The 2019 Federal Election
Special Report

As election day approaches, IBISWorld weighs in on key Labor and Coalition policies, and the industries they will affect.

Energy

Renewable Energy Target

Policies at a glance...

Labor: Implement a higher Renewable Energy Target and Emissions Target.

Coalition: Meet minimum Paris Target.

The two major parties are taking markedly different energy policies to the upcoming election. The Coalition has pledged Australia will reduce emissions to 26-28% below 2005 levels by 2030, in line with the target set out by the international Paris Agreement. In contrast, Labor has pledged a target of 45% emissions reduction by 2030. As part of this emissions reduction target, Labor has also announced a 50% Renewable Energy Target (RET) by 2030. The Coalition does not intend to extend the current RET, which is set at 20% of total energy generation and expires in 2020.

The RET’s future has major implications for electricity generators in Australia. The RET framework promotes investment in clean energy by providing a secondary source of revenue for renewable energy generators. This additional revenue comes from creating and selling large-scale generation certificates (LGC). An LGC is created when a clean energy generator produces one megawatt hour of electricity. Under the RET framework, firms in the Electricity Retailing industry need to purchase a quantity of LGCs each year as determined by the RET target. Over the past year, the supply of LGCs from renewable energy producers has outpaced RET-backed demand. As the current RET goal is set to be achieved in 2020, RET-backed demand for LGCs is anticipated to remain steady while the supply of renewable energy is expected to increase. As a result, LGC prices will likely fall significantly, leading to lower LGC revenue for firms in the Solar Electricity Generation and Wind and Other Electricity Generation industries. However, if Labor is elected, the RET target will be raised over the next decade, leading to higher RET-backed demand for LGCs and ongoing revenue support for clean energy generators. This plan would undermine the competitiveness of firms in the Fossil Fuel Electricity Generation industry, which do not benefit from LGC revenue.

Reports mentioned:
- Electricity Retailing
- Solar Electricity Generation
- Wind and Other Electricity Generation
- Fossil Fuel Electricity Generation
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Gas supply

Policies at a glance...

**Labor:** Permanently require gas exporters to redirect supply to local market when prices are too high.

**Coalition:** Temporarily require gas exporters to redirect supply to local market when a shortfall is expected, and support development of additional domestic gas production.

The gas market on the eastern seaboard has come under intense pressure over the past decade as new LNG export facilities have been developed. As Australia’s natural gas export capacity has risen, the domestic price of natural gas has risen to align with the higher global price. In effect, domestic gas users are now competing with foreign customers to secure supply of Australian natural gas. Significant growth in the domestic price of natural gas over the past five years has contributed to a higher cost of living and reduced business viability.

Labor and the Coalition have presented two approaches to reducing gas prices. In July 2017, the Turnbull Government introduced the Australian Domestic Gas Supply Mechanism (ADGSM). This regulation gave the Minister for Resources the ability to compel exporters in the Oil and Gas Extraction industry to redirect supply to the domestic market when a shortfall was imminent. This regulatory power is temporary, and is legislated to expire in 2023. The Coalition also supports developing new gas resources in Australia to increase domestic supply, particularly coal seam gas. However, new resource developments have been limited by state governments that have regulated against fracking.

Labor has pledged to strengthen the ADGSM by curtailing exports when domestic gas prices are too high, rather than only when a supply shortfall is expected. Unlike the existing ADGSM, Labor’s policy would be a permanent ministerial power. Labor also intends to introduce a new national interest test on new or upgraded LNG export projects. Under this test, new projects’ potential effects on domestic gas supply would be considered before project approval. This proposal may present a barrier to development for export-focused projects. However, Labor has also announced $1.5 billion in funding for new gas pipeline in

Reports mentioned:
- Oil and Gas Extraction

Source: ABS and Department of the Environment and Energy
In its budget reply, Labor has announced a $2.3 billion increase in Medicare funding for cancer patients.

Projects in northern Australia, particularly to bring online new gas fields in the Galilee, Beetaloo and Bowen basins. The development of new gas fields could increase supply to the domestic market, and exert downward pressure on gas prices across the eastern seaboard. This could represent an opportunity for expansion in the Pipeline Transport industry.

**Health**

**Medicare**

Policies at a glance...

