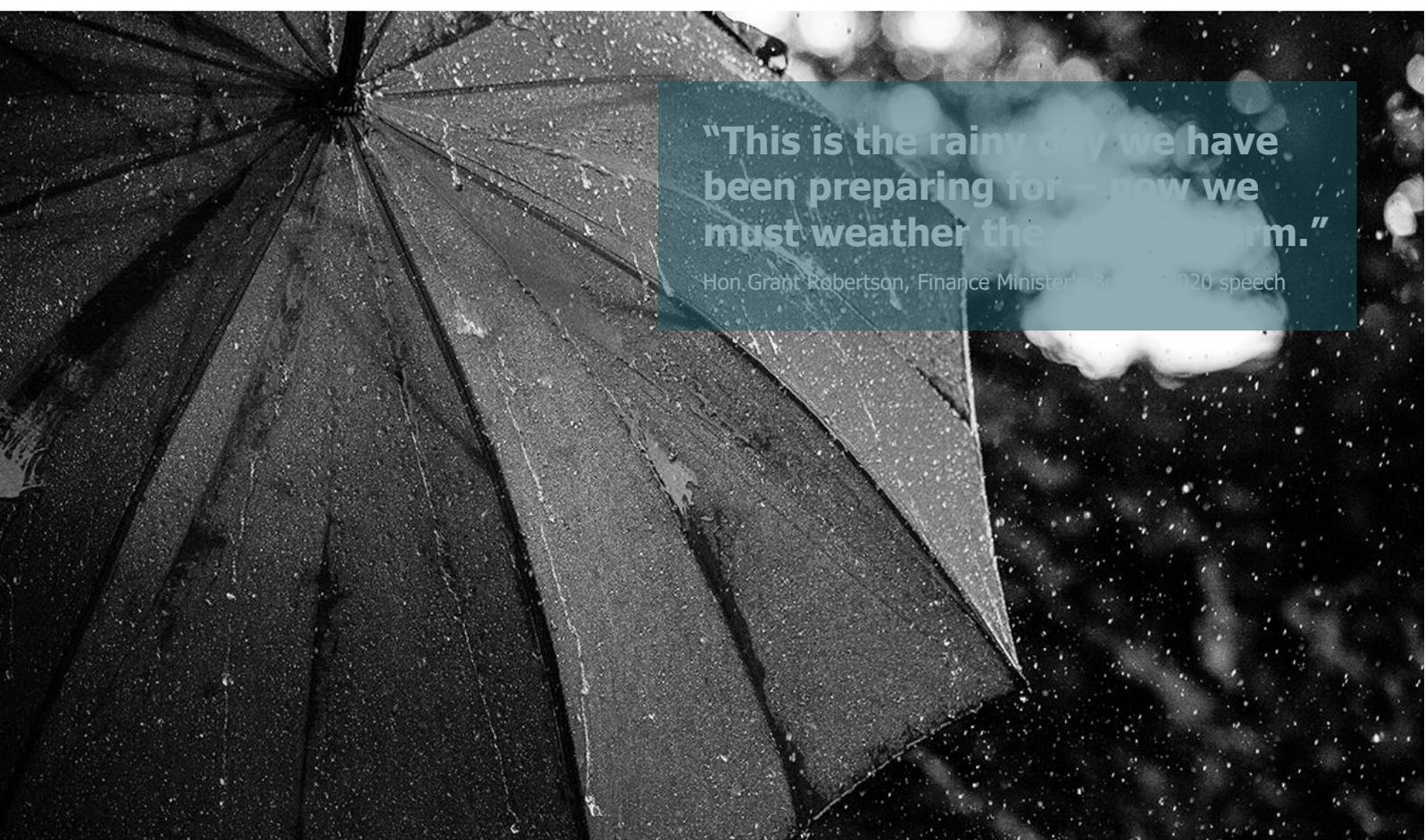


ACCELERATE

BUDGET ALERT



“This is the rainy day we have been preparing for – now we must weather the storm.”

Hon Grant Robertson, Finance Minister's Budget 2020 speech

It's hard to imagine a Budget being delivered into a more singular situation. The 2020 Wellbeing Budget's one job is to help New Zealand recover from the impact of the pandemic. The lockdown to safeguard us from a public health crisis has been phase 1. The Budget takes us into phase 2: economic recovery while staying clear of a second wave of COVID-19. We don't know at this stage how many more phases there will be.

