

BUSINESS HUNTER

ABUS

Eilbeck



PRE-BUDGET SUBMISSION TO THE COMMONWEALTH GOVERNMENT

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FOREWORD

Business Hunter values the opportunity to provide input into consideration of priorities for the 2024-25 Federal Budget.

As the peak business group for Australia's largest regional economy, Business Hunter has more than 4,400 member and affiliate businesses and industries spanning all sectors and sizes, from start-ups through to some of the nation's most prolific organisations.

An affiliate of Business NSW (BNSW), Business Hunter also contributed to and supports their submission. The priorities at the top of the state agenda, including tax reform, rising business costs, cost of insurance, housing, energy, and access to skills and labour cast their shadow on the Hunter also.

The Hunter region has big ambitions. The future is bright. Yet the reality is we're not going to realise those ambitions or experience the bright future unless we effectively and successfully cooperate and collaborate with a range of stakeholders regionally, and more broadly. Key to the collaboration is the private and public sector relationships.

The Hunter's industry and business base is very diverse. Our economic and social pillars span the sectors of health, education, energy, research, defence, international trade, resources, manufacturing, agriculture, equine, tourism, construction industries and many more. The opportunity for this to be reinforced and grow is clearly at the region's doorstep and aligns with the strategy, policy and project framework articulated by government.

The level of interest and knowledge of the regions capacity and capability has grown significantly in recent times. We commend the collective of local federal parliamentary representatives who consistently demonstrate a common knowledge and champion the prospects and ambitions of the region. Government, business, unions and the community are broadly on the same page in respect to the vision for our region and the challenges and opportunities we face.

We also acknowledge the level of interest by the federal government demonstrated by the recent high level public service and ministerial visitation to the region. Likewise, the visitation and interest from international trade delegations and consular offices is also unprecedented. The interest spans our status in energy, research, manufacturing and new technology.

It is encumbered on the region and its stakeholder to do all we can to capitalise on the interest and opportunity whilst be aware of and doing our best to mitigate any downside.

From a Business Hunter perspective, our collaboration efforts and relationships with all levels of government are important. At both the public service and politician level, these relationships are about setting the scene for the business sector to engage and

collaborate and to present ideas and initiatives it sees for the region to optimise the environment in which business seeks to operate.

Across this picture of diversity, the region will be demanding more of its workforce, the skills we have available, and the training and research support we have at our disposal to improve and make things happen. Provision of housing will facilitate inter and intra-regional flows. It's a constraint presently. Targeted investment in infrastructure must also feature and the region has in recent times, a good track record for progress in this respect.

Our overarching objective remains to make Australia a better place to do business. Listening to our members through regular surveys, group and individual meetings and policy committees allows us to track business confidence and identify the issues that really matter for businesses.

With this background in context, we submit our 2024 pre-budget submission for consideration.



Bob Hawes, CEO Business Hunter

SECTION 1: CURRENT BUSINESS CONDITIONS

Restoring business confidence to Australia's largest regional economy

As with other regions across the state, business costs continue to be a top concern for our members. These have come into increasingly sharp focus as business profit margins have been squeezed as a consequence of businesses having to accommodate cost increases on inputs, increases over which they have little or no control.

The latest survey, conducted from 29 October to 13 November 2023 found that the rising cost of insurance, energy, and taxes were the top three concerns for Hunter businesses, with rent, supplier costs, wages and transport costs also contributing to overall negative business sentiment.

A landmark BNSW report, [*Insurance at the Speed of Business*](#), published late 2023, revealed businesses are being forced to close because of crippling public liability and public indemnity insurance. The sectors experiencing the sharpest, possibly fatal insurance rate increases were construction, engineering, tourism, and hospitality. These are large and important sectors in the Hunter that will play an increasingly important diversification role into the future.

The report identified insurance premiums in some classes are escalating by 30 per cent per year, with intensifying cost pressure on regional businesses operating in bushfire and flood-prone areas. The impacts of natural disasters in our regions has been well documented. The consequences of these events on regional communities are relatively greater than their city counterparts.

