain.

In a modern economy, workers and businesses need to adapt.

So should our tax system.

### **Backing hard working Australians**

Mr Speaker, in last year's Budget we promised the Australian people tax relief so that they could keep more of what they earn.

We delivered.

Putting more money into the pockets of hard working Australians strengthened our economy to respond to this economic crisis.

Tonight we go further again.

More than 11 million taxpayers will get a tax cut backdated to 1 July this year.

Australians will have more of their own money to spend on what matters to them, generating billions of dollars of economic activity and creating 50,000 new jobs.

It will help local businesses to keep their doors open and hire more staff.

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Lower- and middle-income earners will this year receive tax relief of up to \$2,745 for singles, and up to \$5,490 for dual income families compared with 2017-18.

We will achieve this by bringing forward Stage Two of our legislated tax cuts by two years, lifting the 19 per cent threshold from \$37,000 to \$45,000, and lifting the 32.5 per cent threshold from \$90,000 to \$120,000.

We will also retain the Low and Middle Income Tax Offset for an additional year.

As a proportion of tax payable compared to 2017-18, the greatest benefits will flow to those on lower incomes – with those earning \$40,000 paying 21 per cent less tax, and those on \$80,000 paying around 11 per cent less tax this year.

Under our changes, more than 7 million Australians receive tax relief of \$2,000 or more this year.

These expanded tax cuts are part of a major structural reform to our tax system that will see around 95 per cent of taxpayers face a marginal tax rate of no more than 30 cents in the dollar in 2024-25.

Under the Coalition taxes will always be lower.

## **Kick-starting investment**

Mr Speaker, eight out of every ten jobs in Australia are in the private sector.

It is the engine of the Australian economy.

It needs a kick-start.

Building on the successful expansion of the Instant Asset Write Off during the COVID crisis, tonight we go further, announcing the largest set of investment incentives any Australian Government has ever provided.

From tonight, over 99 per cent of businesses will be able to write off the full value of any eligible asset they purchase for their business.

This will be available for small, medium and larger businesses with a turnover of up to \$5 billion until June 2022.

It is a game changer.

It will unlock investment.

It will dramatically expand the productive capacity of the nation and create tens of thousands of jobs.

A trucking company will be able to upgrade its fleet, a farmer will be able to purchase a new harvester and a food manufacturing business will be able to expand its production line.

This will boost the order books of the nation.

Small businesses will buy, sell, deliver, install, and service these purchases.

Every sector of our economy, every corner of our country, will benefit.

This is how we will get Australians back to work.

Mr Speaker, through no fault of their own, millions of small and medium sized businesses have faced lockdowns and restrictions that have severely impacted their ability to trade.

COVID-19 has turned fundamentally sound businesses into loss making businesses.

Normally, businesses would have to return to profit before they can use these losses.

But these are not normal times.

In order to keep their workers, these businesses need our help now.

They cannot wait years for the tax system to catch up.

So tonight I am announcing companies that have been doing it tough throughout this crisis will be able to use their losses earlier.

Losses incurred to June 2022 can be offset against prior profits made in or after the 2018-19 financial year.

The combination of the immediate expensing and loss carry-back measures will create an additional 50,000 jobs across the country.

Together with our reforms to insolvency and the provision of credit, we are giving Australian businesses their best chance to succeed and keep more people in work.

### **Women's economic security statement**

Mr Speaker, Australian women made up the majority of those who lost their jobs during this crisis.

As the health restrictions have eased, these jobs have started to come back, with 60 per cent of the 458,000 jobs created since May filled by women.

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But challenges remain.

We are determined to see female workforce participation reach its pre-COVID-19 record high.

This Budget includes our second Women's Economic Security Statement, with \$240 million in measures and programs to support:

- New cadetships and apprenticeships for women in science, technology, engineering and mathematics
- Job creation and entrepreneurialism, and
- Women's safety at work and at home.

The 2020 Women's Economic Security Statement will create more opportunities and choices for women, not just for the recovery but for generations ahead.

### **Strengthening our recovery and building our capability**

Mr Speaker, COVID-19 has reinforced the importance of Australia's sovereign manufacturing capability.

Almost overnight, resourceful Australian businesses adapted.

A reconfigured supply chain tripled mask production at a factory in Shepparton.

Production lines for sleep apnoea devices were converted to make ventilators in Western Sydney.

