



national  
electrical and  
communications  
association



# BUDGET

2015

## NECA NSW BUDGET BREAKFAST

Thursday June 25

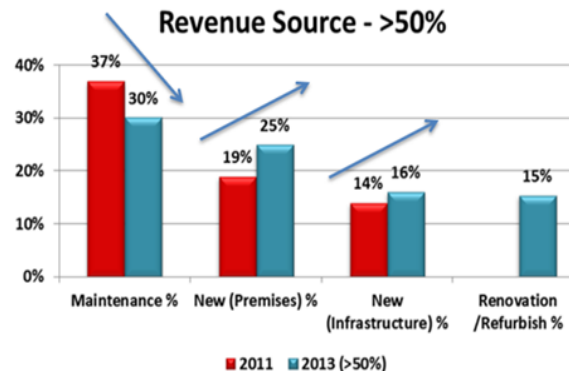
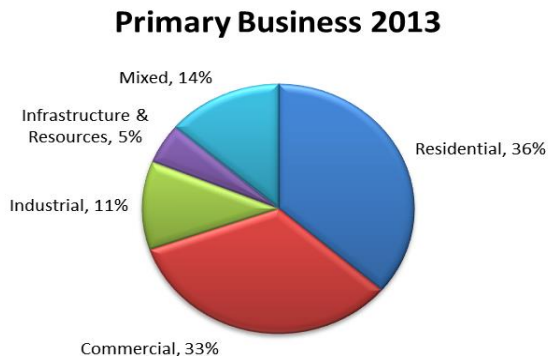
# ELECTRICAL SECTOR PROFILE

- ▣ Electrical Sector
- ▣ Apprenticeship Profile
- ▣ Economic Outlook
- ▣ Federal Budget Highlights
- ▣ Growing Jobs and Small Business
- ▣ VET – Fee Help
- ▣ Infrastructure
- ▣ New South Wales Budget Highlights

# ELECTRICAL SECTOR PROFILE

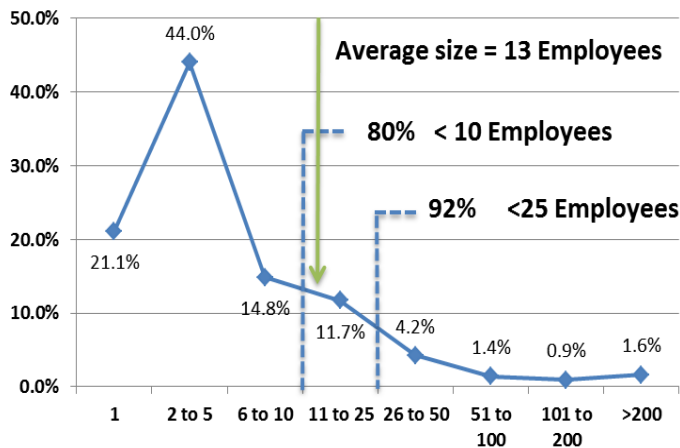
- Approx. 40,000 electrical contractors across the industry in Australia
- Our industry's annual turnover exceeds 23 Billion Australian Dollars
- On average:
  - 36% of electrical contractor's derive their revenue from residential projects
  - 33% of electrical contractor's derive their revenue from commercial project
- Maintenance on residential and commercial property remains the largest source of revenue within the sector.

Source: NECA Market Monitor 2013



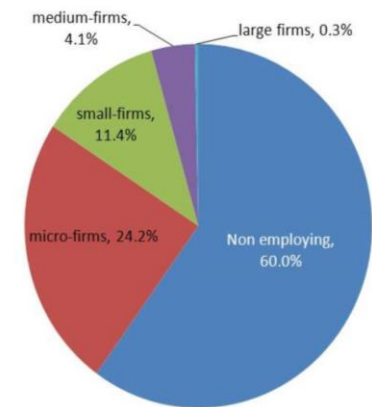
# ELECTRICAL SECTOR PROFILE

- Our industry mirrors the Australian economy
- The average electrical contracting business employs 13 staff:
  - 80% of contractors employ less than 10 staff
  - 92% of contractors employ less than 25 staff
- 95.6% of all business are small – ABS (2010)



Source: NECA Market Monitor 2013

Composition of the Australian Business Sector by Size of Firm



Source: ABS (2010)