As such, we **strongly support the recommendations put forward by BNSW for:**

- The NSW Government and Federal Government to co-fund a support and training program for business to uplift the level of education around risk management. Such a program would be similar to the currently funded energy education and selection support tools such as Energy Made Easy.
- ASIC to audit the insurance market model to ensure brokers give at least two quotes and adhere to a minimum standard in explaining the pros and cons of the options.
- Inclusion of business and consumer representation in the funded Hazard Insurance Partnership (HIP) project to ensure that there is clear linkage between inputs (investment, policy development, etc) and outputs (premium reduction, affordability, coverage, resilience, etc). Ensure the premium reduction can be achieved in under three years. Prioritise HIP recommendations based on a benefit realisation model including criteria such as investment required, regulatory impact, measurable benefits to business, premium reduction.

- The creation of a permanent insurance working group across the Australian Federal Government, States and Territories where innovations, market testing and policy alignment can be actioned. Focus on product innovation and premium reduction.

Although some macroeconomic indicators have pointed to resilience in some segments of the economy, business confidence in the Hunter continues to trend downward, and remains firmly in negative territory across the Hunter and the state, as recorded in our most recent [Business Conditions Survey](#) (conducted from the 29 October to 7 November 2023). The industries most downbeat were Construction and Manufacturing.

The 2024/25 Federal Budget presents an opportunity to help reframe and stabilise national economic growth and business confidence to deliver continued prosperity on the back of several years of upheaval.

As offered by BNSW, lowering the cost of doing business and improving Australia's tax and transfer system remains central to the task of building a public policy framework expressly designed to achieve stronger sustainable growth, higher productivity, thriving businesses, more jobs and rising living standards.

In alignment with BNSW we recommend:

- The Commonwealth and State Governments should come together through the Council of Federal Financial Relations (CFFR) to commence a standing agenda of tax reform. This should include Payroll Tax, the GST, personal and corporate income taxes.
- The CFFR should consider:
 - the breadth of options available to ultimately abolishing payroll tax.
 - reducing dependency upon stamp duties and supporting initiatives to transition to broad based land tax.
 - a pathway to aligning the rate and base of the GST to reduce income taxes more sustainably, especially for low and middle-income earners.
 - Commence a phased reduction of Australia's corporate tax rate to 25 per cent by extending the 25 per cent small business corporate tax rate to cover SME's with an aggregate turnover less than \$250 million.
- That the Commonwealth Government reintroduce the instant-asset write-off.

Section 2: ENABLING INFRASTRUCTURE

Delivering the infrastructure business and the community depends on

With an extensive infrastructure pipeline stretching delivery capacity, Business Hunter has been supportive of the Government's recent review and rationalisation of the program of works for critical infrastructure.

We accept that some changes to funding commitments and programs have had to be made to ensure the near-term priority is on completing projects already in the infrastructure pipeline, funded and ready to build or already underway. It will also be important to consider and budget for the medium to longer-term needs of the state, and projects that will grow in significance as we unlock new levels of capability and capacity.

Narrabri Northern Inland Port (N2IP)

The Narrabri Northern NSW Inland Port is one of these. It will provide connectivity to the proposed Inland Rail network and additional accessibility to most major ports across Australia, including its closest port, the Port of Newcastle, which has well-documented ambitions to increase its container trade.

The Northern NSW Inland Port (N2IP) offers strong opportunities to leverage the existing foundation agriculture and resource industries, as well as encouraging the growth of new businesses that will help to diversify traditional energy intensive regions.

N2IP presents major investment opportunities for transport and logistics operators, manufacturers, agri-businesses and service providers, and offers a competitive advantage to businesses seeking to establish national and global distribution through nearby global gateways, the Port of Newcastle, which is directly linked to the inland rail, and Newcastle Airport. The flow on multiplier effects in jobs and income from investment into these gateways is well documented.

Newcastle Freight Rail Corridor

Following many years of planning and community consultation, the reserve for the Newcastle Rail Freight Corridor has been identified. With current and projected population growth it is increasingly important to separate the freight rail traffic from passenger services. This could also assist the recently established High Speed Rail Authority in planning for high-speed rail into the future.

Establishing the rail freight corridor will also open an opportunity to densify residential development along the existing rail line. The removal of freight trains from this line

facilitates this at a time when housing pressures demand we open up sites to accommodate an increase in supply.