Gin distilleries became manufacturers of hand sanitiser across Tasmania.

Tonight, we build on these strengths with a plan to ensure Australian manufacturing plays an even greater role in our economic recovery.

Our \$1.3 billion Modern Manufacturing plan will target six national manufacturing priorities:

- food and beverage manufacturing
- resources technology and critical minerals processing
- medical products
- recycling and clean energy
- defence industry, and

- space industry.

This plan is built on the JobMaker platform of enabling our manufacturing businesses to be globally competitive through cheaper and more reliable energy. Better skills and training. Lower taxes. Less red tape and more flexible workplaces.

Mr Speaker, Research and Development, the adoption of digital technology, and affordable and reliable energy will be critical to Australia's future economic prosperity.

In this Budget, we are providing \$2 billion in additional Research and Development incentives – removing the cap on refunds, lifting the rate and rewarding those businesses that invest the most.

We are also providing:

- \$459 million in additional funding to the CSIRO
- \$1 billion for new research funding for our universities, backing our best and brightest minds whose ideas will help drive our recovery
- \$1.9 billion in new funding as part of our energy plan to support low emissions and renewable technologies, helping to lower emissions and address climate change.

We are also helping to unlock five key gas basins starting with the Beetaloo Basin in the Northern Territory and the North Bowen and Galilee Basins in Queensland.

More gas at a lower price will support jobs in Australia's manufacturing sector.

### **Infrastructure investment to drive jobs**

Mr Speaker, rebuilding our economy includes building more roads, rail and bridges.

In this Budget, we will expand our record 10 year infrastructure pipeline which is already supporting 100,000 jobs on worksites across the country today.

Together with what we have announced since the start of the crisis, measures in this Budget will see \$14 billion in new and accelerated infrastructure projects support a further 40,000 jobs.

This will boost productivity and deliver long term benefits for Australians.

This Budget will fund major projects across each state:

- The Singleton Bypass and Bolivia Hill Upgrade in New South Wales
- The upgrade of the Shepparton and Warrnambool Rail Lines in Victoria

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- The Coomera Connector in Queensland
- The Wheatbelt Secondary Freight Network in Western Australia
- The Main South Road Duplication in South Australia
- The Tasman Bridge Upgrade in Tasmania
- The Carpentaria Highway Upgrades in the Northern Territory, and
- The Molonglo River Bridge in the Australian Capital Territory.

These and the many other projects we are funding will set Australia up for the future.

We know that building more infrastructure now means more jobs now.

So tonight, we are also announcing a \$2 billion investment in road safety upgrades to save lives.

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

If a state drags its feet, another state will get the money. We need works to start, not stall.

We are also expanding the Local Roads and Community Infrastructure program.

Investing an additional \$1 billion to support local councils immediate upgrades of local roads, footpaths and street lighting.

These investments in our local communities will support local jobs.

### **Supporting the recovery in our regions**

Mr Speaker, our regions have endured the most widespread natural disasters in decades.

Tonight's Budget includes a package of measures to create jobs and back regional Australia's economic recovery:

- \$2 billion in concessional loans to help farmers overcome the devastating drought
- \$350 million to support regional tourism to attract domestic visitors back to the regions and a further round of the Building Better Regions Fund, and
- \$317 million for Australian exporters to continue to access global supply chains, building on the 80,000 tonnes of exports we have already helped get to market.

Our regions cannot thrive without water.

This Government is building water infrastructure for the 21st Century to increase our water security, build resilience, deliver jobs, and grow our agriculture sector.

We have already funded over 20 projects to supply billions of litres of water for productive use, with construction of the Emu Swamp dam currently underway.

In this Budget we have doubled our commitment to Wyangala and Dungowan dams with our investment totalling \$567 million.

Tonight, we go further.

I announce \$2 billion in new funding to build vital water infrastructure across the country as part of our national water grid including dams, weirs and pipelines.

Supporting regional communities and regional jobs.

### **Protecting our environment**

Mr Speaker, protecting our environment and this magnificent continent is our responsibility.

This Budget builds on the investments we made in last year's Budget, with an additional \$1.8 billion in funding for the environment.

Our investments reflect our commitments to help our wildlife recover from the Black Summer bushfires and to protect and enhance our unique natural environment.

We will undertake the biggest single investment in Australia's Commonwealth National Parks, injecting \$233 million to upgrade facilities in Uluru, Kakadu, Christmas Island and Booderee National Park.