**Labor:** $2.3 billion Medicare package to reduce out-of-pocket costs for cancer patients.

**Coalition:** ‘Guaranteeing Medicare’ package, including over $600 million of funding for various measures.

Medicare is Australia’s public health scheme, allowing Australian residents access to healthcare services. Medicare is funded by a Medicare Levy of 2%, which most Australian taxpayers pay out of their taxable income. Patients are covered for either part or the full amount of their healthcare treatment, depending on both the type of treatment and the provider they choose to see. The Medicare Benefits Schedule, which determines how much providers can claim for each service provided for patients, has been frozen since 2012-13. This freeze has meant that a healthcare professional providing a service in 2012-13 would receive the same compensation from Medicare each year thereafter, rather than increasing in line with inflation. In its 2017-18 Budget, the Federal Government announced it would begin to re-index the Medicare Benefits Schedule, effectively ending the freeze. However, this re-indexing would be spread across several years, with all services to be fully re-indexed by July 2020. In addition, the Federal Government does not intend to catch up the years of inflation where the indexation was in effect. This decision means that funding has effectively been permanently locked in at a lower level than what it was in 2012-13.

Some confusion exists around the indexation freeze, particularly with regard to which party is responsible for the policy. The policy was initially a Labor policy, introduced in the 2012-13 Budget by the Gillard Government. However, the policy was intended only as a temporary measure until July 2014. The subsequent Federal Liberal Government announced in its 2014-15 MYEFO that it would extend the freeze on indexation. The freeze continued until the 2017-18 Budget, when re-indexation began for select Medicare services.

Labor announced that it would accelerate the re-indexation of Medicare services, reducing the waiting time for medical professionals to receive the re-indexed prices for their services. This re-indexing is expected to cost an additional $213.0 million. The industries that would most immediately benefit include the General Practice Medical Services, Diagnostic Imaging Services and Other Health Services industries, as these industries would otherwise need to wait until 1 July 2020 for their services to be re-indexed. The General Practice Medical Services industry has already been re-indexed for bulk-billing incentives as of 1 July 2017 and for standard attendances as of 1 July 2018. Remaining services to be re-indexed for GPs include GP mental health treatments and after-hours services. The Coalition later matched this commitment in the 2019-20 budget.

In its budget reply, Labor has also announced a $2.3 billion increase in Medicare funding for cancer patients, with the goal of significantly reducing and, in many cases, outright eliminating out-of-pocket costs for Medicare-covered...
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procedures for these patients. The package includes:
• $600 million towards eliminating out-of-pocket costs for diagnostic imaging and for funding up to six million free cancer scans through Medicare
• Ensuring all MRI machines that adhere to national standards are covered under Medicare for the purpose of cancer scans
• Continued investment in more MRI machines, allowing patients easier access to MRI scans
• $433 million to cover specialist consultations for cancer patients, eliminating out-of-pocket costs for these consultations
• The Affordable Medicines Guarantee, which would ensure that all drugs recommended by independent experts are covered by the Pharmaceutical Benefits Scheme, reducing the cost of cancer drugs.

These changes to Medicare would provide a significant boost to the Diagnostic Imaging Services and Specialist Medical Services industries.

The Coalition has announced a smaller commitment to Medicare and the PBS. The 2019-20 Budget includes provisions for ‘Guaranteeing Medicare’, which includes a number of measures designed to improve Medicare. These measures include an investment of $308.9 million over five years for improved access to diagnostic imaging services, including listing breast cancer MRIs on the Medicare Benefits Schedule, and $1.1 billion for strengthening primary care. However, much of this expenditure is in the government’s forward estimates. Between these two programs, only an estimated $730 million would be spent over the three years through 2021-22. These policies would benefit the Diagnostic Imaging Services and General Practice Medical Services industries.

Medicare is a sensitive topic for both parties, particularly after Labor’s ‘Mediscare’ campaign in the previous federal election, which alleged that the Coalition was planning to privatise Medicare. Nevertheless, policy decisions made by the Coalition Government in previous budgets, such as the proposed and subsequently abandoned GP co-payment, have eroded public trust in the Federal Government on matters regarding public health.
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Although both parties often disagree about where funding should be allocated, a consensus has increasingly emerged that health funding does need to be increased. Regardless of the outcome of the next federal election, both the Diagnostic Imaging Services and General Practice Medical Services industries are set to benefit.