Business Hunter is supportive of respective levels of government moving quickly to progress planning, funding and development of the Newcastle Freight Rial corridor.

High Speed Rail

Business Hunter was supportive of the combined State and Commonwealth government effort to develop faster rail from Newcastle to Sydney. The Commonwealth withdrew its funding support for this initiative in late 2023 and the emphasis has now shifted to High Speed Rail (HSR).

Business Hunter is a strong supporter in principle of a HSR connection between Sydney and Newcastle. Having appointed the inaugural CEO of the High Speed Rail Authority, we understand government will begin setting out its expectations in regard to proposed HSR projects including a route from Newcastle to Sydney.

Whilst the potential benefits of HSR in delivering a fast, low-emissions mass transit option and economic opportunities for our regions is well documented, we welcome steps announced to develop a full business case for the project. It is anticipated the government will deliver the outcomes of the business case review within this term of government.

We have no doubt it will be a very expensive piece of infrastructure. Notwithstanding the likely benefits to materialise from the construction and operation of a HSR, we believe the project must be considered in the context of other priorities of the regions, the state, and the nation at the time the project would be anticipated to be delivered.

Major roads upgrades

The region is also benefitting from progress on joint Commonwealth and State funded, large-scale road projects including the Newcastle Inner City Bypass, Singleton Bypass, and the M1 link Black Hill to Heatherbrae. In the recent national infrastructure project review, funding for the Muswellbrook Bypass was reserved, subject to further planning. This project is vital to the Hunter's progress, cutting congestion and improving safety for the 10,000 motorists and truck drivers who use this route each day.

Boosting infrastructure connectivity across the Hunter region will not only boost investor confidence, but significantly grow supply chain efficiencies throughout Australia's most densely populated territories. Fully integrated, interconnected air, port, rail, and road infrastructure will service the Hunter and Central Coast, as well as

the Mid and North Coast, New England and the North-West, through to South East Queensland. This will support:

- Supply chain and logistics enterprises
- Sovereign manufacturing, including advanced manufacturing, med-tech and clean energy
- Agribusiness
- Defence industry

By investing in infrastructure in the Hunter region the government achieves enormous 'bang for buck' and demonstrably assists neighbouring regions as a consequence of the connections and linkages, both economically and physically, that exist.

Recommendations:

- Reinstate the Narrabri Northern NSW Inland Port (N2IP) project in planning and funding within the forward estimates
- Provide funding support to complete the corridor planning and property acquisition and construction of the Newcastle Freight Rail Bypass.
- Complete the Business cases and rigorously assess the cost-benefit of High Speed Rail against other regional, state and national priorities
- Progress the review of the Muswellbrook bypass within the current term of government and re-commit funding for construction subsequently.

SECTION 3: INDUSTRY DEVELOPMENT

Sovereign industry for a sustainable and resilient future

The Hunter region is already the largest regional economy in Australia.

Relative to other regional economies, the Hunter region boasts a strong and diversified economy supported by significant public and private sector institutions and activity. It is a low-risk environment in which to invest. It has a population and skills base to buttress growth and development ambitions.

Based on the government's stated ambitions in delivering renewable energy, growing sovereign manufacturing, and developing the agrifood industry, the prospects for economic growth within the region are strong.

Export and trade

Both Newcastle Airport and the Port of Newcastle currently operate below capacity. Both global gateways have strong ambitions to diversify their offering and are actively progressing export trade opportunities. Both are also undertaking ambitious expansion plans with the benefit of both public and private sector investment. To capitalise fully on the value of the respective investments, more work needs to be done and some responsibility will rest with government to ensure outcomes are achieved.

With their proximity to businesses operating in obvious export markets, including hydrogen, wine, primary production, and advanced manufacturing, there is considerable untapped potential in the region.

Recommendation:

- Support the ambitions of Newcastle Airport in securing international carriers
- Support the ambitions of the Port of Newcastle to diversify, including in container trade and new energy

The region's existing and potential exporters would benefit from support to nurture their capability and identify new opportunities. This economic diversification opportunity is of particular relevance in communities where traditional energy industries have historically taken centre stage, such as in the Hunter.

In alignment with BNSW we recommend the government:

- Improve trade and economic data collection and analysis capability of Austrade.
- Fund an industry-led mentoring program to help more Australian businesses become export ready with practical tools and guides.

