

## 2010-11 NSW Budget Overview



Invigorating Business Representation



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# CEO message

The Hon Eric Roozendaal MLC today delivered the NSW Labor Government's sixteenth Budget.

The 2010-11 Budget is the first Budget since the end of the GFC. It sees the Budget return to surplus and strong projections about NSW's future prospects for growth.

Importantly, the standing of NSW's AAA credit rating has been solidified by the Budget turnaround.

I believe that this Budget is a good Budget – it recognises the challenges NSW faces in terms of staying competitive, improving housing affordability and in investing in transport and infrastructure.

The Government has taken up the recommendation of NSW Business Chamber and accelerated its payroll tax reduction scheme. Whilst the cuts are modest – to 5.45% in January 2011, they do amount to a cut of \$300 million over four years and will bring NSW's payroll tax rate down to the lowest rate in 30 years.

Initiatives such as the capping of local government infrastructure levies, zero stamp duty for off-the plan properties under \$600,000 and a zero stamp duty initiative for over 65s will provide real incentives to encourage supply of additional housing in Sydney.

Given that the housing sector in NSW is worth \$17 billion and accounts for 5% of the State's economy, these initiatives will provide additional incentives for growth.

I am greatly encouraged by the Government's willingness to take a more pro-active approach in creating the right business culture in NSW. Decisions regarding the defence sector and attracting overseas investment are very welcome.

Whilst there are no real major new initiatives announced within the infrastructure budget, the Government has confirmed that it will spend \$62.2 billion on its infrastructure program over the coming four years.

Whilst all of these Budget announcements are welcome, I do believe that a greater focus by government on benchmarking and on improving performance will deliver a greater dividend for taxpayers. This is particularly important given that we have seen a significant increase in government employee expenses over and above the Government's 2.5% target.

We do believe that, in keeping with our *10 Big Ideas to Grow NSW* that NSW Business Chamber launched in March this year, the Government should have taken a more aggressive approach to encouraging regional development. This is an area where we will continue to argue the case in the months ahead.

This Budget Overview provides a detailed assessment of what is in the Budget for your business. I trust that you will find it useful.

Yours sincerely



Stephen Cartwright  
CEO, NSW Business Chamber

# Media Release

08 June 2010

## More than an election budget – it's actually a good budget!

NSW's largest business organisation, NSW Business Chamber, said the 2010-11 Budget provided the state with workable policies designed to improve the long-term competitive position of NSW.

Welcomed initiatives in the 2010-11 State Budget include:

- > Two cuts to payroll tax – 5.5% from 1 July 2010 and 5.45% from 1 January 2011,
- > Increase in payroll tax threshold from \$638,000 to \$658,000 on 1 July 2010,
- > Abolition of the insurance protection tax from 1 July 2011,
- > A Comprehensive Housing Supply Strategy that will introduce zero stamp duty for off-the-plan purchases of new homes up to \$600,000 (a potential saving of \$22,490 per home),
- > A 25% stamp duty cut on newly constructed homes,
- > Zero stamp duty for over-65s who sell their family home or downsize to a newly constructed home worth up to \$600,000,
- > An additional \$40 million for the Major Investment Attraction Scheme to attract large 'footloose' projects to NSW; and
- > A \$75 million defence industry package.

"This is more than an election budget – it is actually a good Budget. It seeks to create workable solutions to issues around business costs, expanding housing supply and investing in transportation and infrastructure", said Stephen Cartwright, CEO of NSW Business Chamber.

"It is fair to say that NSW has come through the GFC better than expected. However, there are still some clouds on the horizon and we have to work hard to improve the economic position of NSW.

"Treasury's projections for growth and jobs reflect a strong, diversified and competitive business sector. The GFC has highlighted that strong and competitive local businesses are the best antidote to global instability.

"We welcome the cuts to payroll tax. Payroll tax is more than a tax on jobs, as the Henry Review highlighted, it is also a tax on wages. Whilst the additional cut in January is small at 0.05%, business recognises that the Government has pursued a strategy of small incremental cuts. This strategy has resulted in NSW now having the lowest payroll tax rate in 30 years.

"The reforms in terms of housing supply are also significant. The planning reforms, changes to levies and the zero stamp duty opportunities will encourage the supply of new housing to remove some of the inefficiencies in the current system.

"Housing affordability has the potential to become a significant business issue in coming years as workers get priced out of Sydney accommodation. This will result in skills shortages and will increase pressure on transport and infrastructure.

