

2011–2012  
**NSW STATE  
BUDGET**  
Overview



# NSW Business Chamber Budget Statement

## Strong Budget for Challenging Times says Business

NSW's peak business group, NSW Business Chamber, said the first Budget of the O'Farrell Government had laid a strong fiscal foundation for NSW.

"The Budget, State Plan and Inter-Generational Report demonstrate a clear and compelling vision for NSW, which has been lacking in previous years", said Stephen Cartwright, CEO of NSW Business Chamber.

"The NSW Treasury Forecasts for growth and employment for NSW make sober reading. The ongoing pressure of the two-speed economy means that the State Government must accept the need to make its own Budget sustainable in the medium term.

"This is a strong Budget that tackles unnecessary expenses growth, cuts bureaucracy, and invests heavily in much needed infrastructure. As importantly, through contestability, privatisations and efficiency dividends, we are going to see improvements in State Government productivity.

"The Treasurer is right when he says a Government that loses control of its finances loses control of its destiny – this Budget strengthens the balance sheet, takes control of expenses and translates this strength into significant investments in infrastructure.

Key initiatives in the Budget welcomed by business include:

- Budget in balance over the forward estimates – eliminating the projected \$5 billion gap;
- The aligning of expenses and revenue growth (at 4.5% pa over the forward estimates) resulting in the reduction of the long-term fiscal gap by 1%;
- Long-term leasing of Port Botany – introducing further contestability into our ports;
- Savings of \$2 billion to taxpayers through changes to government wages policy;
- Long-term lease of Desalination Plant;
- \$130 million to attract jobs and investment to NSW through the State Investment and Attraction Scheme and the Regional Industries Investment Fund;

- Investments in critical economic infrastructure such as the North West Rail Link (\$314 million), South West Rail Link (\$292 million) the Pacific Highway (\$1 billion) and Princes Highway (\$80 million);
- The quarantining of the impacts of the Carbon Tax on the NSW Budget through administrative changes to mining royalties; and
- Record Infrastructure spending of \$62.5 billion including \$70 million to fund the local government infrastructure backlog and specific funding commitments through the Hunter Investment and Infrastructure Fund (\$350 million) and for regional NSW through the Restart NSW Fund.

Mr Cartwright said the Government in the Budget, State Plan and Inter-generational Report had set a very clear direction for NSW which should ensure the State's finances were sound allowing the Government significant flexibility for unforeseen events.

"The Government has a very clear mandate to drive change within the public sector and this Budget delivers on that key commitment.

In relation to key announcements within the Budget, Mr Cartwright made the following comments:

## Employee Costs

"Employee costs this year are running in excess of \$29 billion and make up 49% of all government expenses. The previous Government had allowed all areas of employee costs to be considered off-limits and as such, it never truly had expenses growth under control.

"Changes to wages policy and the offering of voluntary redundancies and natural attrition will see this Government re-assert control.

## Stamp Duty Changes

"This is a very smart change to an existing tax incentive. It's economically and fiscally sensible.

"This change targets State tax incentives for first homebuyers and shift them towards new dwellings. It also saves taxpayers over \$1 billion.

"This will be a shot-in-the-arm for housing construction market. NSW has underperformed in terms of new housing stock for a range of reasons and this initiative will help address that underperformance.

## Climate Change Fund Contributions and Electricity Prices

"The blow out in the Solar Bonus Scheme highlights what can happen with untested policy initiatives that seek to intervene in the market place. This small increase in electricity prices is unpleasant but a reminder of what might happen if the Gillard Government's Carbon Tax becomes law.

## Port Botany Leasing

"Business is very supportive of the decision to lease Port Botany and to increase contestability in this critical sector.

"The Government has demonstrated that asset sales in one area can provide the funding for new economic assets in other parts of the State.

## Contestability

"I am very confident we will see, in area of the road maintenance, opportunities to provide taxpayers greater value for money. This decision by the Government will drive productivity in a critical area of infrastructure delivery.