- Maintain the Export Market Development Grant (EMDG) to help more businesses enter diversified export markets and consider expanding funding and scheme eligibility.
- Continue work to improve diversified trading relationships across Asia Pacific region and beyond.

Energy

As acknowledged by Minister for Climate Change and Energy, Chris Bowen, the Hunter region is endowed with specialised skills, knowledge and capability in energy production, and is uniquely positioned to spearhead the nation's energy transformation.

Across renewables, extensive investments are needed to grow capacities in line with demand and avoid large-scale imbalances between supply and demand. Slow progress on development of clean energy infrastructure has left businesses facing an undesirable confluence of rising prices and thinning reliability margins.

We acknowledge that there is uncertainty and contention in relation to the Hunter Offshore Wind Zone that has come from the spreading of disinformation. We have joined hands with a number of worker and advocacy groups in a coordinated effort to promote a more balanced narrative, and ensure the project is given a fair hearing.

Most industry in the region remains adapted to non-renewable and carbon intensive energy sources. Change to new forms of renewable energy at scale and cost affordable for most businesses is not progressing quickly enough. The rapid cost increases and volatility in the energy market are putting certainty at risk, with businesses facing tough choices about their future if the current circumstances do not moderate.

Over the past year, energy and insurance costs have consistently occupied positions 1 and 2 in Business Hunter's Business Conditions Survey rankings of business cost concern. Ways to reduce energy usage, reducing cost and carbon footprint is a key concern for business, but many don't know where to turn.

Further, BNSW's 2022 Unfinished Business survey found 51 per cent of businesses have ambitions to reach net zero but don't know what this actually means for their business. If we are to achieve respective energy and carbon reduction targets, we need to assist business at an individual level. Programs to support businesses on the road to net zero should be a priority for government.

In alignment with BNSW we recommend the government:

- Establish a new energy advice and support program targeting the SME sector, that:
 - Expands businesses' access to advice from trained engineers or peak bodies with industry sector expertise.

- Emphasises environmental and community benefits as well as financial impacts.
- Embeds net zero and energy transition support.
- Is tailored to meet the needs and operating environment of SMEs.
- Introduce subsidies for the SME sector focused on heating, ventilation, and air conditioning solutions, as previously done for LED lighting.
- Establish a loan / grant program to allow SMEs to overcome financial barriers to battery purchases to enable more efficient utilisation of solar resources. Investigate the merits of a REC-style certification scheme for distributed batteries.
- Extend the timeframe for the Small Business Energy Incentive to apply until at least 30 June 2025.

Driving our knowledge economy

The Hunter is a research-rich region, underpinned by:

- The **University of Newcastle** (ranked 8th nationally for research 'well above world standard')
- **The CSIRO Energy Centre**
- Hunter Medical Research Institute (**HMRI**) - A partnership between Hunter New England Health and the University of Newcastle enabling the translation of world-class medical research into clinical practice
- Newcastle Institute for Energy and Resources (**NIER**) – Housed within the University of Newcastle, stimulating innovation by supporting industry/research collaborations and providing access to large-scale specialised research facilities to pilot and scale research
- John Hunter Health and Innovation Precinct (**JHHIP**)

Through lasting partnerships with industry, business and government, the proven and potential contribution of these institutions to the region and the nation's knowledge economy is extraordinary.

We must ensure great ideas that emerge across our wealth of research institutions and start-up ecosystem can stay in our region, by encouraging and fostering innovation and creating a culture of entrepreneurialism.

Such an adjustment is only achievable if it is underpinned by an easily navigable regulatory environment that:

- encourages collaboration,
- drives research and development,
- attracts investment, thus enabling start-ups to weather the 'valley of death', and
- encourages businesses to remain based in Australia.

In alignment with BNSW we recommend:

That the Commonwealth Government review the current regulatory environment and funding mechanisms that govern research and development, especially as they apply to start-ups and SMEs, to facilitate the development of and encourage investment in emerging technologies.

John Hunter Health and Innovation Precinct (JHHIP) Stage 2

Servicing the Hunter region and Northern NSW, the JHHIP will meet increasing demand for a broad range of health services and contribute significantly to the development of the region's knowledge sector.