"The initiatives in terms of the Major Investment Strategy Scheme, and the investment in defence jobs, also highlights a more pro-active approach by the Government in creating new business opportunities for NSW. These initiatives are welcome and supported.

"We also welcome the announcements about traineeships and apprenticeships for young people and we are particularly encouraged by the announcement of new trade schools."

Mr Cartwright said he was disappointed that the Government did not adopt a more aggressive approach to regional development in NSW.

"We need to invest further in our regional communities by encouraging relocations and by encouraging greater diversification in our regional communities. NSW Business Chamber argued for a Develop Regional NSW Fund and we believe there is still more to do in this area."

Mr Cartwright said another area of concern within the Budget was the increase in employment costs.

"The Mini-Budget in 2008 committed the Government to 2.5% cap in employee related expenses. According to the Budget papers, employee related expenses grew by 6.6% in 2009-10 and are forecast to slow by 4.7% per annum over the four years to 2013-14."

Mr Cartwright said it should also be noted that a Budget is exactly that – a Budget. It is not a document that benchmarks NSW against other jurisdictions, or highlights areas of efficiency.

"Budgets by their nature aren't reforming documents. Whilst this Budget delivers on reducing business costs, dealing with housing supply and invests in infrastructure, we do believe even more could be achieved if the Government undertook a comprehensive reform and audit of its own activities, work practices and performance.

# Fiscal Aggregates

## Budget result

The revised estimate of the Budget result for 2009-10 is a surplus of \$101 million (up from an estimated \$990 million deficit in the release of the 2009-10 Budget). This turnaround has been primarily driven by increased Government revenue flowing from improved conditions in the NSW economy.

The Budget result for 2010-11 is expected to be a surplus of \$773 million, with further surpluses forecast over the remainder of the forward estimates.

## Expenses

Total expenses are expected to reach \$56.9 billion in 2010-11, an increase of 2.7% (\$1.5 billion) on the revised 2009-10 estimate. Total expenses are expected to climb on average by 3.4% per annum over the four years to 2013-14 (or 4.7% per annum if the impact of the Federal Government's stimulus measures is excluded).

The most significant component of Government expenses is employee-related costs, which are estimated to account for 48% of total expenses in 2010-11. Employee related expenses are expected to increase by 6.6% in 2009-10, and by 4.7% per annum over the four years to 2013-14.

The rapid growth in employee-related expenses continues to contrast sharply with the Government's commitment in the Mini-Budget to restrain these costs to 2.5% per annum.

## Revenue

Total revenue is projected to reach \$57.7 billion in 2010-11, an increase of 3.9% (\$2.2 billion) on the revised 2009-10

estimate. Total revenue is expected to grow on average by 3.6% per annum over the four years to 2013-14 (or 5.7% per annum once the impact of the Federal Government's stimulus measures is excluded).

Tax revenue is expected to increase by \$1.4 billion to \$20.2 billion in 2010-11, an increase of 7.7% over the revised estimate for 2009-10. Payroll tax and transfer duty account for around half the expected growth of taxation revenue.

General purpose grants are estimated to increase by \$1.4 billion to \$14.8 billion in 2010-11, an increase of 10.3% on the revised 2009-10 estimate. The total pool of GST funds is expected to increase by 7.7% with the NSW share increasing in 2010-11 reflecting the net impact of the most recent Commonwealth Grants Commission review. Calls for an increase in the GST revenue to NSW is contained within NSW Business Chamber's *10 Big Ideas to Grow NSW*.

## Sustainability of State finances

In the 2009-10 Budget, it was evident that the Government was not on track to meet key fiscal targets, including many of the targets in the NSW Fiscal Responsibility Act. The State's ratio of net liabilities to operating revenue was 120.7%, placing NSW at risk of a credit rating downgrade.

With the significant improvement in the domestic economic outlook over the past 12 months, forecasts of fiscal sustainability have improved in a number of areas. In particular, the measure used by Standard & Poors to determine the NSW credit rating has improved over all years of the forward estimates, and now sits around 10% below the levels that would run the risk of a credit downgrade.

## Tax measures announced in the 2010-11 Budget

Measure	Revenue impact (a)			
	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Payroll tax reduction to 5.5% brought forward to 1 July 2010	-86			
Reduce payroll tax to 5.45% from 1 January 2011	-24	-62	-66	-69
Off-the-Plan Transfer Duty Concession	-60	-60		
Over 65s Transfer Duty Concession	-10	-10		
Abolish Insurance Protection Tax		-69	-69	-69
<b>Total</b>	<b>-180</b>	<b>-201</b>	<b>-135</b>	<b>-138</b>

(a) Revenue impacts are expressed in nominal dollars. These figures show the part-year effect of the revenue measures where the change starts during the year.