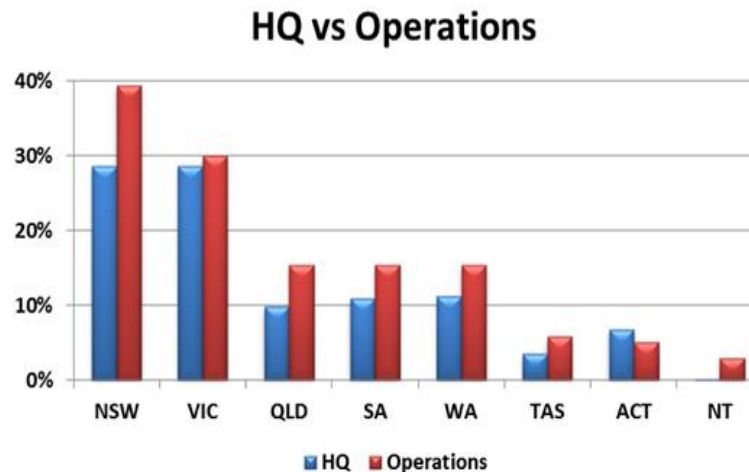


Australian Government



# ELECTRICAL SECTOR PROFILE

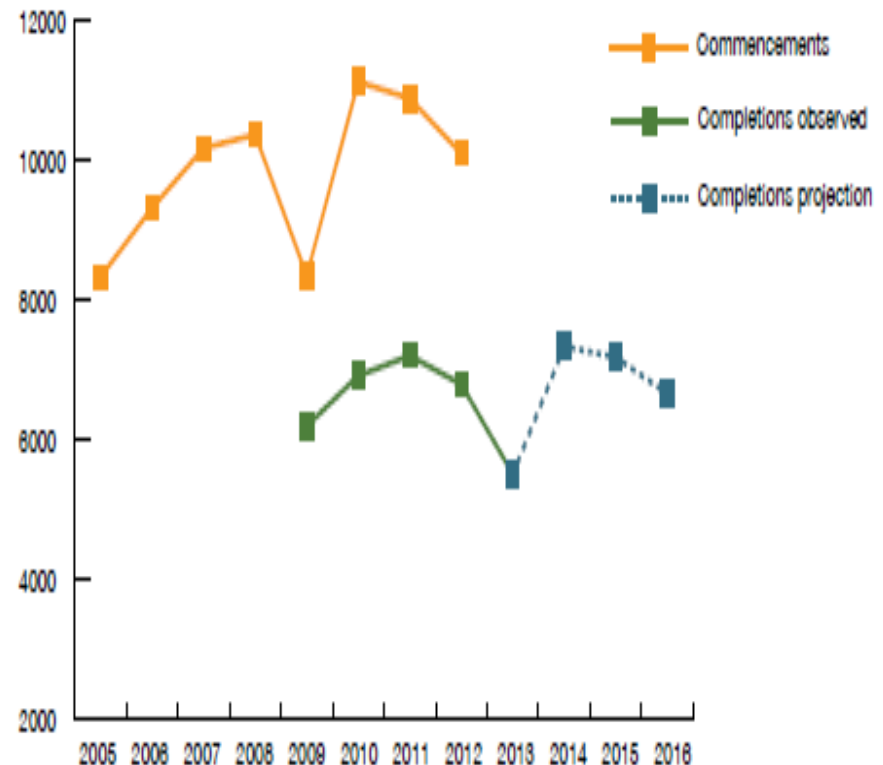
- Many electrical contractors operate on a national basis, across state and territory boundaries
- New South Wales remains the preferred state for domiciled operations



Source: NECA Market Monitor 2013

# APPRENTICESHIP PROFILE

- Apprenticeship completions still yet to recover since the GFC
- Roughly one in four apprentices is a NECA apprentice
- Drop in the take up and completion of apprenticeships since the GFC
- An aging workforce coupled with looming skills shortages is a key challenge for our sector
- Aging training provider workforce is not being renewed or refreshed



Source: NCVER commencement and completion data projections for Electrotechnology apprentices 2005-17.