The two-stage redevelopment of the 35-year-old John Hunter campus has commenced, however stage two is yet to be committed and funded. The importance of this project for health, medical research, and the associated innovation ecosystem cannot be understated. The project will provide enhanced education and research facilities by harnessing the expertise of the University of Newcastle and its esteemed medical research facility – the Hunter Medical Research Institute (HMRI), driving employment growth and economic diversification.

Recommendation:

Fund and construct Stage 2 of the John Hunter Health and Innovation Precinct.

Skills shortages

Collaborative cross-sector models for education and training

As with many cities and regions across the country, skills shortages remain a challenge and key constraint for businesses in the region.

While labour market conditions may show early signs of easing, they continue to be tight in some sectors and serve as a significant barrier to expansion. In the Hunter, we face the additional demand of rapidly producing the first generation of skilled workers in the new energy economy.

Industry-engaged collaborative training models provide an innovative means for building capacity in the state's education and training system. They support the development of industry-relevant skills and facilitate mobility between vocational and higher education. TAFE is partnering with the NSW Department of Education and Training to deliver two pilot Institutes of Applied Technology (IAT): one in Kingswood focused on construction, and one in Meadowbank focused on IT.

The IAT model has received widespread support from our members. There is particular interest in the Hunter, where substantial infrastructure investment and

renewable energy initiatives are projected to lead to huge demand for skilled workers.

Employing a hub and spoke model, an IAT could serve as the flagship net zero training centre for the state. Housing global leaders in the development of energy technology and with strong industry links, The University of Newcastle's renowned NIER Facility (Newcastle Institute for Energy and Resources) would help underwrite its success.

As a region confronting transition head on, we need to be well equipped to protect our communities and the businesses that help them thrive. We need to contribute to and understand the strategies and objectives across the state funded Future Jobs and Investment Authority and the commonwealth Net Zero Authority. Consensus across these two authorities will be vital in achieving success in our regions.

We are aware that Workforce Australia is preparing a Local Jobs Plan for the region, including the challenges and opportunities around skilling, upskilling, and employment pathways in response to the workforce needs of the future. Our expectation is that we'll work with the respective agencies to formulate the priorities for the region, and we're seeking assurances from the government that it will support the plan and its priorities for the region.

Recommendation

- Based on strategic alignment to net zero, urgent need, and the Region's willingness to assist and facilitate, consider the Hunter for one of the six turbocharged TAFE Centres of Excellence to be delivered through the National Skills Agreement.
- Ensure regional input into Net Zero Authority plans and strategies that concern our region.
- Support and fund the plan and priorities identified as part of the Workforce Australia Local Jobs Plan for the region.
- The Federal Government should ensure policy and funding settings support innovation in collaborative cross-sector models for education and training.

Supporting vocational training

Australia's vocational education and training sector serves a critical role in supporting workforce participation, and ensuring businesses have access to the skills they need. We need an education and training system that grows the national skills base and maximises the contribution of business to national prosperity.

Vocational education and training serves a critical role in skills development across Australia. It is highly valued by employers in keeping pace with the increasingly diverse capabilities required in the modern workplace. To meet evolving skills needs, Australia needs an education and training system that is both reliable and robust.

In alignment with BNSW we also support the following recommendations:

- Ensure sustained investment in Australian vocational education and training, including support for an additional 300,000 students per annum across all qualifications
- In partnership with States and Territories, ensure appropriate policy and funding arrangements to support the development and delivery of pre-apprenticeship programs in skill shortage areas
- Reinstate \$2,500 completion incentives for employers, and \$5,000 for all apprentices and trainees, to support them in the completion of their program
- Introduce a permanent apprenticeship wage subsidy similar to the Boosting Apprentice Commencements initiative
- Maintain the skilled migration cap at 190,000 for access to all skilled occupations under employer-sponsored streams.
- Ensure policy and funding settings support innovation in collaborative cross-sector models for education and training