# Building for the future of NSW

## Business Taxes

The NSW Budget includes cuts to payroll tax and cuts to stamp duties delivering \$180 million in new tax cuts in 2010-11. This will mean \$654 million in new tax cuts in the four years to 2013-14.

- > Abolition of the insurance protection tax from 1 July 2011
- > Double cut to payroll tax, contributing to saving NSW businesses \$4 billion in payroll tax over the six years to 2013-14
- > The payroll tax threshold will be increased from \$638,000 to \$658,000 on 1 July 2010
- > Payroll tax cut due in January 2011 to be brought forward to July 1, 2010
- > Payroll tax will be cut again on January 1, 2011 to 5.45%
- > The NSW Government has cut the payroll tax rate four times in two years

## NSW Home Builder's Bonus

This Budget includes a two year comprehensive housing supply strategy for boosting housing construction.

- > The introduction of an Australian-first with zero stamp duty for off-the-plan purchases of new homes – saving up to \$22,490 for families and investors who buy a house or apartment worth up to \$600,000 in the pre-construction stage
- > 25% stamp duty cut on newly-constructed homes, saving the home buyer up to \$5,623
- > First home buyers receive up to \$29,490 in benefits if they buy off-the-plan in the pre-construction stage
- > Australian-first zero stamp duty for over-65s who sell their family home and down-size to newly-constructed home worth up to \$600,000

## NSW Industry Attraction and Investment

The 2010-11 Budget will provide \$129.8 million for investment attraction and industry development and \$95.3 million for small business and regional development. This includes:

- > An extra \$40 million for the Major Investment Attraction Scheme over two years to 2011-12 to attract large 'footloose' projects bringing jobs and investment to New South Wales
- > \$35.7 million of assistance to industries including an additional \$20 million to help attract large-scale film and TV production to New South Wales
- > \$5 million will be provided to the Screen NSW Production Investment Fund to support local productions, yielding an overall \$25 million funding boost for film and TV production
- > \$47.4 million for the Regional Development Assistance Package. The Package incorporates funding for a number of programs including the Building the Country Program, the Western Sydney Employment Fund and the Regional NSW Employment Fund
- > A defence industry package worth \$75 million will support up to 1500 new jobs and high technology industries

# Building for the future of NSW continued

## Jobs, Skills and Opportunities

This Budget commits over \$2 billion to vocational education and training and invests over \$200 million in targeted youth programs in 2010-11.

- > \$27 million for the Learn or Earn initiative to provide extra training opportunities for young people and boost apprenticeships, including delivering 5 trade schools as part of a five year program delivering 26 trade schools by 2011
- > Around \$25 million for 2,000 NSW public sector cadetships and around \$35 million for 4,000 apprenticeships on government construction projects over four years
- > It also provides \$11.4 million over two years for new initiatives to support unemployed young people to return to education, training or employment including:
  - \$5.5 million for 2,000 unemployed young people to undertake targeted pre-vocational training courses
  - \$3.9 million to fund employment advisors in schools and training centres in the Central Coast, Illawarra and Western Sydney, assisting in career advice and providing links to local training and employment opportunities supporting the initiative in increasing the school leaving age
  - \$2 million to support local community organisations which engage young people to keep them on the right track, including \$1 million to upgrade equipment and resources at youth centres for sports and skill based leadership programs

## Building NSW Infrastructure

The NSW Government is investing \$62.2 billion in infrastructure over the next four years - the largest of any Australian state, supporting up to 155,000 full time equivalent jobs per year.

- > \$22.3 billion over the next four years for the Metropolitan Transport Plan, including commencing work on the \$4.5 billion Western Express, 1300 new buses, and extensions the light rail network to Dulwich Hill and to Circular Quay
- > \$152.1 million upgrade of the Sydney Opera House - the biggest upgrade in the icon's history, improving public safety and security at Australia's No 1 tourist destination
- > Ongoing construction of the \$980.5 million new Royal North Shore Hospital, the largest health infrastructure project in NSW history, and the announcement of a \$91.8 million clinical services building also at Royal North Shore Hospital
- > \$166.2 million in 2010-11 to ensure police officers are equipped with the latest technology and are working in world-class facilities, including new police stations this year, expanding the use of cutting-edge DNA technology, delivering a new \$10.7 million twin-engine police helicopter, and 25 additional mobile police command units and more vehicles with Automatic Number Plate Recognition technology
- > More than \$2 billion in 2010-11 to upgrade NSW schools and TAFEs including new halls, gyms, classrooms, toilets and science labs
- > The NSW Government will extend the Community Building Partnership for another year - investing a further \$35 million into local communities across the state