**Hospitals**

Policies at a glance...

**Labor:** Expected to match Coalition hospital funding, and add an extra $1 billion for hospitals in areas of identified need.

**Coalition:** Increase funding over the forward estimates by an extra $30 billion from 2020 to 2025.

Public hospitals are funded through a combination of federal and state funding. Federal funding accounts for just under 40% of total public hospital funding, with state funding providing the bulk of the remaining funds. Funding arrangements between the federal and state governments have been a point of contention over the past decade. The National Health Reform Agreement, introduced in 2011, created a unified system between the Federal Government and the states to more efficiently allocate funding. This agreement also increased the Federal Government’s contribution to public hospitals. Subsequent changes by the Coalition Government as part of the 2014-15 Budget reduced the Federal Government’s role in funding public hospitals, shifting a greater burden of hospital funding on to the states and territories. These changes were eventually reversed in 2018. However, the states and territories remain concerned regarding the reliability of Federal Government funding for public hospitals.

Hospital funding is a key concern for both major parties, particularly as the population continues to age, increasing demand for hospital services. As a result, both parties have committed to significant levels of hospital funding. These commitments are unsurprising, particularly as Australia’s ageing population is expected to continue demanding an increasing number of health services over the next five years. Under the Coalition’s plan, annual Federal Government funding for hospitals would more than double by 2024-25 compared with 2012-13 funding, rising from $13.3 billion to $28.7 billion. Labor has committed to increasing hospital funding, restoring an additional $2.0 billion in funding that was reduced following changes introduced in the 2014-15 Budget. However, the reductions were based on long-term projections from the 2012-13 Budget, which was the last budget introduced by the Labor Government prior to the Coalition’s victory in the 2013 federal election. Consequently, some contention exists regarding whether the $2.0 billion funding reduction constituted a cut.

Labor has also announced plans to set up a permanent policy-making body to address challenges in the health sector, to be known as the Australian Health Reform Commission. This body, which would be similar to the Productivity Commission, would evaluate the legislative and policy needs in the health sector. The proposed commission would also determine where improvements can be made without significant political interference. Such a body could have a significant effect on the health system, depending on the recommendations made and whether they are implemented. This proposal represents the largest potential change to come from the two major parties regarding public hospital funding, and could result in a significant shakeup of the Public General Hospitals industry.
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Wage growth, hospitality, and retail

Policies at a glance...

**Labor**: Increase wages through direct intervention in the workplace.

**Coalition**: Increase wages by fostering economic growth, leading to greater employment and upward pressure on labour demand.

While the economy is growing and unemployment is low, many Australians are losing out on economic prosperity due to poor wage growth. Over the past five years, real wages have remained fairly constant while GDP per hour worked has risen. Low wage growth can lead to serious economic issues over time, such as lower household expenditure, greater household debt and poorer consumer confidence. The two major parties have outlined contrasting strategies to reboot wage growth in Australia.

The Coalition has sought to address low wage growth by fostering greater economic growth overall. In essence, the government expects a growing economy to create more jobs, exert upward pressure on demand for labour, and enable employees to bargain for greater wages.

To achieve this aim, in July 2018 the Coalition cut the business tax rate from 30.0% to 27.5% for businesses with a turnover of less than $50 million. Additionally, the government introduced legislation in February 2019 to increase and extend the $20,000 instant asset write-off scheme until 30 June 2020. This revised legislation, originally introduced in the 2015-16 Budget, will enable small businesses to write-off purchased assets worth less than $25,000 in their tax return until this date. This increased threshold makes investment in machinery and equipment more affordable, which can help businesses grow and create jobs. The Coalition has also sought to assist small business development by providing $2 billion in funding for the Australian Business Securitisation Fund. This fund will provide greater funding to smaller banks and non-bank lenders, which will then be passed on to smaller businesses on more competitive terms. Enhancing small business has been a focus of Coalition policy, given that close to seven million Australians are employed by more than three million small businesses. The Coalition has also sought to improve household incomes by lowering the tax burden through income tax cuts. The 2019-20 Budget includes a $302
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A billion tax cut package to be rolled out over the next decade. This tax reform includes a tax rebate of $1,080 for workers that have incomes of between $48,000 and $90,000. This tax cut follows the Fair Work Commission’s decision in 2017 to reduce penalty rates for employees in the retail, pharmacy, fast food and hospitality sectors from July 2017.