# AUSTRALIAN ECONOMIC OUTLOOK

- ▣ Australian economy to enter its 25<sup>th</sup> consecutive year of growth
- ▣ Annual Growth this FY at 2.3%, 0.9% in the quarter to March
- ▣ Interest Rates remain at a record low, left on hold at 2% at June
- ▣ Australian Dollar currently buys 77 US cents (June 9, 2015)
- ▣ Fall in commodity prices has put pressure on Government revenue and economic activity
  - Mining States (WA & QLD) are affected the most

Source: ABS





# AUSTRALIAN ECONOMIC OUTLOOK

- ▣ Consumers and businesses are benefitting from lower fuel prices and interest rates
- ▣ Mining States are not performing as well as the residential construction states. i.e. NSW
- ▣ Fall in iron ore prices has led to:
  - lower mining company profits
  - Higher rates of unemployment
  - lower tax revenue
- ▣ Consumer confidence remains low

Source: ABS



# AUSTRALIAN ECONOMIC OUTLOOK

## Australia – China Free Trade Agreement

- China is Australia's largest trading partner – we export \$107.5 Billion each year and import \$52.1 Billion
- Lowering of tariffs on imported goods and ease restrictions on foreign worker access
- Lead to an increase in cheaper and imported products and parts in the Australian market
- Lead to an increase in 457 Visa applications
- **Vigilance on compliance and standards must be maintained**

# FEDERAL BUDGET HIGHLIGHTS 2015

- ❑ 1.5% company tax cut for small businesses
- ❑ 5% discount to small unincorporated businesses up to \$1,000
- ❑ Small businesses tax deduction for asset purchases
- ❑ Tax deductions for professional expenses associated with start-ups
- ❑ Capital Gains Tax (CGT) exemptions for small businesses
- ❑ Fringe Benefits Tax (FBT) exemptions for small businesses
- ❑ Wage subsidies for employers
- ❑ VET-FEE HELP loans

Source: [www.budget.gov.au](http://www.budget.gov.au)



# GROWING JOBS AND SMALL BUSINESS PACKAGE



## 1.5% company tax cut for small businesses:

- For businesses with turnover less than \$2 Million
- Reduced to just 28.5% - the lowest figure in 50 years

## 5% tax discount to small unincorporated businesses

- Must have an aggregated annual turnover of less than \$2 Million.
- The discount will be capped at \$1,000 per individual each year and delivered as a tax offset

## Accelerated Depreciation

- Small businesses is now eligible to claim an immediate tax deduction for each and every asset purchase up to \$20,000.
- Available until 30 June, 2017. No cap on the number of purchases
- This raises the previous threshold by \$19,000

Source: [www.budget.gov.au](http://www.budget.gov.au)

# GROWING JOBS AND SMALL BUSINESS PACKAGE



- Immediate Tax deductions for start-ups (company, trust or partnership)
  - To be used for items such as professional, legal and accounting advice
  - Previously, some professional costs could be aggregated over a five year period
- Capital Gains Tax (CGT) rollover relief for Small Business
  - For Businesses with an annual turnover of less than \$2 million
  - Now eligible to businesses when changing their legal structures but keeping the same owners.
- Fringe Benefits Tax (FBT) exemptions for Small Businesses
  - For Businesses with an annual turnover of less than \$2 million
  - Available from 1 April 2016
  - Applicable for the provision of more than one work qualifying work-related portable electronic device even where the items have substantially similar functions (iPhone, Tablet etc.)

Source: [www.budget.gov.au](http://www.budget.gov.au)

# GROWING JOBS AND SMALL BUSINESS PACKAGE



## Wage Subsidies for Employers

- Can now be accessed over a twelve month period when seeking to hire jobseekers aged 50 or over who have been out of work for six months or longer
- A tweak the Restart Program to attract more mature age Australians back into the workforce

## Wage subsidy to hire principal carers

- Small Business are now able to obtain a wage subsidy of \$6,500 over a twelve month period to take on principal carer parents to transition from welfare into the workforce
- This is a new wage subsidy

Source: [www.budget.gov.au](http://www.budget.gov.au)

# VET FEE-HELP STUDENT LOANS

- \$18.2 Million over four years to implement stronger compliance for the VET FEE-HELP program. NECA has been lobbying the Government to improve compliance and deliver higher quality training outcomes
- New measures to deliver stronger compliance include:
  - Providers must properly assess students for minimum pre-requisite capabilities prior to enrolment
  - Give students clear information that helps them understand that VET FEE-HELP loans are real debts that impact their credit rating and are expected to be repaid.
  - Strengthen the duty of care requirements for training providers offering VET FEE-HELP loans, including requiring more stringent capital backing for providers and a positive history in the training market.

