

Federal Election 2022

**A review of the election outcome
and key policy issues**

May 2022

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Executive summary

KPMG thanks the Hon. Scott Morrison for his service to the country, and congratulates the Hon. Anthony Albanese as Australia's 31st Prime Minister.

The Labor Party has won the 2022 federal election with a campaign promising to deliver a better future for all Australians. The newly elected Labor Government will continue the existing significant expenditure in health, social services, industry and renewable energy, with reforms in industrial relations and across the public service also expected.

The government has pledged big spends in health and wellbeing. This includes upgrading urgent care clinics, widespread initiatives in aged care and expanding medicines access under the Pharmaceutical Benefits Scheme.

The government has committed to implementing the Uluru Statement in full - voice, treaty and truth. KPMG commends this move, and strongly supports further action towards reconciliation.

The government will provide a large spending package in skilled manufacturing and upskilling Australia. This is led by the \$15 billion National Reconstruction Fund, which aims to support and create secure, well-paid jobs.

We commend the government on their ambitious targets on climate change, including committing to reducing carbon emissions by 43 percent by 2030 and achieving net zero by 2050.



Alison Kitchen

National Chairman



Andrew Yates

Chief Executive Officer

It plans to achieve this through adjusting the Safeguard Mechanism, investing in green industries, and upgrades to the electricity grid infrastructure.

The campaign saw very little debate on tax reform. The government will continue with the legislated personal income tax cuts announced by the outgoing government, and will attempt to recover \$1.89 billion through new measures targeting multinational businesses. We look forward to consultation with the government regarding future tax reform.

The government will make a range of reforms in industrial relations that aim to reduce casualisation of the workforce and increase stability in employment. It will also make a submission to the Fair Work Commission's Wages Tribunal in favour of a pay rise that keeps up with the inflation rate.

The Labor Party provided bipartisan support for the AUKUS agreement, and the government will conduct the first Defence Posture Review since 2012.

The government also intends to invest heavily in infrastructure projects all over the country.

There are many challenges ahead and we wish the new government every success as it tackles them.



Alison Kitchen
National Chairman



Andrew Yates
Chief Executive Officer

Economic policy

The Labor party has secured government but has inherited a domestic economy that has a number of challenges, not least of which is a global economic environment that is experiencing large inflationary headwinds of a scale not seen for at least 40 years.

The Australian economy can be characterised as currently being in a 'tricky position'. Driven predominately by external factors, inflation is high and rising. Domestic demand is strong, and the labour market is very tight, but economic growth is slowing due to deteriorating net exports. Interest rates are lifting from their extraordinarily low settings. Global factors like the Russia / Ukraine conflict and COVID-19 are disrupting global markets and supply chains. Such is the combined virtuous and vicious economic cycle the Labor Government faces.

The government has promised a host of major new and enhanced spending initiatives during the election campaign, costing around \$18.9 billion over the forward estimates. These include increases to the childcare subsidy (\$5.4 billion) and new subsidies for TAFE and university places (\$1.2 billion). There is also the \$10 billion investment in the Housing Australia Future Fund.

The challenge for the government is implementing these new policy initiatives without stoking the inflationary fire. A core element of the Labor policy platform is the provision of around 6,000 new public houses for lower-income and vulnerable people for each of the next five years.

This rate of new construction for public housing is possible, albeit it is about twice the number of total new public sector dwellings that were completed across Australia during 2021. The bigger issue is the cost of building new houses,



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which has risen 13.7 percent over the past 12 months, and is expected to remain elevated in the short term.

A significant election policy is the reduction of carbon emissions by 43 percent and the transition of the domestic energy market to be 82 percent sourced from renewable energy, both by 2030. The challenge remains how to best assist the transition of those emission-intensive industries that will face significant change under a net-zero policy.

On the tax front, the government announced pre-election that it would adopt the OECD / G20 – sponsored Inclusive Framework's "BEPS 2.0" plan for reform of international business taxation. The international community's current objective is for these measures to commence in 2023.

Labor policy also includes a change in the thin capitalisation "safe harbour" to 30 percent of EBITDA from 1 July 2023 and businesses should be modelling the potential impact of this change.

The prospect of holistic reform of tax and industrial relations seems remote for this new term of government. Such big picture initiatives were notably absent during the election campaign.

However, such reforms will need to occur in the near term if we want to improve our nation's productivity outlook and position the country as a leader in a post-carbon, new technology world.

Key observations

- There will be a challenge for the government in implementing spending plans without creating further inflationary pressure in the economy.
- Further planning on how to assist emission-intensive sectors to transition to a net-zero operating environment will be important to the economy's future resilience.
- Holistic tax and industrial relations reform remain as a near-term need.

