

BUDGET

2015-16

SPEECH



BUILDING OUR FUTURE

Introduction

Mr Deputy Speaker

Decades from now, when people look back at this period in our State's history, they will remember it as a time of building.

Building a stronger economy through record investment in infrastructure and services, and improving the quality of life of every single person in this great State.

A time when New South Wales reclaimed and cemented its position as the number one state in the nation.

A time when we built stronger communities, and took care of the most vulnerable.

A time when every person in New South Wales, no matter where they lived or what their circumstances, could look forward to opportunities to reach their full potential.

A time when, on a global scale, New South Wales was absolutely the place to be; whether to live, work or invest.

This is the legacy we are creating and the legacy we will leave for successive generations.

Mr Deputy Speaker, New South Wales is on the verge of something special.

And it hasn't happened by accident.

Good governments do their homework, make strong decisions and then work hard to deliver them.

When we first came to Government in 2011, Labor had left us forecast deficits totalling \$4.4 billion.

I am pleased to say that we have completely turned that around. After four years of hard work, the budget is firmly back in the black.

I can announce that in the 2015-16 financial year, and in each year of the forward estimates, we are forecasting surpluses.

In 2015-16, we are forecasting an underlying surplus of \$713 million, increasing every year to reach \$895 million in 2018-19. When our reforms to transport assets are included, the 2015-16 surplus is \$2.5 billion.

But uniquely, alongside this strong operating result, we are investing in record infrastructure, the scale of which has not been seen for many decades.

Every election commitment is being met – we are a Government that says what it will do, and then delivers it.

When we came to Government, expenses growth averaged 6.4% while revenue growth was 5.2%.

Again, we have turned this around.

Today, average expenses growth is in line with revenue growth across the forward estimates. The State is living within its means.

There is a similar story with debt.

In March 2011, non-financial public sector net debt was forecast to be \$62.4 billion by 2014-15. This would have put the triple-A credit rating at risk. We didn't let that happen – today, this debt figure in 2014-15 is now estimated to be \$38.2 billion, or \$24 billion less than forecast.

When we came to Government, we had a bloated bureaucracy and an unsustainable budget, unable to provide the infrastructure and services that New South Wales needed.

Today, this Budget maintains our triple-A rating and delivers record spending in both services and infrastructure.

Over Labor's last four budgets, they only funded an average of \$6.2 billion a year on infrastructure, and regrettably with little to show for it. Contracts were torn up, project after project announced and then cancelled.

Now, the State will fund an average of \$10.3 billion a year on infrastructure over the forward estimates. State infrastructure expenditure over the next four years, including government businesses, is a record \$68.6 billion.

After four years of fiscal repair and strong government, we are in complete control of the budget and have the strongest economy in Australia.

And we're only just getting started.

In March, the people of New South Wales voted to take this State to the next level.

They voted for a vision for new infrastructure and quality services.

They supported the plan put forward by our great Premier, to spend \$20 billion on new infrastructure, including \$6 billion in our regional areas, funded through a long-term lease of 49% of the electricity transmission and distribution networks.

They put their faith in this Government to build the new roads, railways, schools, hospitals and other infrastructure that this State needs - and that is a trust we do not take for granted.

With the recent passage of the enabling legislation through this Parliament, that infrastructure is now assured through Rebuilding NSW.

Asset recycling has been a key pillar of this Government, using the funds of the previous port transactions to fund critical road infrastructure and regional projects, and now taking this approach with the electricity transactions.

The proceeds of the electricity transactions will be included in future budgets as they occur, so our record infrastructure spend outlined in this Budget today is only part of the story.

This puts into context the scale of this Government's infrastructure agenda – not only do we have a record infrastructure spend over the next four years, but we also have an additional \$20 billion plan to turbocharge the State.

In addition to boosting our regions on a scale never seen before, Rebuilding NSW will deliver 120,000 new jobs and cement Sydney as a truly global city.

The electricity transactions will also result in significant improvement to the State's financial position over the forward estimates, including a reduction in Total State Sector net debt of around \$30 billion, and General Government Sector net debt will also substantially reduce – potentially to zero.

Importantly, we are thoroughly in control of our future. The days of the budget controlling the Government are long gone.

2014- 15 Budget Result

Mr Deputy Speaker, I wish to turn to the current financial year. We have a strong result for 2014-15 – a surplus of \$2.1 billion.

The improvement is largely driven by changes to Commonwealth grants, stronger than expected stamp duty receipts, and GST payments.

Importantly, unlike Labor, windfall tax revenues are not squandered on wasteful spending, unplanned projects or bloating the bureaucracies. These funds go straight into Restart New South Wales, the Government's infrastructure fund, and can only be released to spend on new projects approved by Infrastructure NSW.

2015- 16 and Fiscal Priorities

As I outlined Mr Deputy Speaker, we are predicting surpluses for every year of the forward estimates, with an underlying surplus of \$713 million in 2015-16.