Source: [www.budget.gov.au](http://www.budget.gov.au)



# FEDERAL GOVERNMENT INFRASTRUCTURE ANNOUNCEMENTS



- ❑ \$3 Billion remains set aside for the construction of the East-West Link in Melbourne should the Victorian Government wish to proceed (indefinite time period)
- ❑ \$5 Billion concessional loan facility to establish the Northern Australia Infrastructure Facility to deliver major projects such as electricity generation, ports and airport capabilities with a further \$100 Million to improve road and supply chain access for the cattle market. (15 year pipeline)
- ❑ Reallocation of Victorian Regional Rail funding into highway duplication (through until 2020)
- ❑ Commitment to NSW Inland Freight Rail to link Melbourne and Brisbane (\$300 committed for design and first stage construction)
- ❑ Badgerys Creek Airport and long term road access infrastructure (planning commenced 2015 – 20 year program)

Source: [www.budget.gov.au](http://www.budget.gov.au)





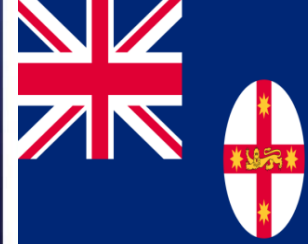
# COMMENTARY

- ❑ NECA, on the whole, supports measures outlined in this Budget that help to support small business - 92% of the electrical contracting industry
- ❑ However, we believe the Government needs to match its rhetoric when it asks mature age Australians to help fulfil skills shortages
- ❑ We agree with incentives to encourage mature age Australians to be reskilled
- ❑ Deficiency in female and indigenous participation rates
- ❑ Continue to call on Government for better information and education of the trades (career advisors) in schools
- ❑ Shift the focus towards trades as a first choice for students

# COMMENTARY

- ❑ Better targeting is required – subsidies should go to employers to hire mature age apprentices for upskilling and retraining, particularly given the significant cost differential for a small business to hire a mature age apprentice – up to \$30,000 more
- ❑ This type of scheme was missing from the Budget
- ❑ NECA will continue to monitor VET sector reforms given our significant role and investment in the training and skilling of apprentices
- ❑ Is this Budget about the 2016 election or business?
- ❑ Stay tuned – last year's Budget failed to pass the Senate!

# NEW SOUTH WALES LANDSCAPE



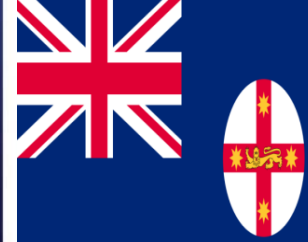
Rebuilding NSW



Australian Government



# NEW SOUTH WALES LANDSCAPE

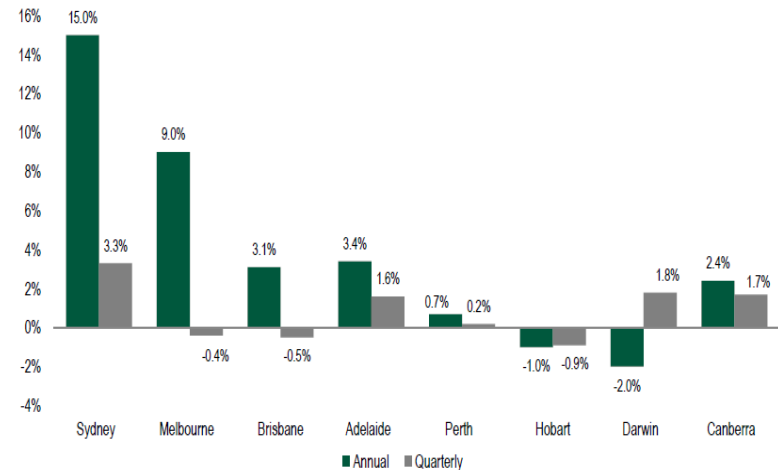


- Large increases in Housing Prices in Sydney and Melbourne over the year
- Sydney market continuing to increase over the last quarter
- Other markets contain modest increases or decreases
- Median detached house price = \$882,000
- Average salary in NSW = \$77,600
- 30 years to pay off a mortgage
- High correlation between housing activity and electrical contracting trade