Foreign affairs & Defence

The newly elected Labor Government will leverage Australia's economic resilience and align its 'strategic, diplomatic, social and economic power'¹ to strengthen international influence, such as in the Pacific and on climate change issues.

The government is responding to a world of ongoing geopolitical uncertainty and weakened international frameworks. This includes the backdrop of Russia's invasion of the Ukraine and China's growing global and regional assertiveness, including signing a security agreement with the Solomon Islands.

The government's foreign policy will be based on three pillars: the US alliance; deeper regional relationships; and strengthening multilateral institutions.

To strengthen Australia's international influence the government will seek to host the United Nations climate change summit with Pacific nations, deliver a Pacific strategy, deepen cultural engagement and increase Pacific labour mobility. It will develop a First Nations Foreign Policy and appoint the inaugural First Nations Ambassador.

In deepening regional engagement, the government will increase aid to South East Asia by \$470 million over four years and appoint a Special Envoy to the Association of South East Asian Nations (ASEAN).



Merriden Varrall

Director, Australian Geopolitics Hub



Melissa McClusky

Defence Account Lead Partner

The government will support security by strengthening the international rules-based order, including existing agreements and groupings, such as the AUKUS technology sharing agreement and the Quad grouping with the US, India and Japan. Having committed to not letting Defence spending fall below 2 percent of GDP, the new government will conduct a Defence Force Posture Review to assess the Australian Defence Force's capabilities and future needs.

It will also establish the Advanced Strategic Research Agency (ASRA) to undertake research and development into technologies in the national security interest, including by cooperating with similar US and UK government bodies, and universities and industry.

The government will support veterans and their families including by: cutting claims backlog and processing times while boosting DVA staffing; committing to 10 veteran hubs, increasing the TPI Payment by \$1,000; and strengthening veteran employment, family support and veteran homelessness programs.

Key election commitments

- Conduct the first Defence Force Posture Review since 2012.
- Support Defence spending of minimum 2 percent of GDP and create the Advanced Strategic Research Agency (ASRA).
- Implement the Pacific strategy including boosting Australian Official Development Assistance for Pacific countries and Timor-Leste by \$525 million over the next four years.
- Increase aid to South East Asia by \$470 million over four years.
- Reform the Pacific Australia Labour Mobility (PALM) Scheme's Seasonal Worker Program (SWP), expand the PALM Pacific Labour Scheme (PLS) and encourage more Pacific permanent migration to Australia through a Pacific Engagement Visa.

¹ [Expanding Australia's Power and Influence: Speech to the National Security College - Australian National University - Canberra - 23/11/2021](#)

Health & wellbeing

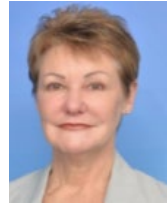
The newly-elected Labor Government will invest more in social housing and fund urgent care clinics to take pressure off public hospitals. Aged care reforms will be accelerated and the government will support a pay rise for aged care workers.

Cost of living: The government will provide access for 50,000 older Australians to the health care card, assisting them with the cost of living, medications and health care. Deeming rates will be frozen to ensure pensioners are not unfairly impacted by rate rises. This government also brings a focus on housing for vulnerable Australians, through a new \$10 billion social housing fund, and the introduction of a Help to Buy scheme to assist low-income people to purchase a home.

Health: The government will focus investments on preventative health, through increased funding for a range of research, screening and treatment programs. Priority has also been given to reducing pressure on the public hospital system, through investments in Urgent Care Clinics and targeted expansion of specific health facilities nationally.

Mental health: The government has committed to investments in the 2023-24 budget, supporting expansion of regional suicide-prevention programs, increasing multidisciplinary treatment centres and introducing eating disorder care plans.

The government will also reinstate the 50 percent loading for rural and regional telehealth psychiatry consultations, providing vital mental



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health services to Australians whose access had been removed.

Aged care: Aged care will be a key focus for the government, including supporting a pay rise for aged care workers. The government's policies largely align to the recommendations from the Aged Care Royal Commission and aim to bring forward some key reforms currently underway, including mandatory staffing requirements for residential aged care providers.

Disability: The government has committed to a number of improvements to the National Disability Insurance Scheme, including improving its administration, streamlining planning processes for participants, committing to an expert review of arbitrary cuts to participant plans, examining barriers to service access and delivery in regional areas of Australia, co-designing future changes to the scheme and increasing the representation of people with disability in the governance of the scheme.

Key election commitments

- The NDIS will be improved and people with disability better represented in scheme governance.
- \$10 billion fund for social housing and \$329 million for a scheme to help low-income Australians own a home.
- Fund Medicare Urgent Care Clinics to be based at GP surgeries and Community Health Centres in at least 50 locations and restore affordable telehealth psychiatric consultations for people in the regions.
- Bring forward residential aged care staffing requirements, including having Registered Nurses onsite 24 hours and support a pay rise for aged care workers before the Fair Work Commission.

