



## Difficult decisions to protect NSW's finances

November 11, 2008

The 2008-09 Mini-Budget keeps NSW's financial position strong in the most uncertain economic times since the Depression of the 1930s, Treasurer Eric Roozendaal said today.

"The Mini-Budget takes responsibility for securing NSW's economic future during these tough times. That means difficult decisions have been made, but they are for the long-term good of the state," Mr Roozendaal said.

"Frontline services are protected in the Mini-Budget and we have started the process of reforming the public sector.

"NSW will maintain the biggest public infrastructure investment program in Australia – and we are able to do so because Government has tightened its belt."

Mr Roozendaal said the Mini-Budget sets a course to preserve NSW's AAA credit rating. Key features of the Mini-Budget are:

- A forecast budget deficit for 2008-09 of \$917 million
- A budget surplus of \$138 million in 2009-10, a budget surplus of \$573 million in 2010-11 and a budget surplus of \$900 million in 2011-12
- Targeted expenditure of \$850 million, including measures to stimulate the local economy
- Savings totalling \$3.3 billion over the next four years
- Revenue measures to raise \$3.6 billion
- Confirmation of business tax cuts worth \$1.9 billion

"The NSW Budget can withstand a deficit for one year," Mr Roozendaal said.

"The Mini-Budget clearly sets out the path to return to surplus from next financial year," Mr Roozendaal said.

"The NSW Government has made difficult decisions in this Mini-Budget, necessitated by the tough economic times we face and in order to protect our financial future."

The 2008-09 Mini-Budget:

- Secures the state's future power needs with the continued public ownership of generators and transmissions and distribution networks; the sale of the retail arms of EnergyAustralia, Country Energy and Integral Energy; the sale of power generation sites for development; and the transfer of electricity trading functions to the private sector
- Quarantines frontline services but targets bureaucratic waste and inefficiency

- Maintains the biggest infrastructure investment program in Australia
- Stimulates the housing sector with a new \$3000 grant for first home buyers who build or buy a newly constructed home over the next 12 months
- Provides for a review of infrastructure levies, including Section 94 levies to stimulate new housing construction
- Sets a new way forward for public transport and congestion management, including the Australian-first introduction of time-of-day tolling on the Sydney Harbour crossings, a \$170 million investment in 300 additional buses and \$370 million for additional outer suburban Oscar carriages

Mr Roozendaal said the size of the fiscal challenge means increased Government revenues are also needed. They include:

- A 2 per cent land tax on the unimproved value of land worth over \$2.25 million. Importantly, this does not include principal places of residence or rural land and will not affect 94 per cent of land tax payers
- The extension of environment levies for non-recycled waste and an increase in coal royalties, increasing revenue by \$1.3 billion over the next four years
- Deferring the abolition of Intergovernmental Agreement taxes, increasing revenue by \$932 million dollars in the forward estimates

There will be further reforms to Greenslip insurance, providing ambulance and hospital coverage for at-fault drivers. This extra coverage will add around \$10 to the cost of the average green slip but it is expected to produce savings in the public health system of \$100 million over the next four years

Reforms to the \$470 million school travel scheme, introducing a co-payment of \$45 for primary school students and \$90 for high school students, with a cap of \$180 per family and the inclusion of a hardship provision. This is a \$33 million annual saving to the Budget.

Mr Roozendaal said the Mini-Budget reaffirms the NSW Government's wages policy requiring public sector wage increases over 2.5 per cent be met through productivity improvements that deliver cost savings.

"In 2007-08 state final demand grew by a very strong 4.3 per cent, gross state product grew 2½ per cent and employment grew 2.4 per cent, while unemployment dropped to a generational low of 4.6 per cent," Mr Roozendaal said.

"In 2008-09 growth in state final demand is expected to slow to 1½ per cent, GSP to 1¼ per cent, and employment growth to ½ per cent.

"Unemployment is expected to rise to 5¼ per cent, while inflation is expected to ease back to 3¾ per cent."

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