RECOMMENDATIONS SUMMARY

SECTION 1 - Current Business Conditions

Restoring business confidence to Australia's largest regional economy

- The NSW Government and Federal Government to co-fund a support and training program for business to uplift the level of education around risk management. Such a program would be similar to the currently funded energy education and selection support tools such as Energy Made Easy.
- ASIC to audit the insurance market model to ensure brokers give at least two quotes and adhere to a minimum standard in explaining the pros and cons of the options.
- Inclusion of business and consumer representation in the funded Hazard Insurance Partnership (HIP) project to ensure that there is clear linkage between inputs (investment, policy development, etc) and outputs (premium reduction, affordability, coverage, resilience, etc). Ensure the premium reduction can be achieved in under three years. Prioritise HIP recommendations based on a benefit realisation model including criteria such as investment required, regulatory impact, measurable benefits to business, premium reduction.
- The creation of a permanent insurance working group across the Australian Federal Government, States and Territories where innovations, market testing and policy alignment can be actioned. Focus on product innovation and premium reduction.
- The Commonwealth and State Governments should come together through the Council of Federal Financial Relations (CFFR) to commence a standing agenda of tax reform. This should include Payroll Tax, the GST, personal and corporate income taxes.
- The CFFR should consider:
 - the breadth of options available to ultimately abolishing payroll tax.
 - reducing dependency upon stamp duties and supporting initiatives to transition to broad based land tax.
 - a pathway to aligning the rate and base of the GST to reduce income taxes more sustainably, especially for low and middle-income earners.
 - Commence a phased reduction of Australia's corporate tax rate to 25 per cent by extending the 25 per cent small business corporate tax rate to cover SME's with an aggregate turnover less than \$250 million.
- That the Commonwealth Government reintroduce the instant-asset write-off.

SECTION 2 – Enabling Infrastructure

Delivering the infrastructure business and the community depends on

- Reinstate the Narrabri Northern NSW Inland Port (N2IP) project in planning and forward estimates

- Provide funding to complete the corridor planning and property acquisition for the Newcastle Freight Rail Bypass.
- Rigorously assess the cost-benefit of High Speed Rail against other regional, state and national priorities.
- Progress the review of the Muswellbrook bypass within the current term of government and re-commit funding for construction subsequently.

SECTION 3 – Industry Development

Sovereign industry for a sustainable and resilient future

- Support the ambitions of Newcastle Airport in securing international carriers
- Support the ambitions of the Port of Newcastle to diversify, including in container trade and new energy
- Improve trade and economic data collection and analysis capability of Austrade.
- Fund an industry-led mentoring program to help more Australian businesses become export ready with practical tools and guides.
- Maintain the Export Market Development Grant (EMDG) to help more businesses enter diversified export markets and consider expanding funding and scheme eligibility.
- Continue work to improve diversified trading relationships across Asia Pacific region and beyond.
- Establish a new energy advice and support program targeting the SME sector, that:
 - Expands businesses' access to advice from trained engineers or peak bodies with industry sector expertise.
 - Emphasises environmental and community benefits as well as financial impacts.
 - Embeds net zero and energy transition support.
 - Is tailored to meet the needs and operating environment of SMEs.
- Introduce subsidies for the SME sector focused on heating, ventilation, and air conditioning solutions, as previously done for LED lighting.
- Establish a loan / grant program to allow SMEs to overcome financial barriers to battery purchases to enable more efficient utilisation of solar resources. Investigate the merits of a REC-style certification scheme for distributed batteries.
- Extend the timeframe for the Small Business Energy Incentive to apply until at least 30 June 2025.
- That the Commonwealth Government review the current regulatory environment and funding mechanisms that govern research and development, especially as they apply to start-ups and SMEs, to facilitate the development of and encourage investment in emerging technologies.

- Fund and construct Stage 2 of the John Hunter Health and Innovation Precinct.
- Based on strategic alignment to net zero urgent need and the Region's willingness to assist and facilitate, consider the Hunter for one of the six turbocharged TAFE Centres of Excellence to be delivered through the National Skills Agreement.
- The Federal Government should ensure policy and funding settings support innovation in collaborative cross-sector models for education and training.
- Ensure sustained investment in Australian vocational education and training, including support for an additional 300,000 students per annum across all qualifications
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- Introduce a permanent apprenticeship wage subsidy similar to the Boosting Apprentice Commencements initiative
- Maintain the skilled migration cap at 190,000 for access to all skilled occupations under employer-sponsored streams.
- Ensure policy and funding settings support innovation in collaborative cross-sector models for education and training