Climate change & energy

The newly elected Labor Government has committed to a net zero emissions target by 2050, with an interim 43 percent reduction in emissions by 2030 from 2005 levels. It has committed to new measures that reduce energy and transport emissions and to adjust the existing Safeguard Mechanism for industrial emissions to be consistent with these targets.

The government will invest \$20 billion through the Rewiring the Nation Plan to rebuild and modernise the electricity grid through:

- supporting high priority transmission infrastructure;
- investing in growth in new sectors like hydrogen and battery production; and
- finance provided by a new government owned Rewiring the Nation Corporation.

These investments aim to contribute to renewable energy making up 82 percent of the grid by 2030. The government has indicated support for existing low emission funding arrangements and has supported the Snowy Hydro gas plant at Kurri if it is powered by Green Hydrogen by 2030.

The government will also develop Australia's first National Electric Vehicle Strategy, pledging to build a national electric vehicle (EV) charging network, create "hydrogen highways" for a hydrogen refuelling network, and remove some taxes to make EVs cheaper.



Barry Sterland

Partner, Energy Transition Leader



Adrian King

Partner, Climate Change and Sustainability

Australian Carbon Credit Units (ACCUs) will play an increasingly important role in government policy. The government will adjust the existing Safeguard Mechanism so emission baseline trajectories are consistent with net zero commitments. This would impose effective emissions caps on large polluters that could be met by either reducing plant emissions or surrendering ACCUs or other approved units (including from facilities that overachieve their regulated benchmarks). The government supports measures to enhance the existing carbon market but has also announced a quick review of this market. This will include regulatory arrangements around creating ACCUs to consider integrity.

The government will also pursue policies to improve climate resilience, with an additional \$194.5 million allocated for reef protection programs on top of existing program funding such as for the Murray Darling Basin. The Emergency Response Fund will be recast as the Disaster Ready Fund, with up to \$200 million a year for disaster prevention and resilience.

Key election commitments

- Committed to reaching net zero emissions by 2050 and cutting greenhouse gas emissions by 43 percent by 2030, based on 2005 levels.
- Invest \$20 billion to rebuild and modernise the national transmission grid and support increased renewable penetration, and support uptake of low emissions vehicles.
- Strengthen the Safeguard Mechanism to reduce industrial emissions.

Gender



Sarah Hunter

Partner & Senior Economist

Childcare affordability and additional funding to support women experiencing domestic and family violence have been the focus of Labor's commitments.

The newly elected Labor Government's policy position with respect to women was largely articulated in its 2022 women's budget in reply statement, with no significant additional commitments announced through the campaign.

The majority of new policies focus on securing women's safety at home and in the workplace. This will include the establishment of a Family, Domestic & Sexual Violence Commissioner, implementation of all recommendations in the Respect@Work report, funding for 500 new community sector workers, and legislating 10 days of paid family and domestic violence leave.

The government has also committed to match the Morrison Government's funding of \$100 million for crisis accommodation, and to build 20,000 new social housing properties, including \$1.6 billion for 4,000 properties that would be specifically allocated to women and children leaving violent domestic situations.

To further support women's economic participation and security, the government has committed to enhancing the childcare subsidy (above and beyond the recent changes implemented by the outgoing government).

This includes lifting the maximum subsidy to 90 percent and raising the income threshold at which tapering commences to \$80,000.

Reducing the cost of childcare, and therefore reducing the barrier to work, is a welcome step towards enabling women to fully participate in the labour market. Female participation rates remain nearly 10 percentage points below men, with the gap beginning as women enter child-bearing age. Furthermore, the gains from increased participation are not confined to women - access to high quality childcare has been shown to improve health and education outcomes of the children themselves, generating a further economic dividend in the future.

But the barriers to female participation in the workforce (and gender pay equality) are complex. To lock in further gains, the government will need to support flexible working across all sectors, improve the quality of childcare (including before and after school care), consider superannuation reforms to enable women to close the gap with men, and explicitly consider other caring responsibilities, such as care for elderly or infirm relatives, in its gender-responsive budgeting.

Key election commitments

- Introduction of a National Strategy to Achieve Gender Equality, including the introduction of gender impact assessments on relevant cabinet submissions.
- Enhancements to the childcare subsidy, including increasing the maximum subsidy to 90 percent of the capped hourly rate and commencing tapering of the subsidy at an income level of \$80,000 (currently \$70,015).
- Implementation of all recommendations from the Respect@Work report.
- Appointment of a Family, Domestic & Sexual Violence Commissioner.
- Legislate 10 days paid family and domestic violence leave, funding for 500 new community sector workers, \$100 million to increase the supply of crisis accommodation.



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