

New South Wales

2016-17 Budget Speech

Delivered on 21 June 2016 by
The Hon. Gladys Berejiklian MP, Treasurer,
and Minister for Industrial Relations

Madam Speaker,

NSW is leading the nation.

Our State is the engine room of the national economy and the infrastructure capital of Australia.

We are also leading the way in service delivery and innovation.

We are ensuring equality of opportunity for all of our citizens no matter where they live or what their circumstances and we are providing support to the most vulnerable.

But it has not always been this way.

When we first came to Government in March 2011 NSW was the economic basket case of the nation.

Labor had left behind massive deficits, rising debt, an infrastructure backlog fuelled by a string of cancelled projects, unsustainable expenses growth, unemployment higher than the national average and a litany of failed and messy contracts.

For five years our Government has worked tirelessly to turn this State around.

We have worked hard to provide the economic conditions, the modern services, the infrastructure and the opportunities the people of this great state have always deserved.

Today's budget bears the fruit of that hard work but also proves that we have no intention of slowing down.

It demonstrates how far we have come and reaffirms our commitment to increase the prosperity and quality of life for every single one of our citizens.

Budget highlights

Madam Speaker, the NSW Government will deliver a surplus of \$3.4 billion in 2015-16.

The budget forecasts an even higher surplus of \$3.7 billion in 2016-17.

We also forecast surpluses in each year over the budget year and forward estimates, averaging \$2 billion each year.

Our fiscal discipline and asset recycling strategy has ensured that net debt in the general government sector today is virtually zero.

Our triple-A credit rating has been reaffirmed by both ratings agencies since the last budget.

Importantly we have achieved this position while delivering quality services and infrastructure for the people of NSW.

Today's budget forecasts record infrastructure investment of \$73.3 billion over the next four years.

State funded investment in infrastructure will average \$12.1 billion a year over the next four years.

That is almost double what the Labor Party spent on infrastructure in its last four years in office.

At the same time, we also are delivering record expenditure on essential frontline services – with greater investment than ever before in critical areas such as health, education and family and community services.

We continue to employ more front line workers – more teachers, more nurses, and more police – while also keeping the back office in check.

And we are investing heavily in creating the jobs of the future.

In the last year, NSW has created 141,800 jobs, almost two-thirds of the jobs added nationally.

Madam Speaker, it is no use delivering surpluses and triple-A credit ratings unless our citizens are able to prosper and have a better quality of life.

The Liberals & Nationals Government understands that financial discipline and economic competence provides Government with the resources to make a positive difference to the lives of everyone in NSW.

Economic outlook

Madam Speaker, our State's economic indicators and our budget position are strong.

Economy activity in NSW has grown faster than the rest of Australia over the last year and is forecast to do so again next year.

Growth in NSW domestic demand is over four times stronger compared to the national average over the last year.

Above-trend economic growth is expected to continue over the next two years, with Gross State Product forecast to grow by 3 per cent in 2016-17 and 2¾ per cent in 2017-18.

State Final Demand is expected to grow by 3½ per cent next year.

Household consumption, dwelling construction and public investment are expected to remain at high levels over the next two years, supporting economic activity.

Non-mining business investment, especially in services, and net overseas service exports are also expected to contribute to growth.

NSW net interstate departures are at their lowest levels since the late 1970s and population growth of 1½ per cent is expected each year over the next two years – the clearest indication that NSW really is the place to be.

These positive outcomes are within the context of a global economy that is only forecast to improve modestly over the next year and where the outlook for the rest of Australia remains relatively subdued.

Madam Speaker, our Government's record infrastructure spend over the past five years has underpinned these outstanding economic circumstances. Our record investment has provided jobs and supported private investment and business confidence.

NSW has become the first half a trillion dollar state economy in Australia.

If NSW was a standalone country, it would be in the top 20 per cent by size of economy.

It would be twice the size of New Zealand, 50 per cent larger than Singapore and Hong Kong, and of similar size to Norway.

One of the best indicators of the success of our strategy is that this budget predicts the State's net worth – that is, the value of our total assets less liabilities – will increase by an extraordinary 30 per cent over the budget and forward estimates as we continue to build productive infrastructure and strengthen our balance sheet.

That is unprecedented in recent history.

Our net worth will increase by \$59 billion or more than 30 per cent to almost \$250 billion by June 2020 – again, driven by our asset recycling policies and investment in productive infrastructure.

Infrastructure

Overall, infrastructure expenditure in 2016-17 in health will increase by 14 per cent on this year, education by 37 per cent, transport and roads by 16 per cent, police by 59 per cent and TAFE by 76 per cent.

Madam Speaker, infrastructure is driving our economy and our economy is driving the nation.

This budget confirms a further \$9.5 billion in funds from Restart NSW for major infrastructure across the State, including towards our \$20 billion Rebuilding NSW plan.