Labor’s policy focus has been to increase wages directly through legislation, rather than attempting to improve wages indirectly through fostering more favourable economic conditions. If elected, Labor has pledged to introduce a ‘living wage’ standard, which would change the way the Fair Work Commission determines the minimum wage. This standard would give greater weight to relative living standards and the needs of low-paid workers in deciding the minimum wage. Currently, this consideration is combined with several others, such as the performance and competitiveness of the national economy, inflation, and employment growth. The Australian Council of Trade Unions and the Australian Greens support a national minimum wage standard of 60% of the median wage. However, the Labor Party has not adopted this definition of a living wage.

Labor has also pledged to reverse the Coalition’s cuts to penalty rates, and implement a similar instant asset write-off policy. Labor’s write-off policy is expected to be permanent, while the Coalition’s only extends to the end of the upcoming financial year. The stronger wage legislation proposed by the Labor party is likely to support low-income households. However, it may also threaten the viability of small businesses that are unable to accommodate higher labour costs. Industries that rely on cheap labour include the Cafes and Coffee Shops industry, the Restaurants industry, and the Pubs, Bars and Nightclubs industry. Some commentators have argued against any increase in the minimum wage, as an employee whose labour is worth less than the proposed higher wage standard could potentially lose their job.
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Housing affordability and construction

Policies at a glance...

**Labor:** Take pressure out of the housing market by removing tax incentives for housing investors.

**Coalition:** Increase housing affordability by offering tax cuts on home deposit savings, and encouraging older Australians to downsize their homes.

Housing prices in most major Australian cities have surged over the past decade, significantly benefitting home owners while negatively affecting those looking purchase their first home. The Coalition and Labor have presented contrasting strategies to address home affordability in Australia.

The Coalition has aimed to improve housing affordability for first-home buyers by increasing funds available for purchase, rather than by lowering prices. The First Home Super Saver Scheme, which was introduced in the 2017-18 Federal Budget, enabled first home buyers to withdraw their superannuation contributions to make a deposit on a house. In effect, this policy aimed to give first-home buyers a greater ability to compete in the housing market. The Coalition also introduced tax incentives for older Australians to downsize their homes, freeing up greater housing supply for younger generations. In the 2017-18 Budget, the government introduced $1 billion in funding for the National Housing Infrastructure Facility (NHIF). The NHIF is intended to accelerate development in the Land Development and Subdivision industry, by providing greater funding for site remediation, power and water infrastructure, and transport links.

Labor has pledged to remove the superannuation home deposit scheme. In contrast, Labor’s policy focus has been centred on lowering house prices by exerting downward pressure on demand for houses as investment assets, rather than living spaces. Investors compete directly with potential homebuyers, particularly for established houses. This makes it harder for first home buyers to secure a property.

The opposition has pledged to limit negative gearing tax concessions to new home developments from January 2020. Negative gearing occurs when investors make an investment (primarily in property) that loses money in the short term but can be “offset” against other income, reducing the amount of tax owed.

[Reports mentioned: Land Development and Subdivision]

Source: ABS

Residential property prices

![Graph showing residential property prices for various cities in Australia, with a weighted average line.](image)
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term (e.g. when loan and related costs are greater than rental income), in the expectation of making capital gains in the future. Under current regulations, the investor can deduct any losses associated with the investment from their salary and wage income. This policy was introduced in 1999 by the Howard Government in an effort to increase development in the House Construction industry. Labor has pledged to maintain negative gearing tax concessions for new houses, in an effort to increase new housing supply. Negative gearing currently costs the Federal Budget in excess of $10 billion. Additionally, the capital gains tax discount would be cut from 50% to 25%. In effect, these policies reduce the attractiveness of homes as investment assets. Housing prices have already begun to fall in early 2019, and this decline may accelerate under a Labor government. This trend may negatively affect the Real Estate Services industry.

Agriculture

Murray Darling Basin

Policies at a glance...

Labor: Remove cap on voluntary water buybacks and institute more robust management of the Murray Darling Basin.

Coalition: Continue with the Basin Plan as it is currently stipulated.