## While regulators watch (Sydney) prices closely!

Change in home values to May 2015

Source: CoreLogic RP Data



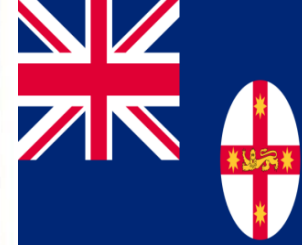
HIA HOUSING INDUSTRY ASSOCIATION



Source: ABS 2014, Quarter 4

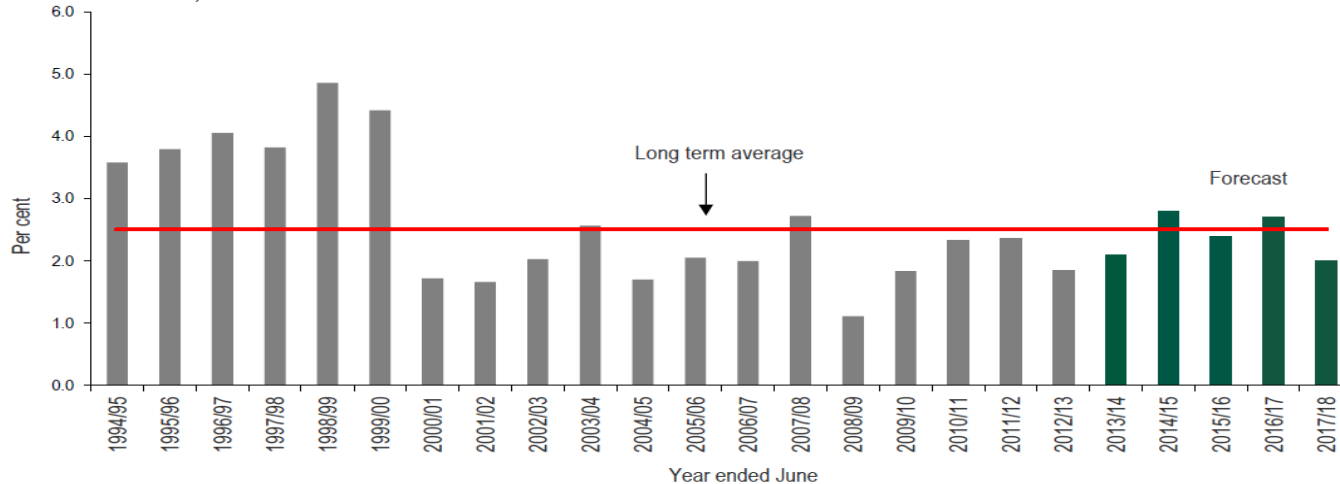


# NEW SOUTH WALES LANDSCAPE



## The NSW Economy is on the up

Gross State Product - New South Wales  
Source: ABS 5220.0; Access Economics



- Growth of 2.8% in 2015/16 will be the fastest pace in 15 years!