In particular, commitments to public transport, hospitals, roads, schools, regional water infrastructure and tourism, sport and cultural infrastructure are included in this budget.

Infrastructure investment across the State is supported by the confidence and certainty in the operating environment the Government is providing for business.

This budget confirms that three State taxes will be abolished from July 1 this year, saving businesses more than \$400 million a year, totalling around \$1.8 billion over the budget and forward estimates.

We will abolish duty on business mortgages and unlisted securities, and transfer duty on non-real business assets as we said we would.

Last year alone there were more than 250,000 transactions or hits to business from these three taxes.

During the 2015 State election, the Labor Party said it would defer the scrapping of these taxes indefinitely to partially pay for its infrastructure projects.

Labor just doesn't get it and they never will. If you believe in creating jobs and economic growth you must support and enable business to operate efficiently.

Madam Speaker, we appreciate that housing affordability remains one of the biggest challenges of our time. We have worked hard to deal with the pent up demand for housing stock left by those opposite.

As a result, housing approvals are around record highs, with annual home approvals now above 70,000 dwellings.

This is more than double the number of approvals averaged by Labor in each year of its last term.

The figures show that our construction pipeline is continuing to grow and that more housing stock is on its way.

This Government has always said the key to affordability is supply and already, NSW new residential construction is growing at around 23 per cent – a rate of growth unrivalled by any other state.

To continue that pipeline the Government has identified \$262 million from the Housing Acceleration Fund to support infrastructure around new developments in South West and Western Sydney. Almost \$1 billion has been committed to this Fund since its inception under our Government.

The Government is also introducing surcharges for foreign investors in residential real estate. This brings NSW in line with many other jurisdictions across Australia and around the world.

A transfer duty surcharge of 4.0 per cent will apply to all purchases from today and a land tax surcharge will apply at a rate of 0.75 per cent from 1 January 2017.

The surcharges are expected to generate around \$1 billion in revenue over four years that will be invested into vital services such as health and education.

Jobs

Madam Speaker, as I have mentioned jobs growth in NSW has been exceptional.

Since coming to office in 2011, NSW has created 338,600 jobs.

In the last year, 141,800 jobs were created across the State, almost two-thirds of the jobs created nationally.

Before the last election we had committed to creating 150,000 jobs in this term of Government.

The NSW Government has met its election commitment in just 13 months, with 154,000 jobs created since April 2015.

Madam Speaker, jobs growth in regional NSW is especially outstanding. Nearly half of all jobs created over the last year to April have been in the regions. Regional NSW has created more jobs than the total created in the regions across the entire nation.

The NSW unemployment rate, at 5.2 per cent, is the lowest of any state in Australia.

These results have occurred with workforce participation picking up to near record highs.

Employment is forecast to grow by an above-trend rate of 1¼ per cent in 2016-17 and 1½ per cent in 2017-18.

The unemployment rate is expected to gradually decline to 5 per cent over the next two years.

Madam Speaker, our Government will work hard to ensure that not only will we maintain the level of jobs growth but that NSW invests in the jobs of the future.

The budget delivers:

- \$190 million over four years to the Jobs for NSW fund, to tap the insights and knowledge of leading private sector minds to help drive government policy to grow the economy and create jobs
- \$100 million over two years for the Smart, Skilled and Hired Program to help address youth unemployment and ensure our young people have the opportunity to participate in our strong jobs growth
- a re-targeting of the Jobs Action Plan to businesses with 50 or less employees and increasing the rebate for employers who take on an extra employee from \$5,000 to \$6,000
- increasing the contestable VET sector budget by \$29 million and creating an extra 50,000 vocational education places
- a \$10 million social impact investment to target areas of the State with high youth unemployment.

Services

In 2016-17, we will make record investments in key services including health, education and family and community services.

These investments will prepare New South Wales for the demographic and economic challenges outlined in the 2016 Intergenerational Report.

Health

This Budget delivers a record \$21 billion investment in health services, up 5 per cent or \$972 million since last year.

The investment will support 900 additional nurses, doctors, midwives, allied health professionals and hospital support staff.

It will support 79,000 extra emergency department attendances and 43,200 extra admissions.

It also includes a record \$1.8 billion investment on mental health services.

The budget provides almost \$1.6 billion for Health's capital program including major investment in hospitals at Blacktown, Gosford, Northern Beaches, Randwick, Ryde, St George, Sutherland, Westmead, Armidale, Ballina, Bowral, Broken Hill, Dubbo, Lismore, Maitland, Muswellbrook, Newcastle's John Hunter, Port Macquarie, Singleton, Tweed and Wagga Wagga.

Just to name a few.

Education

Madam Speaker, as you would especially appreciate a good education allows all children and young people the opportunities to reach their full potential, no matter what their circumstances.