The Murray Darling Basin has received greater media attention due to fish-death events and low water flows over the past two years. Water in the Murray Darling Basin is legislated by the Water Act 2007 and subsequent Basin Plan. These measures are enforced by the Murray Darling Basin Authority and the Basin state governments. The Basin Plan aims to increase environmental water in the Basin, primarily through buying water from irrigators. Recently, drought has exacerbated poor environmental conditions in the Basin. These poor conditions have led to many reports, including a South Australian Royal Commission, denouncing the Basin Plan’s implementation. Consequently, both major parties are expected to announce policies related to Basin management during the federal election.

The Coalition Government tends to support agricultural businesses in Basin matters. Notably, this support includes a proposal to reduce environmental buybacks by 70GL in the northern Basin. This move was initially opposed by Labor, but was ultimately supported after the New South Wales and Victorian state governments threatened to walk away from the Basin Plan. However, in February 2019, the Australian Academy of Sciences recommended increasing voluntary buybacks in the northern Basin by 70GL, effectively reversing this decision. Labor has supported this...
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recommendation, while the Coalition is yet to form a position. Most recent investigations into the Murray Darling Basin’s management have concluded that not enough is being done if the Basin Plan’s goal is to improve environmental conditions in the Basin. However, fully realising water savings for the environment would likely lead to the deterioration of many regional economies along the Basin’s waterways. Consequently, the battleground on Basin matters may pit farmers against environmental concerns. In particular, the Cotton Growing, Rice Growing and Citrus Fruit, Nut and Other Fruit Growing industries would be most affected due to their high water usage. Labor has gone as far as suggesting it will use powers under the Water Act to improve environmental outcomes in the Murray Darling Basin. However, this would almost certainly see some Basin states, such as New South Wales and Victoria, walk away from the Basin Plan, likely to the detriment of environmentally beneficial outcomes. Neither party has indicated they will conduct a royal commission into the Basin’s management, but the Coalition has demonstrated more robust opposition to such an investigation.

Live exports

Policies at a glance...

**Labor:** Ending summer exports and phasing out all live sheep exports.

**Coalition:** Ending summer exports, but allowing live exporting to continue.

In April 2018, footage of sheep being subject to poor conditions emerged from an Emanuel Exports ship bound for the Middle East. This footage thrust the issue of live exports back into the public spotlight. Many activist groups, such as the RSPCA, have called for live-export bans, particularly over the Northern Hemisphere’s summer when onboard conditions are at their worst. The whistleblower footage prompted a review into the risks associated with heat stress that animals face on Australian live-export voyages. Upon publication of the review’s results, the Coalition Government implemented all 23 recommendations. These recommendations included measures such as up to 10 years imprisonment for non-compliant live-export company directors, and a ban on live exports between May and October. However, the Coalition softened its stance in March 2019, shortening the ban window to just between June and August. The Coalition is anticipated to take this policy to the election and beyond. Labor has flagged live-export bans as one of its key election policies. Labor has stated it will ban live exports during the Middle Eastern summer as soon as possible, and phase out all live sheep exports over time. Banning live exports would likely negatively affect the Sheep Farming industry. To continue exporting sheep meat, animals would need to be processed in Australia. This change may present an opportunity for greater investment in the Meat Processing industry in the future.

Milk prices

Policies at a glance...

**Labor:** Implement minimum farmgate milk price.

**Coalition:** Against a minimum price, but support farmers through other drought-resiliency programs.

The $1.00 per litre milk featured in the price wars, reported in the Supermarkets and Grocery Stores industry, has put many dairy farmers out of operation, according to industry
body Dairy Australia. This heavy discounting, along with instances of drought and rising input costs for farmers, has created tough operating conditions in the Dairy Cattle Farming industry. In February 2019, Woolworths announced it would be raising the price of its private-label milk products to $1.10 a litre. Coles and ALDI subsequently implemented the same price hike in the following month.

Labor has stated its intention to set minimum farmgate milk prices and has asked the ACCC to assist in establishing a floor price. This measure would provide greater support to the Dairy Cattle Farming industry, which has been struggling with drought and higher operating expenses in recent years. The Coalition is unlikely to implement a similar policy and has indicated a preference to retain a deregulated milk market. However, Agricultural Minister David Littleproud said that consumers should not shop at Coles or ALDI when Woolworths was the only supermarket to have raised milk prices.