In this Budget we will also provide \$67 million in further funding to protect our oceans by improving their health and restoring Australia's mangroves, tidal marshes, and sea grasses.

Mr Speaker, by recycling more waste we can also create jobs.

The Morrison Government is banning the export of plastic, paper, tyres and glass waste.

In the words of the Prime Minister: 'it's our waste, it's our responsibility'.

This Budget will invest \$250 million to modernise our recycling infrastructure, stop more than 600,000 tonnes of waste ending up in landfill and by doing so help to create a further 10,000 jobs.

Further investments to strengthen our resilience to natural disasters will be announced in our response to the Royal Commission into National Natural Disaster Arrangements.

### **Increasing home ownership and investing in affordable housing**

Mr Speaker, tonight we help thousands more Australians achieve home ownership, and support thousands of jobs in the construction industry.

An additional 10,000 first home buyers will be able to purchase a new home sooner under our First Home Loan Deposit Scheme.

This builds on the 20,000 first home buyers we are helping to purchase a home this year with a deposit as low as 5 per cent under this Scheme.

In this Budget, we are also enabling an additional \$1 billion of low cost finance to support the construction of affordable housing.

This takes the total concessional finance that has been made available to community housing providers to \$3 billion.

It is in addition to the \$4.6 billion a year we provide in rental assistance.

Tonight we are also investing \$150 million in the Indigenous Home Ownership Program to construct new homes in regional areas, creating more jobs and helping hundreds of indigenous families buy their own home.

### **Guaranteeing the essential services**

The COVID-19 crisis has confirmed how vital it is to have a strong economy that can continue to guarantee the delivery of essential services.

In this Budget, there is record funding for hospitals, schools, child care, aged care and disability services.

We are providing an additional \$3.9 billion for the NDIS which is providing life-changing support to 400,000 Australians with a disability.

Every Australian can be confident that the NDIS will always be fully funded under a Coalition Government.

We have committed over \$16 billion as part of the Government's ongoing health response to the COVID-19 crisis.

Securing millions of masks, gowns, goggles, and ventilators, we have worked with the States to significantly increase the capacity of Intensive Care Units across the country.

We have extended Medicare subsidised telehealth services, enabling more than 30 million consultations since the crisis began.

We have secured access to more than 80 million doses of potential vaccines for COVID-19.

Mr Speaker, mental health and suicide prevention is a national priority.

My heart goes out to all those Australians - young and old - for whom COVID-19 has caused such pain.

My message tonight is that this House stands with you.

You are not alone.

Around 7 million Medicare subsidised mental health services have been delivered since March.

Tonight we are doubling the number of Medicare funded psychological services through the Better Access Initiative, from 10 to 20.

We are providing more funding for Lifeline, headspace, Beyond Blue and Kids Helpline.

We are providing support for more young Australians with a mental illness to help them participate in the workforce.

These initiatives bring our commitment to mental health support to \$5.7 billion this year.

And this is not the last word.

In coming weeks, we will release the Productivity Commission's Mental Health final report and the interim report into suicide prevention commissioned by the Prime Minister.

These reports will guide our future actions, working together with states and territories to save lives.

Mr Speaker, the Pharmaceutical Benefits Scheme (PBS) provides access to critical medicines for all Australians.

We have delivered on our commitment to list all medicines recommended by the independent experts.

With more than 2,000 new and amended listings since we came to Government.

Tonight I am announcing the listing of Lynparza® to help women with ovarian cancer.

Instead of costing more than \$140,000 per course, patients will now access the medicine at \$6.60 per script for concession card holders and around \$41 per script for general patients.

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This is what it means to have a strong economy. This is what it means to look after those in need.

Mr Speaker, senior Australians have faced enormous challenges during COVID-19 including isolation and separation from their children, grandchildren and friends.

To support our Aged Pensioners, we provided \$750 payments in April and July.

Tonight I announce that Aged Pensioners will receive an additional \$250 payment from December and a further \$250 payment from March next year.

Aged care is one of the greatest challenges we face in delivering essential services to Australians.

During this crisis an additional \$1.6 billion has already been provided to support the needs of Australians in aged care.

Next February, the Government will receive the final recommendations of the Royal Commission we established into Aged Care. In December of last year we committed an additional \$537 million to immediately respond to their interim report.