The fear and uncertainty of the last few months has primed us to cut spending where possible and keep hold of every available dollar. The Budget 2020 theme is that for our economy to recover, people need money in their pockets and the confidence to spend it. For that to happen businesses need to be able to hold their teams together and grow.

The Update published by Treasury in the budget papers notes that \$62.1b has been made available to support the COVID-19 response. That includes \$12.1b to date and the \$50b COVID-19 Response and Recovery Fund established in the Budget. \$13.9b of the Fund has already been applied. \$15.9b is marked for more kickstart measures. \$20.2b is in kitty because the only thing we're certain of right now is more uncertainty still to come.

The jobs budget

The focus is on sustaining existing jobs, job creation, job training and retraining. To support this, Budget 2020 allocates funds to infrastructure investment, business support, housing development and construction, an environmental jobs package, and a trades and apprentices package.

Sustaining existing businesses

The economic response to COVID-19 from March forms a backdrop to the Budget. Although the Budget doesn't introduce any new tax measures, it builds on the business support strategies:

- a \$3.2b extension to the Wage Subsidy for a further 8-weeks (further to the 12-week period of the existing scheme) for those who, in the 30 days before application, suffered a 50% reduction in turnover compared with 2019
- broader refundability for Research and Development (R&D) tax credits is followed up with a \$150m short-term temporary loan scheme for R&D. As incentive to businesses to continue investment for future growth, the loans provide one-off finance
- assistance to exporting firms in a \$216m boost to New Zealand Trade and Enterprise
- lockdown spurred businesses to add or grow online operations. \$10m is earmarked for small businesses to improve e-commerce capability.

Job creation, training and retraining

In some sectors, it is hoped to generate activity creating new jobs. Other sectors will see a jobs exodus. People will need to retrain, either for restructured businesses or moves to other sectors. Budget 2020 addresses this with:

- \$5b for construction activity on 8,000 additional public and transitional homes. Public confidence in the Government's capability in this area has taken a hit. It's yet to be seen whether they can meet this goal
- \$1b to create 11,000 environment jobs (including regional projects, biosecurity, weed and pest control, and additional DOC jobs)
- a \$1.6b trades and apprentices package (including support for businesses to keep their apprentices, free apprenticeships and training in critical industries, increased enrolments in tertiary education and \$50m for Maori Apprentices and Trades Training)
- \$400m for a Tourism Sector Recovery Plan, recognising this is the first stage for a sector deeply affected by COVID-19 with a lot of uncertainty ahead
- a \$3b contingency boost for additional infrastructure, specific projects to be identified via the Infrastructure Reference Group, in partnership with local bodies and the Provincial Growth Fund.

Our Communities

It's a Wellbeing Budget: investment in health is critical. The brief is to keep everything going as well as being prepared for further response to the pandemic, with a total investment of \$5.6b in services and \$755m in capital investment, including:

- \$3.9b for DHBs
- a \$160m increase to PHARMAC's budget
- \$832.5m additional funding for services to people with long-term physical, intellectual and/or sensory impairment
- \$177m for maternity services

Transport infrastructure receives \$197.1m operating total and \$1.1b total capital, including \$399.5m to replace the ageing inter-island ferries, and \$421.7m to replace ageing locomotives and upgrade maintenance facilities.

The Budget invests nearly \$1b for the core provision of education services, as well as \$186m from the COVID-19 Response and Recovery Fund, specifically for supporting distance learning for students during lockdown.

The primary sector's critical role in economic growth is acknowledged in a core package of nearly \$500m. \$193.5m is pledged to continuing the Mycoplasma Bovis Eradication Programme and \$79.6m for rebuilding the forestry Emissions Trading Scheme (ETS) infrastructure.

New Zealand Department of Justice court buildings receive a \$163.5m capital upgrade for health and safety. Emergency services receive \$47.8m to upgrade its communication network.

Some expenditure, such as that for adult education and water safety, is relatively small but could make a difference for many.

We know this Budget runs up debt and we'll pay for it further on. This is generating lively debate to say the least. It's not like we're alone. Every country on the planet is facing hard choices at the moment. If we can stimulate growth over the coming quarters, we'll be in a more realistic position to talk about good fiscal control.

"We can do this because we went hard and early with our health response. Due to the amazing work of all 5 million New Zealanders during lockdown, our economic recovery is getting a head start."

Hon Grant Robertson, Budget 2020: Rebuilding Together.