A high quality education will also prepare the next generation for the job opportunities of the digital age and ensure NSW has the skills to support our economic growth.

That is why the Government will spend a record \$13.3 billion on school education services in 2016-17, an increase of \$900 million or 7.2 per cent.

Our increased expenditure will support a spike in NSW student enrolments which are expected to grow by an unprecedented 40,000 students over the next four years.

I am pleased to also announce today a major boost to school infrastructure that will see more schools and classrooms built across the State.

Madam Speaker, nearly \$1 billion extra has been allocated over the next four years, bringing the total schools capital spend to \$2.6 billion, up more than 50 per cent from the forward estimates of last year's budget.

Nearly \$1 billion for new schools and school upgrades will deliver around 1,100 state of the art classrooms across the State.

We will also attack the maintenance backlog in schools, increasing spending by more than double to \$330 million over the next two years.

The Government will detail the recipients of this boost in investment over the coming months.

Transport and roads

In 2016-17, the Government is allocating a total of \$20.2 billion to transport and roads infrastructure and services.

We are busting congestion to reduce the daily commute and we are investing to improve the customer experience.

That is why since coming to office, the NSW Government has delivered more than 15,800 extra weekly public transport services – a far cry from those opposite who continually cut transport services.

This year's Budget fully funds the Sydney Metro City & Southwest, which has a cost range of \$11.5 to \$12.5 billion. For 2016-17 we have allocated \$1.3 billion for Sydney Metro Northwest, which is set to open in the first half of 2019, and \$1.4 billion for the second stage of the metro.

The NSW Budget also sets aside more than \$1 billion for new suburban trains. The new trains will support increased patronage across the rail network and additional services.

In 2016-17 this budget also delivers:

- more than \$2.1 billion to continue fast tracking major upgrades of key regional highways such as the Pacific, Princes, Central Coast, Great Western, Newell and New England
- we will continue widening and upgrading the M4, building a new M5 and getting the M4-M5 Link shovel ready for construction – as part of a \$2.9 billion contribution to WestConnex
- more than \$450 million to deliver critical road and rail freight projects across the State, including \$208 million to continue the upgrade and maintenance of grain lines in country NSW
- \$338 million to continue building and upgrading roads to support Sydney's second airport at Badgerys Creek
- more than \$270 million to continue delivery of the State's three light rail projects in Sydney, Newcastle and Parramatta
- and we have allocated \$147 million to continue building and upgrading roads which help service population growth areas in Western Sydney including Schofields, Narellan, Richmond and Old Wallgrove roads.

Community safety

Madam Speaker, the Liberals & Nationals Government appreciates more than ever how important it is for our communities to feel and be safe.

The Government will invest a record \$8.1 billion in 2016-17 ensuring community safety and implementing key reforms to help reduce reoffending, ease pressure on courts and deliver high-tech policing.

We continue to support the good work of our police force, with infrastructure investment in police increasing by 59 per cent in 2016-17, including \$57 million for new or upgraded police stations.

To further help keep our communities safe, the Government is providing more than \$21 million over two years for up-to-date facilities for our emergency services personnel.

The recent storms that battered NSW are a stark reminder of how important our emergency services personnel are and how blessed we are to have them.

Madam Speaker our Government is also well on its way to reforming the Emergency Services Levy which will reduce the cost of the average insurance premium and improve under insurance rates in NSW.

Supporting NSW

Madam Speaker we are proud as a Government to support the most vulnerable on our community, more than ever before.

The budget includes:

- Record spending in family and community services of \$6.3 billion, including more than \$1 billion for Out-of-Home Care.
- \$1.3 billion for the implementation of the NDIS in NSW.
- \$560 million for public transport concessions.
- \$28.9 million for programs and initiatives in partnership with Aboriginal communities.
- \$6.5 million to implement the NSW Ageing Strategy and \$500,000 to continue the expansion of the NSW Seniors Card.

The next four years will see a doubling of investment in specialist domestic violence services to more than \$300 million.

Madam Speaker all of us in this place would agree that NSW is the best place in the world and it is our responsibility to protect this for successive generations.

The Government continues its strong investment to protect the State's environment and heritage for generations to come. We are investing a record \$1.7 billion in environment and heritage in 2016-17, including specific funding for biodiversity conservation on private land and to help local communities protect coastal and floodplain areas.

The NSW Government will for the first time in history provide a safe and secure water supply to the heritage-listed township of Broken Hill through the construction of a new pipeline from the Murray River supported by an investment of around \$500 million in this budget.

We also of course love our sport and have a strong appreciation for arts and culture. The NSW Government will spend \$207 million in 2016-17 on major sporting infrastructure, programs, grants and facilities across the State.

Arts and Culture in NSW will also be given a major boost in the State Budget with key infrastructure funded and the continuation of support for local organisations.