Australian Government



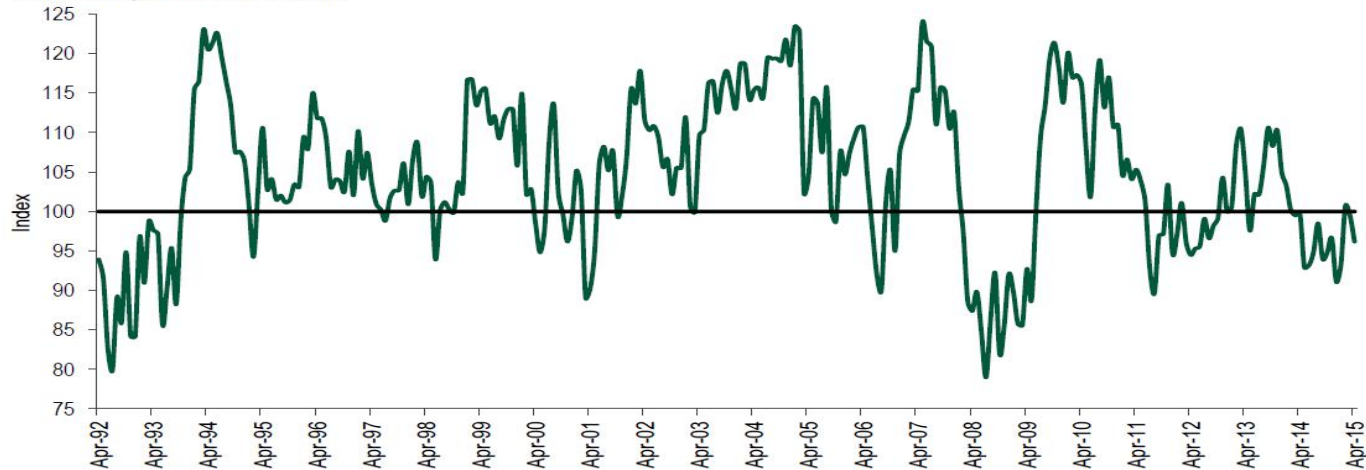
# NEW SOUTH WALES LANDSCAPE



## Consumer confidence remains weak

Consumer Confidence

Source: Westpac-Melbourne Institute

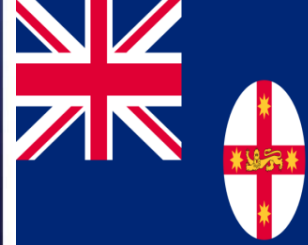


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# NEW SOUTH WALES LANDSCAPE



## Unemployment is climbing higher

Unemployment Rate by State - March 2015

Source: ABS Labour Force

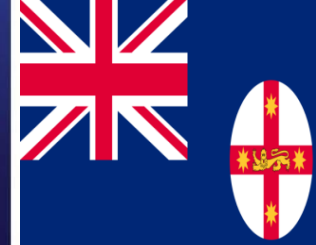


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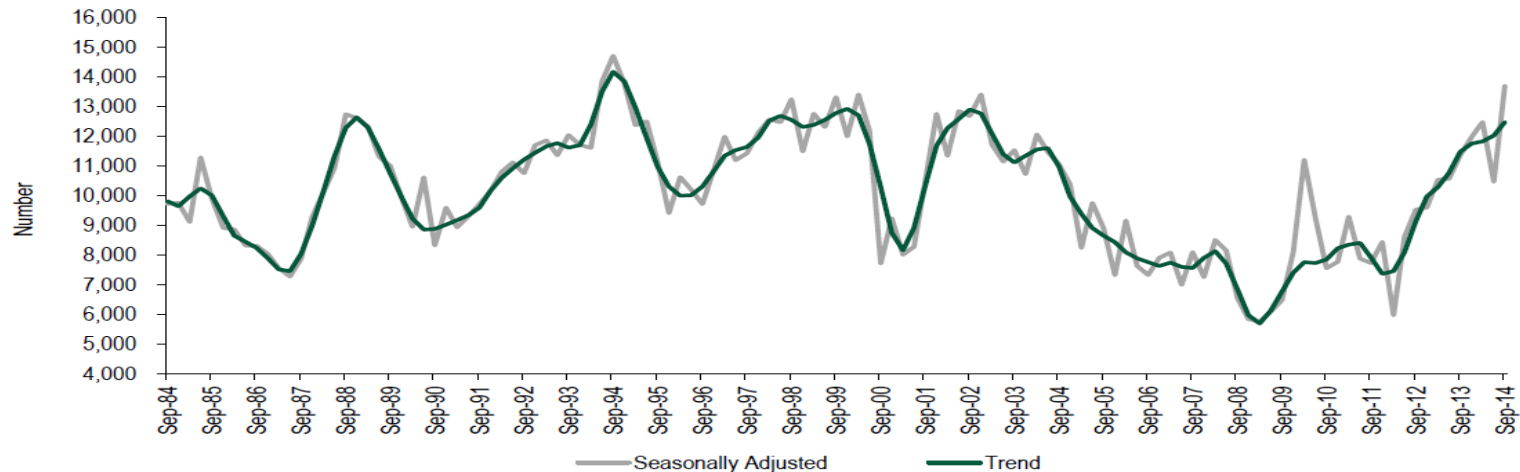


# NEW SOUTH WALES LANDSCAPE



## Housing Starts are on the up again

Total Dwelling Starts – New South Wales  
Source: ABS 8752



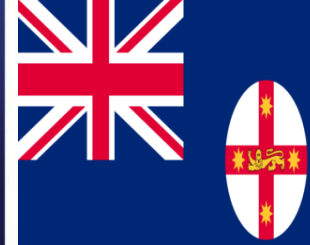
- Over the 12 months to September 2014 total starts increased by 16% to 48,577, the highest level in 11 years.