The Coalition has sought to assist farmers in regional Australia through other means. In November 2018, the Federal Government announced $3.9 billion in funding for the Future Drought Fund. This mechanism will be used to provide support for regional farmers through investment in drought-resilient infrastructure, research and development, and natural resource management.

**Banking and finance**

Policies at a glance...

**Labor: Ban trailing commissions, but have higher upfront fees capped at 1.1% of loan.**

**Coalition: Keep upfront and trailing commissions for at least the next three years.**

In response to the findings of the Royal Commission into the banking sector, Labor will ban trailing commissions for new loans from 1 July 2020. This represents a significant change for the Mortgage Brokers industry. Labor is expected to increase upfront commissions and cap them at 1.1%, so commissions are standardised across all products and lenders. Commissions will also only be paid on the amount drawn down, rather than on the total amount on the loan. This proposal aims to prevent brokers pushing larger sized mortgages than what is needed for the consumer. Labor will also direct the Council of Financial Regulators and the ACCC to...
conduct a review on the reforms that are expected to take place.

The Coalition plans to keep upfront and trailing commissions for at least the next three years, citing concerns around competition if changes are made to broking remuneration. They intend to keep upfront and trailing commissions unchanged until a review is conducted by the Council of Financial Regulators and the ACCC in three years’ time. The review will address other measures that the Coalition are expected to implement. These include best interest duties, upfront commissions linked to the drawn-down amount and a two-year limit on claw-backs of commissions, starting 1 July 2020.

Labor is also proposing a levy of $160 million per year over the next four years to raise funds for boosting financial counsellor numbers across the nation in response to findings from the Royal Commission. The levy is expected to affect the top financial institutions in the National and Regional Commercial Banks industry (primarily those that are top 100 ASX-listed), including the big four banks, Bendigo and Adelaide Bank, Macquarie, Suncorp and AMP. This is in addition to the Major Bank Levy (those with over $100 billion in total liabilities) that was passed through parliament in 2017, which levies 0.015% on the balance of a bank’s liabilities on a quarterly basis.

Education and child care

Preschool funding

Policies at a glance...

**Labor:** Extend preschool funding to cover three-year-olds, fund the program through negative gearing reforms.

**Coalition:** Only provide preschool funding for four-year-olds.

Studies have shown that preschool education enables young children to perform better once they enter the formal education system. To improve education outcomes, both major parties have committed to funding preschool education.

In the 2019-20 Budget, the Federal Government has allocated $453.1 million through to the end of 2020 to support access to 15 hours per week of quality preschool education for Australian children in the year before school. This commitment is in line with the continuation of the National Partnership Agreement on Universal Access to Early Childhood Education. In comparison, Labor has promised that Australian children would receive 15 hours per week of preschool in the two years before starting school, should it win the 2019 election. This would allow children as young as three to access free or subsidised preschool from 2021. Under the Coalition, funding would only be available for children aged four and older. Both policy proposals would be welcomed by firms in the Preschool Education industry, which rely on government funding to maintain operations. Labor’s policy is expected to cost an additional $9.8 billion over the next decade. This cost is expected to be offset by revenue generated through Labor’s reforms to negative gearing in the housing market.

In the 2019-20 Budget, the National Partnership Agreement on Universal Access to Early Childhood Education has not been funded past June 2021. With the agreement concluding on this date and no replacement scheme or funding arrangement promised by the Coalition, federal funding for preschools is set to dramatically decline from 2020-21 onwards, according to forward estimates. This is in stark contrast with the National Preschool and Kindy Program proposed by Labor, which promises ongoing funding for preschools at the federal level.
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**Vocational education and training**

Policies at a glance...

**Labor:** Launch an inquiry into reforming the TAFE system, double apprenticeship numbers.

**Coalition:** Fee-free vocational tuition for professions with forecast skills shortages.

The Coalition has promised a Delivering Skills for Today and Tomorrow package for the vocational education sector in the 2019-20 Budget. The Coalition aims to fund up to 80,000 apprenticeships over the next five years by allocating $525.3 million to expand apprenticeship incentives for occupations facing a current or forecast skills shortage. Employers will be eligible for an $8,000 payment and apprentices will be eligible for $2,000. This policy is similar to the Victorian Government’s Free TAFE for Priority Courses scheme, which was implemented in January this year. The scheme eliminated tuition fees for 30 non-apprenticeship courses and 20 apprenticeship pathway courses that lead to professions anticipated to experience a skills shortage in the future. Labor has committed to spending $200 million on improving TAFE campuses and increasing the number of subsidised apprenticeships to 150,000.