"Contestability is about opening government up to the productive and efficient practices of the private and non government sectors as a way of driving change.

"Directionally the Government is heading the right way and I hope over coming years we will see an acceleration in this important area of government.

## State Plan

"Previous State Plans, whilst an excellent concept, were butchered by the previous Government. The process morphed from an exercise in accountability into an exercise in PR and marketing.

"We take this State Plan at face value and welcome the goals and targets it sets for NSW. The State Plan sets goals for employment, investment and industry targets. Business wants to work with Government in ensuring NSW is the best place for jobs and investment.

# Fiscal Aggregates

## Budget result

The revised estimate of the Budget result for 2010-11 is a surplus of \$164 million (excluding the impact of stimulus payments).

The Budget result for 2011-12 is expected to be a deficit of \$809 million (excluding the impact of stimulus payments), with surpluses totalling \$600 million forecast over the remainder of the forward estimates.

## Expenses

Total general government sector expenses are expected to reach \$59.7 billion in 2011-12, an increase of 7.1% from 2010-11. Total expenses are expected to climb on average by 4.2% per annum over the next four years, (or 4.5% 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 49% of total expenses in 2011-12. Employee related expenses are expected to increase by 6.6% in 2011-12, and by 3.7% per annum over the four years to 2014-15. If growth in employee expenses can be constrained to this level over the next four years, it will stand in stark contrast to the 6.6% average growth in employee expenses experienced over the four years from 2007-08 to 2010-11.

## Revenue

Total revenue is projected to reach \$59 billion in 2011-12, an increase of 3.5% on the \$57 billion received in 2010-11. Total revenue is expected to grow on average by 3.7% per annum over the next four years (or 4.5% per annum once the impact of the Federal Government's stimulus measures is excluded).

This relatively slow growth reflects the expiry of a number of National Partnership agreements with the Australian Government during the forward estimates period; if these were excluded, revenue growth over the next four years would average 5.0%.

Tax revenue is forecast to grow by an average of 5.1% per annum over the four years to 2014-15. Land tax and payroll tax are the two taxes growing most quickly, with revenue growth over the next four years from these two taxes averaging 6.9% and 5.8% respectively.

## Sustainability of State finances

The Budget result, relative to the position in March, has improved by \$4.3 billion over the four years to 2014-15. This has seen the net lending result improve by \$3.4 billion. The improvement in the general government balance sheet relative to March has also improved the State's overall financial obligation, as measured by the Standard and Poor's ratio.

Standard and Poor's has previously stated that the "ratings on the state are likely to come under pressure if the ratio of net financial liabilities (net debt and unfunded superannuation) to operating revenue exceeds 120%–130% because of a change in government policy." In the current NSW Budget, this ratio is projected to rise progressively from 98.1% in 2010-11 to 111.8% in 2014-15.

With the ratio still rising, more work will need to be done in future Budgets to set the ratio on a downward trajectory. Nonetheless, the policy measures underpinning this fiscal improvement have set a platform for the ongoing fiscal sustainability needed to withstand future economic and fiscal shocks.

## Tax Measures Announced in the 2011-12 Budget

Measure	Revenue Impact <sup>(a)</sup>			
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Target first home buyers' stamp duty concession to newly built homes	131	277	305	336
Increase coal royalties for firms liable to the Australian Government's Minerals Resource Rent Tax		235	244	465
Lower licence fees for safe drivers		-24	-29	-37
Increase Climate Change Fund contributions to offset SBS costs			150	150
Payroll tax rebate for workers with a disability	-2	-2	-2	-2
<b>Total</b>	<b>129</b>	<b>486</b>	<b>668</b>	<b>912</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.