Australian Government



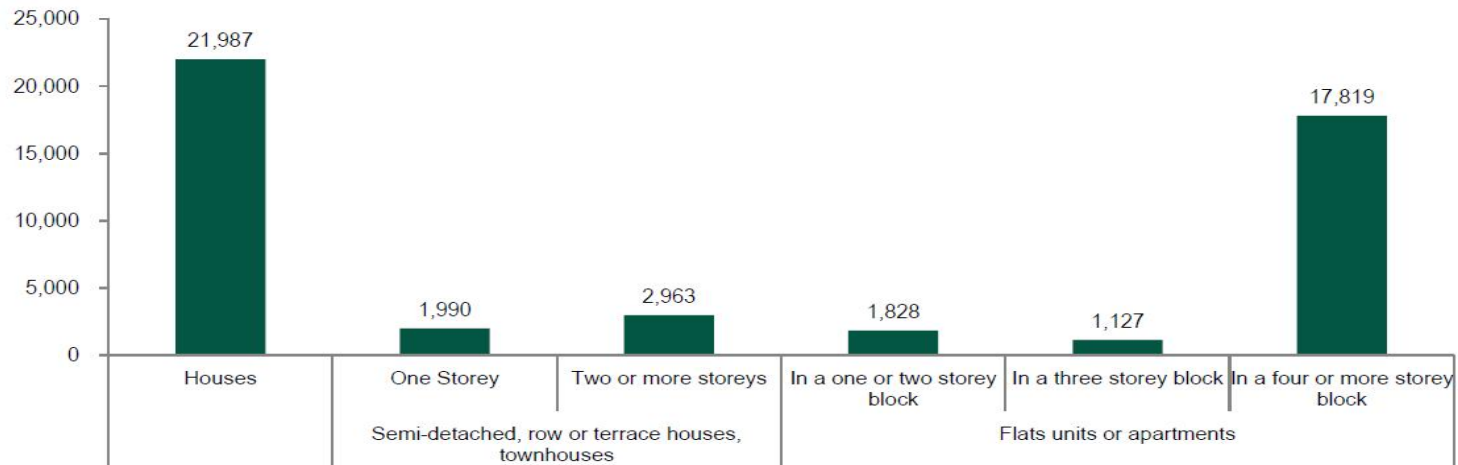
# NEW SOUTH WALES LANDSCAPE



## Housing Starts – is the ‘devil’ in the detail?

New South Wales Dwelling Commencements by Dwelling Type - Year to Sept 2014

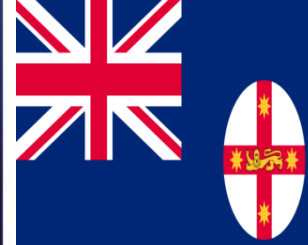
Source: HIA Economics, ABS



Australian Government



# NEW SOUTH WALES LANDSCAPE

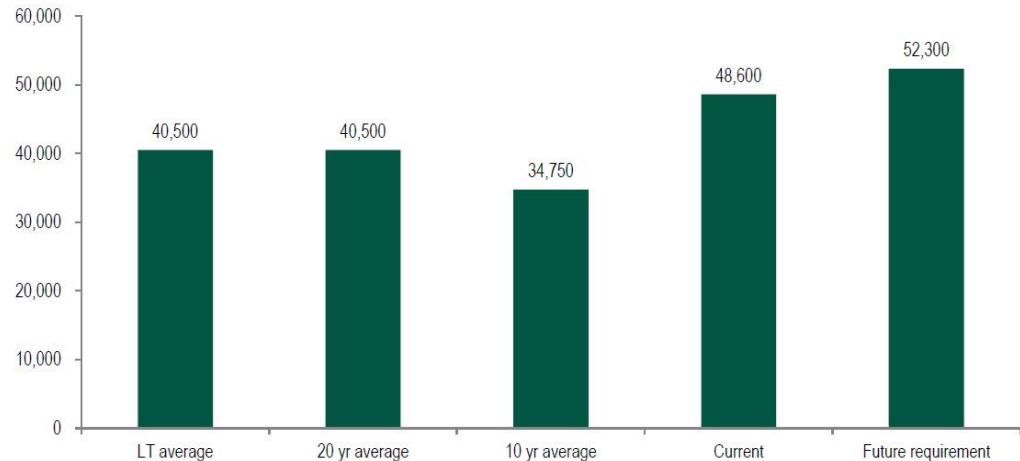


- Current Supply still lower than necessary
- 48,600 supply per year
- 52,300 future demand per year
- Underbuilding approx. 40,000
- Vacancy rates low – approximately 1.3%

## We need to build more and ...

New Home Building in NSW: past, present, future ...