In contrast, in the 2019-20 Budget, the Skilling Australians Fund – National Partnership Agreement will not be replaced after its conclusion in June 2022. The fund was introduced in the 2017-18 Budget (replacing the National Partnership Agreement on Skills Reform) and allocates a projected $1.5 billion to the vocational education sector. The states and territories are required to match federal funding under the scheme, which aims to address expected labour shortages in occupations that are currently in demand or forecast to grow, rely on skilled migration or are principally in rural areas.

The withdrawal of the Skilling Australians Fund from 2022-23 onwards presents a potentially significant loss of revenue to the Technical and Vocational Education and Training industry.

**Child care**

Policies at a glance...

**Labor:** Expand child care subsidies for low-income households, deliver a 20% increase in wages for childhood educators, and direct the ACCC to control childcare fees.

**Coalition:** Expand child care subsidies for working families, but offer lower support to parents that are not working or studying.

Over the past three years, both the Labor and Liberal parties have presented policies to improve child care affordability for Australian families. Greater child care affordability can deliver ongoing economic benefits by enabling parents to re-enter the workforce rather than caring for their children at home. In addition, early childhood care (ECC) can assist with learning and development to help children improve communication, trust and well-being. In 2015, the Productivity Commission estimated that around 165,000 Australian parents would like to work, but were prevented due to a lack of access to suitable childcare.

Government funding for ECC is high and has increased over recent years. In 2017-18, federal, state and territory government funding for ECC accounted for $9.2 billion of the $12.0 billion industry. Since 2010-11, ECC funding has increased by 55.0% in real terms. In July 2018, the Turnbull Government reformed child care subsidies by implementing a new subsidy system outlined in the $3.5 billion Jobs for Families Child Care Package. This policy created a new income-test child care subsidy (CCS), which increased support

**Reports mentioned:**
- Technical and Vocational Education and Training
for working families. The CCS offset 85.0% of child care fees for families earning up to $67,000, and this subsidy declined to 50.0% for families earning $170,000 or more. The CCS also involves an activity test to reduce subsidies for families where one or both parents do not work. This test determines the subsidy offered to a family based on the number of hours a parent spends working, studying, or looking for work during a fortnight.

Labor has announced a $4.0 billion reform to the childcare subsidy, which is intended to assist parents to enter the workforce. Under Labor’s plan, the 85.0% subsidy for families earning up to $69,000 would be increased to 100%. The subsidy would also be increased for families earning up to $174,000, while families earning greater than that amount would receive no improvement.

The effect of the activity test implemented in July 2018 will also be reviewed to ensure that children from low-income families are not disadvantaged by the childcare reforms. In an effort to reduce rent-seeking, Labor will ask the ACCC to monitor prices and has not ruled out price controls if child care firms use the increased subsidies to achieve greater profits. Labor has also sought to increase the number of skilled staff in the Child Care Services industry by pledging to increase employee wages by 20.0% over eight years. However, Labor has not specified how the wage increases will be delivered. The pledge to increase wages in this industry may present a challenge for Labor, as it could face pressure to offer similar wage pledges to other industries such as the Aged Care Residential Services industry.

Reports mentioned:
• Child Care Services
• Aged Care Residential Services
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- B0700 Oil and Gas Extraction
- I5021 Pipeline Transport
- Q8511 General Practice Medical Services
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- Q8401a Public General Hospitals
- H4511b Cafes and Coffee Shops
- H4511a Restaurants
- H4520 Pubs, Bars, and Nightclubs
- E3211 Land Development and Subdivision
- E3011 House Construction
- L6720 Real Estate Services
- A0152 Cotton Growing
- A0146 Rice Growing
- A0139 Citrus Fruit, Nut and Other Fruit Growing
- A0141 Sheep Farming
- C1111 Meat Processing
- G4111 Supermarkets and Grocery Stores
- A0160 Dairy Cattle Farming
- K6411b Mortgage Brokers
- K6221a National and Regional Commercial Banks
- P8010 Preschool Education
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