# Jobs and Investment

## Jobs Action Plan

- The Government is targeting 100,000 new jobs by providing a payroll tax rebate to employers the equivalent of one year's average payroll tax bill for each new employee for the first year on the job
- 40 per cent of new jobs are reserved for regional areas and 60 per cent of new jobs for metropolitan areas
- Metropolitan New South Wales includes metropolitan Sydney, including Gosford and Wyong, and the local government areas of Newcastle and Wollongong
- This program delivers on the government's commitment towards jobs growth in New South Wales

## Trade and Investment

- \$130 million to attract industry and develop businesses through the State Investment Attraction Scheme and the Regional Industries Investment Fund, which will help to improve the state economy's performance, drive economic growth in regional areas and complement the Jobs Action Plan
- \$10 million to continue investments under the Science Leveraging Fund, which helps to attract federal funding, develop research nodes and increase business innovation
- \$1.9 million to maintain the operations of four trade offices in China (Shanghai and Guangzhou), India (Mumbai) and the United Arab Emirates (Abu Dhabi)
- \$1.8 million for a range of exporter services covering education, market entry and expansion to grow exports from New South Wales.

## Resources and Energy

- \$152 million in energy rebates for eligible customers to help them pay their energy bills and so contain electricity costs
- \$29 million to research, develop and demonstrate clean coal technologies as part of the Government's \$100 million commitment to the Coal Innovation NSW Fund (previously known as the Clean Coal Fund)
- \$5.5 million to extend the New Frontiers program to attract investment in petroleum and mineral exploration in underexplored areas and to grow production of these resources
- \$2.1 million to develop a land use policy for coal and coal seam gas assessment to grow the mining sector while protecting prime agricultural land

## Regional Support

- Over \$53 million has been set aside for the Regional Industries Investment Fund to drive economic growth in NSW regions
- Up to 40,000 families will be encouraged to move to regional NSW with regional relocation grants
- \$16 million for regional tourism, including \$5 million for a new Regional Product Development Fund

# Infrastructure

Infrastructure expenditure over the forward estimates totals \$62.5 billion, which is an increase of 12.4 per cent on the past four years. Total spending on transport and roads is budgeted to be \$13.1 billion in 2011-12, which is \$1.4 billion or 12 per cent higher than the 2010-11 Budget.

## Major Infrastructure Investments

- \$314 million to develop the 23km North West Rail Link between Epping and Rouse Hill, including \$222 million to buy land
- \$292 million to continue construction of the South West Rail Link, which includes 10.5km of twin track between Glenfield and Leppington, two new stations at Edmondson Park and Leppington, car parking and a train stabling facility at Rossmore
- Commitment to at least match federal funding for the Pacific Highway of up to \$468 million to 2103-14
- Announcement to refinance State-owned assets at Port Botany, in addition to leasing of Sydney Desalination Plant to fund priority infrastructure projects through Restart NSW Fund. Funded projects will be recommended by Infrastructure NSW. Thirty per cent of these funds is reserved for non-metropolitan areas, including mining-affected communities
- \$110 million to roll out electronic ticketing which will start with ferries in late 2012
- \$41 million this year of the four year \$200 million safety and congestion package
- \$105.8 million for infrastructure to meet the needs of new Waratah trains and the delivery of new Waratah trains worth \$358 million. \$76 million to deliver commuter car parks and public transport interchanges, including delivery of four new car parks and seven interchanges currently under construction
- \$152 million to buy and upgrade rolling stock of trains, including \$130 million toward 99 new carriages for outer suburban services, \$15.1 million for rolling stock enhancements and \$7 million for the internal emergency door release program
- 261 new buses worth \$118.8 million including 95 buses for State Transit and 166 for private operators
- \$159 million for the Country Regional Network, including \$57.5 million for new sleepers on tracks, \$10.3 million to renew bridges and \$3.7 million to convert jointed rail to continuous welded track
- \$45 million for new bus depots to accommodate the expanding fleet
- \$9.2 million will be invested over four years for the free shuttle bus services
- \$102 million over four years to provide more express rail services