# Infrastructure Investment Highlights

## Sydney

- > Continuation of the \$980 million redevelopment of the Royal North Shore Hospital including completion of the Community Health Services Building
- > Commencement of Stage 1 of the Northern Beaches health services redevelopment
- > Expansion of Concord Hospital renal services and St George Hospital Emergency Department
- > New mental health facilities at Hornsby Hospital – Adult Acute Mental Health Unit, Sydney Children’s Hospital – Child and Adolescent inpatient unit, and completion of the Prince of Wales Psychiatric Emergency Care Centre
- > Upgrade of Sydney Opera House improving public safety, security and vehicle access
- > Major building projects at 10 schools including Homebush West, Karonga and Neutral Bay Public Schools, and Chatswood High School
- > Major building projects at North Sydney, Northern Beaches, Randwick, and Ultimo TAFEs
- > Construction of 1,716 social and crisis accommodation housing units
- > Commencement of Western Express CityRail Service
- > Light rail line from Dulwich Hill to Lilyfield
- > Transport interchanges at Allawah, Hurstville, Kogarah, Narwee, North Strathfield, Sutherland and commuter car parks at Berowra, Mortdale, Padstow, Rockdale and Waterfall train stations
- > Upgrade at Hurstville train station and easy access upgrades to Burwood, Central, Martin Place and St James train stations
- > Planning and construction of new police stations at Burwood, Leichhardt and Manly
- > Upgrade of the John Maddison Tower / Downing Centre court complex
- > Inner West Busway including Victoria Road
- > Major expansion at Port Botany

## Western Sydney

- > Continuation of the major redevelopment of Liverpool and Nepean Hospitals, construction of the Auburn Hospital Community Hub, and investment in the Camden Hospital Dementia Centre
- > A new public school at Wilton, and major building projects at Hazelbrook and Hilltop Road Public Schools, and Cabramatta, East Hills Boys, East Hills Girls, Lachlan Macquarie College for Maths and Science, and Picton High Schools
- > Major building projects at Blue Mountains, Campbelltown, Granville, and Macquarie Fields TAFEs
- > Construction of 2,663 social and crisis accommodation housing units
- > New transport interchange, car park and easy access upgrade at Macarthur rail station, commuter car parks at 10 additional train stations and 5 additional transport interchanges
- > South West Rail Link, turnbacks at Homebush, Lidcombe and Liverpool stations and major upgrades to rail lines between Kingsgrove and Revesby and between Quakers Hill and Schofields
- > Planning and construction of new police stations at Camden, Granville, Liverpool, Parramatta and Riverstone. Expansion of Cobham Juvenile Justice Centre
- > Great Western Highway upgrades at Wentworth Falls East, and Woodford to Hazelbrook
- > Widening of the F5 from four to eight lanes between Brooks and Narellan Roads
- > Upgrades to Cowpasture Road, Camden Valley Way, and Erskine Park Link Road

# Infrastructure Investment Highlights continued

## Central Coast

- > Commencement of a new regional cancer care centre at Gosford and expansion of cancer treatment facilities at Wyong Hospital
- > Upgraded hospital facilities at Woy Woy Hospital
- > Major building projects at Lisarow High School, Gosford TAFE, and various local high schools for the Central Coast Industry Training Centre
- > Construction of 257 social and crisis accommodation housing units
- > New commuter car parks at Gosford, Woy Woy and Wyong train stations and Tuggerah train station easy access upgrade
- > Planning and construction of a new police station at Wyong
- > Dual Carriageway on the Central Coast Highway between Carlton and Matcham Roads and upgrade of Woy Woy Road intersection
- > Upgrade of Avoca Drive

## Illawarra – South East

- > Commencement of the new regional cancer centre at Nowra and health Multi-Purpose Service at Gundagai, and expansion of facilities at the Illawarra cancer care centre
- > Completion of mental health facilities and expanded renal services in Shellharbour Hospital, and renal services in Queanbeyan Hospital
- > Commencement of new elective surgery facilities at Wollongong Hospital
- > Major building projects at Bega and Jerrabomberra Public Schools, and Bega, Bomaderry, Karabar, Port Kembla, Ulladulla, and Wollongong High Schools
- > Major building projects at Nowra, Queanbeyan, Shellharbour, and Wollongong TAFEs
- > Construction of 625 social and crisis accommodation housing units
- > Commuter car parks at Wollongong train station
- > Unanderra train station upgrade including easy access
- > Planning and construction of new police stations at Bowral and Lake Illawarra
- > Construction of a new correctional facility at Nowra
- > Princes Highway – South Nowra duplication and planning and pre-construction for the Gerringong upgrade and Foxground and Berry Bypasses
- > Construction of a new Western Grandstand at WIN Stadium in Wollongong
- > Upgrade of Wyangala Dam
- > New bulk goods berth at Port Kembla