The Government will provide a comprehensive response to the final recommendations following receipt of that report. This will involve significant additional investment.

But we will continue to take action now, as promised.

For senior Australians who want to keep living at home, tonight the Government announces our largest single increase of 23,000 additional home care packages, at a cost of \$1.6 billion.

This brings the total to more than 180,000 places, three times the number of home care packages than when we came to Government. Ninety nine per cent of all those seeking an in-home aged care package now have access to some form of in-home support.

We are also investing more in this Budget to improve skills in the aged care workforce and provide additional dementia training and support.

But we know there is still more to be done.

## **Your future, your super**

Mr Speaker, there is now \$3 trillion in the superannuation accounts of Australians.

Too many Australians are paying too much in superannuation fees.

At \$30 billion a year, the superannuation fees Australians pay exceeds the cost of household gas and electricity bills combined.

Australians today are paying \$450 million a year in unnecessary fees as a result of 6 million multiple accounts.

Tonight I announce that new super accounts will no longer be automatically created every time a worker changes jobs.

Under our reforms, your super will follow you.

Superannuation funds will be required to meet an annual performance test under the guidance of the prudential regulator.

Poor performing funds will have nowhere to hide and will be required to notify their members of their underperformance.

To help more Australians make an informed choice about who will manage their retirement savings, the Government will also establish an online comparison tool known as 'YourSuper'.

It will provide Australians with transparent and trusted information about fees and returns.

Over the next decade, the reforms announced tonight will reduce waste in the system and save Australian workers \$17.9 billion – ensuring your super works better for you.

### **Keeping Australians safe**

Mr Speaker, the coronavirus is a new and invisible enemy.

However, other threats to our security have not gone away.

Additional funding in this Budget will see a total \$1.7 billion invested in our cyber-security plan to keep Australians safe and secure online.

A further \$450 million is provided for our law enforcement and intelligence agencies to keep Australians safe from foreign and domestic threats.

We are also providing record funding for the Australian Defence Force as it continues to defend our interests abroad and come to our aid at home.

We saw them in action evacuating families stranded by the fires at Mallacoota, disposing of livestock that had fallen victim to flood in Julia Creek and conducting over 250,000 COVID tests across the country.

Our Defence Force is always there for us.

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In this Budget we are bringing forward \$1 billion in planned defence spending to support jobs as well as extending a range of health and employment programs for our veterans, helping them transition to civilian life.

### **Economic outlook**

Mr Speaker, the global economic environment remains uncertain with the impact of this crisis to be felt for many years to come.

In Australia, the economy is forecast to fall by 3.75 per cent this calendar year and unemployment to peak at 8 per cent in the December quarter.

Next calendar year, the economy is forecast to grow by 4.25 per cent, and unemployment to fall to 6.5 per cent by the June Quarter 2022.

Our economic and fiscal strategy sets out the path to grow the economy, stabilise debt, and then reduce it over time.

It has two phases.

First, it focuses on boosting consumer and business confidence, growing the economy and creating jobs.

Once the recovery has taken hold and the unemployment rate is on a clear path back to pre-crisis levels, comfortably below 6 per cent, we will move to the second phase where there is a deliberate shift from providing temporary and targeted support to stabilising gross and net debt as a share of the economy.

We will then rebuild our fiscal buffers, so that we can be prepared for the next economic shock.

More people in jobs means a stronger Budget position.

### **Conclusion**

Mr Speaker, this year, Australia's circumstances have changed dramatically.

But Australians have not.

We are hard-working, resilient, resourceful, and compassionate people.

Across this country, people are digging deep, banding together, and getting on with it.

The road to recovery will be hard - but there is hope.

The Morrison Government's message to Australians is that we have your back.

We have a plan to rebuild our economy and to create jobs.

Our JobMaker hiring credit will support nearly half a million young Australians in work.

Our record investment in skills and training will strengthen Australia's workforce.

Our manufacturing plan will support the recovery and build our sovereign capability.

Tax incentives will unleash a wave of investment across the country.

And tax cuts will put more money into the pockets of 11 million hard working Australians and their families.

We are building the infrastructure we need for the future.

We are guaranteeing healthcare and the essential services Australians rely on.

We will do this by growing the economy, not increasing taxes.

Together Australia will come back.

Together we will rebuild our economy and secure Australia's future.

I commend the Budget to the House.