Source: HIA Economics, ABS



# NEW SOUTH WALES BUDGET HIGHLIGHTS



- ❑ Domestic demand (Gross State Product) is expected to grow at 3.5% over the next two years – highest since 2007 – above the national average.
- ❑ Unemployment rate has been at or below the national average for the last 18 months and is expected to fall to 5.5% by June 2017.
- ❑ \$2.1 Billion surplus for 2014-15.
- ❑ Underlying budget surplus for 2015-16 is \$713 Million.
- ❑ Ongoing surpluses projected through until 2018-19.
- ❑ **Rebuilding NSW** is the Government's \$20 Billion plan to build new infrastructure funded from the lease of the 49% of the NSW Electricity network.
- ❑ Stamp Duty windfall - \$7.29 Billion
- ❑ \$400 Million Housing Acceleration Fund
- ❑ 1.5% budget cut across most departments over next three years – saving \$600 Million
- ❑ 150,000 jobs to be created over next four years

# BUILDING INFRASTRUCTURE



- ▣ \$68.6 Billion allocated over the next four years
- ▣ \$38 Billion towards **Roads and transport** projects
  - \$1.7 Billion for the Westconnex Motorway
  - \$1.4 Billion to duplicate the Pacific Highway between Hexham and the border
  - \$977 Million for Sydney Metro Northwest
  - \$316 Million to improve access to the public transport network
  - \$275 Million for NorthConnex Motorway
  - \$167 for major road upgrades and expansions
  - \$120 Million for CBD and South East Light Rail
  - \$99 Million to implement the Opal Card electronic ticketing system
  - \$87 Million to target congestion and intersection pinchpoints

# BUILDING INFRASTRUCTURE



- \$5 Billion towards investment in **Health** and major hospital upgrades
  - \$72.1 Million for the next stage of Westmead Hospital upgrade
  - \$30 Million for the next stage of Blacktown and Mt DrUITT Hospitals
  - \$30.2 Million for Lismore Hospital
  - \$12.9 Million for upgrades to regional hospitals across Sydney and NSW
  
- \$2.1 Billion provided for new **Schools and training** facilities over next four years.
  - New schools at Bella Vista, Narellan and Parramatta
  - Classroom upgrades across 7 other schools
  - \$172 Million to continue a further 27 major school projects
  - \$101 Million for TAFE construction and IT projects





# BUILDING INFRASTRUCTURE



- ▣ New **correction centre** at Grafton and expansion of Parklea Prison
- ▣ \$2.3 Billion for the **Vocational Education and Training System**.
  - \$48 Million over four years for fee-free scholarships for 200,000 15-30 year olds to undertake subsidised vocational and education and training courses.
  - \$8 Million over four years to provide pathways into education, training and employment for young people in regional areas.
- ▣ \$641 Million for **social and affordable** housing projects
- ▣ \$400 Million for the **Housing Acceleration Fund** to support new housing supply and address the challenge of housing affordability through infrastructure delivery for housing estates
- ▣ \$89.1 Million over four years to speed up approval processing times



# BUILDING INFRASTRUCTURE



- \$1.5 Billion in boosting Sydney and Regional NSW
  - \$82 Million for the first stage of the Kempsey Hospital redevelopment
  - \$88 Million for new Byron Central Hospital
  - \$103 Million for the Newcastle Light Rail on top of the old heavy rail connection
  - Upgrades to social housing in Gosford, Terrigal and Wyong
  - \$31 Million for multi-storey parking at Wollongong Hospital
  - \$164 Million for the Western Sydney Infrastructure Plan (Badgery's Creek access)
  - \$307 Million for the redevelopment of St. George Hospital and \$63 Million for Sutherland Hospital
  - \$600 Million for a new stadium in Sydney – no decision on where as yet!



# HOW CAN NECA HELP YOU?



- ❑ Group Scheme Apprentices
- ❑ Contractual Advice
- ❑ IR Advice
- ❑ WH&S Advice
- ❑ Government / Departmental Representation





national  
electrical and  
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**South Africa 2016...**

Sunday 17 April to Thursday 21 April

**Don't get  
left behind...**