More than \$78 million in 2016-17 has been allocated to a number of once in a generation cultural infrastructure projects including the renewal of the Sydney Opera House, and redevelopment of the Walsh Bay Arts Precinct.

These investments not only enhance the opportunities for our citizens but continue to make NSW a key destination for interstate and overseas visitors.

Protecting the State from future challenges

Madam Speaker, today's record spending in essential services and infrastructure, and forecast surpluses, are only possible because of strong fiscal discipline by the Government.

The greatest fiscal challenge in coming years is dealing with the challenge of falling revenue growth which sits at an average of 2.3 per cent annually over the budget and forward estimates.

One of the main drivers of this reduced growth is a significant forecast fall in our share of GST, which makes up around 25 per cent of our total revenue. To put this in perspective residential stamp duty accounts for approximately 9 per cent of our total revenue.

Ironically we are the victims of our own success when it comes to the GST.

NSW is forecast to receive just 81 per cent of our per capita GST share by the end of the forward estimates, a historic low and down from the 95 per cent we receive in 2015-16. Next year NSW will endure the biggest single-year loss due to a change of relativity for any state since the GST began.

Had NSW kept its share of the GST pool at 2014-15 levels – which was just under what our per capita share would be - we would have received more than \$10 billion extra GST revenue over the next four years than what is forecast in the budget.

Madam Speaker, transfer duty continues to grow but growth is moderating compared to the highs of previous years.

And we can't forget that our economic fortunes remain tied to the global and national economies and volatile markets.

Strong and responsible government does not shy away from such challenges.

It is true that the forward estimates do not yet factor the upside benefits from the remaining electricity transactions and associated asset recycling incentive payments that will help boost revenue quite significantly from what we show in the budget.

Nonetheless, we appreciate modern Governments need to make the taxpayer dollar go further and we are leading the way.

Expense growth is contained over the forward estimates, a far cry from the days of Labor when expenses ballooned at 7.0 per cent and they still spent more than they could afford.

We also know modern Governments need to break down the traditional silos created by red tape and bureaucracy and share information between agencies.

To this end, we will invest \$17 million over four years into the recently established NSW Data Analytics Centre. This information will ensure Government dedicates resources to where they are needed most.

This budget also establishes a new Commissioning and Contestability Unit within NSW Treasury reporting to myself and the Minister for Finance.

The unit will ensure high quality services continue to be delivered for the people of NSW by both the public and private sector – whoever can do it best and most efficiently.

Service NSW is a great example of Government being able to provide greater customer service while also reducing duplication.

This budget provides \$415 million for Service NSW to further expand access to services through its regional and metropolitan network, as well as deliver major digital initiatives, including NSW's world-leading digital licence program.

Cognate bills

Madam Speaker, the cognate bills I table today give effect to the Government's changes to the Jobs Action Plan to support small and medium size businesses, and the introduction of the foreign investor surcharges.

I also table the 2016 Intergenerational Report, Future State NSW 2056, which I released last month and which sets out future opportunities and challenges for our great state.

Conclusion

Madam Speaker, the Liberals & Nationals Government has ensured NSW is leading the nation in terms of economic strength and budget position.

We have turned NSW around from having the slowest economic growth of the major states under those opposite to having the strongest economy in the country today.

We have taken NSW from having the lowest jobs growth of any mainland state to a position where we have the lowest unemployment rate in the country, the strongest employment growth and where we are creating almost two-thirds of the nation's jobs.

Unlike Labor, our windfall revenue goes into infrastructure - not middle managers in the public service.

Our infrastructure investment is unprecedented and is driving our strong economy.

Approvals for new homes are around 40 year highs – a far cry from the troughs under Labor that resulted in the housing affordability challenge we are dealing with today.

We have provided business with a strong and certain operating environment.

Consumer confidence has gone from being among the lowest of the mainland states to the highest in the country, while business investment is growing faster than any other state.

Even with emerging revenue pressures, this Budget delivers strong surpluses across the forward estimates, while at the same time delivering on critical services and infrastructure for the residents of this great state.

We will continue to work hard because this position has not happened by accident - and we will not shy away from decisions that are in the best interests of the communities we represent.

Madam Speaker, very few jurisdictions anywhere today would be able to match the economic conditions and the budget position of NSW.

Today's budget delivers:

- surpluses across the forward estimates
- virtually zero net debt
- a triple-A credit rating
- record spending in services and infrastructure
- strong jobs and economic growth
- low unemployment
- strong business and consumer confidence.

We are leading the nation and we are in an enviable position. But a good Government doesn't rest on its record – it continues to work hard on what it hopes to achieve for the future.

Our resolve to improve the opportunities for people in every corner of NSW remains as strong as ever – and today's budget delivers on that commitment.

I commend the bills to the house.