## Sydney

- \$51 million to start building the Wynyard Walk, a direct pedestrian link between the new Barangaroo development and Wynyard Station and transport interchange
- \$103 million to expand light rail, with the funding to go towards the inner west light rail extension and to examine the feasibility of running light rail through the CBD and from the CBD to both the University of NSW and University of Sydney
- \$13.4 million invested in 2011-2012 to improve ferry wharves, and \$11.8 million over four years to expand ferry services
- \$197.9 million for reliability improvements under the Rail Clearways Program to continue construction works for the Liverpool turnback, the Kingsgrove to Revesby quadruplication, the Richmond line duplication and a new platform at Macarthur
- \$3 million will be spent to investigate the possibility of providing a bus rapid transit system for the northern beaches

## Western Sydney

- \$15 million to continue work on a new stabling facility at Emu Plains
- \$8.6 million in 2011-12 for NightRide bus services to ensure people can get home safely at night, including \$1.8 million out of an additional \$7.6 million to be provided over four years to increase services. The electorates of Londonderry, Macquarie Fields, Parramatta and Riverstone are among those to benefit from this initiative
- \$25 million to complete widening the F5 between Brooks Road and Narellan Road improving access for south western Sydney motorists
- \$7 million to complete the upgrade of the northern approach to Alford's Point Bridge at Padstow Heights, including a new bridge over Henry Lawson Drive (total project cost \$42 million)

# Infrastructure continued

- \$15 million to complete widening of Camden Valley Way from Cobbitty Road to Narrellan Road, Harrington Park (total project cost \$33 million)
- \$6 million for the upgrade of Hoxton Park Road to four lanes between Banks Road and Cowpasture Road, Hoxton Park (total project cost \$62 million)
- \$16 million to start construction of the Erskine Park Link Road to service the Western Sydney Employment Area

## Illawarra and South Coast

- \$10.5 million to continue Wollongong stabling works
- More than \$80 million this year on major upgrades to the Princes Highway including projects at Gerringong, South Nowra, Victoria Creek and Bega

## Hunter

- \$350 million over four years to establish the Hunter Infrastructure and Investment Fund
- \$570 million for continuing work on the \$1.7 billion Hunter Expressway, a new 40 kilometre four lane freeway between Newcastle and the Hunter
- \$5 million towards upgrading the Hunter Region wine roads
- \$5 million towards upgrading the Raymond Terrace to Dungog Road, in the Upper Hunter
- \$25 million for the Hunter Development Corporation to assist in developing a city campus for the University of Newcastle

## Central Coast

- \$38 million to widen the Central Coast Highway to four lanes between Erina and Wamberal, improving accessibility between the F3 Sydney Newcastle freeway and beach suburbs on the Central Coast

## North Coast

- \$2 million to conduct a study of north coast rail services
- \$1 billion this year to upgrade the Pacific Highway, including completing the Ballina bypass and Glenugie upgrade and progressing bypasses of Buladelah, Kempsey and Woogoolga

- \$23 million to complete widening the Oxley Highway to four lanes from Wrights Road, Port Macquarie to the Pacific Highway (total project cost \$115 million)
- \$1 million to upgrade Lemon Tree Passage Road, Port Stephens
- \$4 million towards Grafton Bridge planning

## Inland NSW

- \$250 million to duplicate the Hume Highway including funding construction of the Holbrook, Woomargama and Tarcutta bypasses, which are key links in providing a four lane divided highway between Sydney and Melbourne
- \$119 million towards upgrading the Great Western Highway across the Blue Mountains
- \$7 million for road safety improvements on the Barton Highway at Gounyan (total project cost \$22 million)

## Local Government Infrastructure and Planning

- \$70 million over five years to 2015-16 (including \$3.5 million in 2011-12) to implement its Local Government Infrastructure Backlog Policy which provides capacity of up to a billion dollars in additional investment by local councils. \$37.1 million in an effort to stimulate housing growth
- \$7.5 million over two years had also been allocated to deliver a planning system that is simple, fair and transparent
- \$5.1 million allocation over three years to support the Government's Strategic Regional Land Use Plans
- \$12.9 million over three years to provide for the ongoing work of the independent Planning and Assessment Commission (PAC)
- \$4.6 million (over two years) to continue the work of the Joint Regional Planning Panels



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