# Infrastructure Investment Highlights continued

## Hunter

- > Completion of upgrade of facilities at the James Fletcher Hospital in Newcastle, Nelson Bay Ambulance station, and Maitland Hospital Emergency Department
- > Major building projects at Callaghan College (Wallsend Campus), Dungog High School, Floraville Public School, and Newcastle Special Purpose Schools
- > Major building projects at Great Lakes, Hamilton, and Muswellbrook TAFEs
- > Tillegra Dam construction
- > Construction of 771 social and crisis accommodation housing units
- > Cardiff train station upgrade for easy access and commuter car park at Broadmeadow train station
- > Planning and construction of new police stations at Glendale and Raymond Terrace
- > Construction of a new justice precinct in Newcastle and the upgrade of Taree courthouse
- > Expansion of the correctional facility at Cessnock
- > Hunter Expressway from the F3 to Branxton
- > Thornton Bridge Duplication

## North Coast

- > Expansion of cancer treatment equipment and facilities at Coffs Harbour, Lismore, and Port Macquarie Hospitals as part of the North Coast Cancer Institute
- > New facilities at Maclean Hospital Emergency Department and upgrade to Grafton Base Hospital Emergency Department
- > Major building projects at Casino and Old Bar Public Schools, and Coffs Harbour, Kempsey, Kyogle and Wauchope High Schools
- > Major building projects at Ballina, Murwillumbah and Wollongbar TAFEs
- > Construction of 513 social and crisis accommodation housing units
- > Planning and construction of new police stations at Kempsey and Tweed Heads
- > Pacific Highway upgrades including dual carriageway on Ballina Bypass, Moorland and Herons Creek, and duplication between Coffs Harbour and Woolgoolga
- > Bruxner Highway bypass at Alstonville
- > Oxley Highway upgrade from Wrights Road to the Pacific Highway

## Inland New South Wales

- > Commencement of facility upgrades for Armidale, Bathurst, Dubbo, Tamworth, and Wagga Wagga Hospitals, and a regional cancer care centre at Tamworth
- > Continuation of the major redevelopment of Orange Base Hospital, Bloomfield Mental Health facility, and Narrabri Hospital
- > New health Multi-Purpose Services (MPS) at Werris Creek and Lockhart, and continuing construction of MPSs at Balranald, Coonamble, Eugowra, and Manilla
- > Major building projects at Carenne and Kalinda Schools and Tumut Public School, Ashford and Coolamon Central Schools, Dubbo College, and Gulgong High School
- > Major building projects at Armidale, Dubbo, Tamworth, Temora, and Wagga Wagga TAFEs
- > Construction of 772 social and crisis accommodation housing units
- > Rail upgrade for Marrangaroo Tunnel and Bathurst Bridge replacement
- > Planning and construction of new police stations at Deniliquin, Moree, Parkes and Walgett and the upgrade of Tenterfield police station
- > Upgrade of Armidale courthouse and redevelopment of Riverina Juvenile Justice Centre
- > Construction of Newell Highway Bypass at Moree
- > Hume Highway Bypasses at Holbrook, Tarcutta, and Woomargama
- > Barton Highway Improvements
- > Upgrade of Blowering, Burrendong, Chaffey, Copeton, and Keepit Dams



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- 1** Ensure taxpayers get better value for money by auditing government services and performance.
- 2** Create jobs by cutting employment taxes and red tape.
- 3** Protect the NSW Budget by fighting for a fairer share of the GST.
- 4** End the blame game in hospitals by handing funding to the Federal Government.
- 5** Move economic growth to the centre of State Government decision making by establishing the Department of Business Growth.
- 6** Encourage growth in regional NSW through funding government and business relocations to regional areas.
- 7** Get the politics out of infrastructure by establishing Infrastructure NSW.
- 8** Take charge of Sydney traffic by appointing a Transport Tsar.
- 9** Help Sydney prepare for the future by creating 10 super councils.
- 10** Better prepare young people for the workforce by improving the HSC for students not attending university.

## Invigorating Business Representation



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