We are now by far the best performing State in the nation, and we are in that position because of hard work.

Our budget story is twofold – it is a story of strong and careful fiscal discipline over the last four years, coupled with Government strengthening the economy.

We've done the hard yards getting our budget back into shape, and this means we can build the infrastructure for the future, as well as deliver record levels of high quality services.

That – Mr Deputy Speaker - is the critical point: despite our expense restraint and fiscal discipline, we are spending more than has ever been spent before in the areas of government services that matter the most, whether it is in health, education, transport, or family and community services.

Each of these key areas has seen growth in their budgets from last year of more than 5%.

This is the mark of our Government:

Record infrastructure coupled with a record boost to services.

The Economic Outlook

Over the past year, economic activity in New South Wales has grown faster than in any other state.

Record low interest rates and rising wealth has boosted household consumption.

This, coupled with the strength of our economy, and the Government's investment in infrastructure, is triggering massive investment in new dwelling construction.

In addition, our population continues to grow, helped in part as people move back to New South Wales from the resource regions.

In short – the State is buzzing.

You can see it already. Right now, there are 162 cranes building new projects right across this city.

We are well-placed to take advantage of the national transition back away from mining investment and towards services over the next few years.

New South Wales domestic demand is expected to grow at an above trend rate of 3 ½ per cent over the next two years, well above the national average, and thanks to strong and stable government, with a clear economic plan, we expect to outperform the nation for the foreseeable future.

Business conditions and confidence in New South Wales are better than in any other mainland state.

However we must remember that as a service-led economy, we are a cog in a much broader national and global market, the outlook of which is mixed.

Subdued growth in both the domestic and international economies will be felt through weakness in demand for our exports, and this will moderate our growth and, along with population growth, means we have to work harder to create more jobs.

We are also exposed to varying Commonwealth grants and to the volatility of stamp duty receipts.

A government that failed to recognise the challenges of its budget in this way would be irresponsible.

We must therefore remain disciplined in our spending and continue to drive efficiencies in government where possible.

And we know these efficiencies are there to be had – there are still more opportunities to reduce waste and duplication within government.

We cannot rest on our laurels. Reform is as important as ever, and we must future-proof our budget to be able to respond to the inevitable challenges ahead.

Jobs

Creating and fostering jobs growth is critical not just for the strength of the economy, but for families and individuals.

We have an election commitment to deliver 150,000 new jobs over this term of Government, and we are acting quickly to ensure we deliver.

Mr Deputy Speaker, New South Wales's economic conditions are attracting workers from all over the country as the mining boom begins to subside. It is great to see people return to their home state to work. This is great for our economy, but puts pressure on the need for even more job creation.

I am delighted that we are leading the country in jobs growth. The latest ABS figures show that 15,300 jobs were created in New South Wales in May alone.

We have extended the Jobs Action Plan, meaning businesses can receive a payroll tax rebate of up to \$5,000 per new employee.

Similarly, our Small Business Employment Incentive Grant Scheme will provide a grant to employers of up to \$2,000 per new employee for businesses that don't pay payroll tax.

Additionally, a range of major infrastructure projects are keeping the construction sector buoyant, with projects like WestConnex and the Sydney Metro NorthWest employing thousands of workers, many from Sydney's west.

In addition, low interest rates and a need for more housing are stimulating dwelling construction, which will also help create new jobs.

On the supply side, we are also strengthening vocational education and training through the *Smart and Skilled* program, helping people to upskill or retrain so they are qualified to enter the workforce, or move ahead in their careers.

Mr Deputy Speaker, this Government is investing \$2.3 billion in 2015-16 to reform the vocational education and training system to further build the skills of our workforce and contribute to improving the New South Wales economy.

Since coming to Government we have already created more than 200,000 jobs, and we will continue to work hard to maintain this pace – not for the sake of a number, but for the opportunities it brings to people.

Housing Supply

Mr Deputy Speaker, although dwelling construction is on the rise, housing affordability remains a very steep mountain to climb for many.

The Government is taking concerted action to address housing supply, and therefore housing affordability.

Dwelling investment has picked up significantly over the last two years, growing by a strong 7.8% over the year to the March quarter.

This follows a period of significant underinvestment under the previous Labor Government.

As a Government, we are focused on reducing red tape and delays to ensure properties can be brought to market as quickly as possible.

Also critical is ensuring that these new housing areas are shovel ready. Since 2012, a total of \$566.5 million has been allocated or reserved from the Government's Housing Acceleration Fund to support land for over 160,000 dwellings.

With our surplus position, we have put an additional \$400 million in the Housing Acceleration Fund, the largest ever single contribution, to go directly towards the infrastructure required in growth areas and to bring housing to market as quickly as possible.

All of the 2014-15 windfall tax revenue will go into building new infrastructure right across the State, much of which will help ease housing affordability.

We are also doing everything we can to help people buy their first home.

The First Home Owner Grant continues to assist eligible first home owners purchasing a new home or building their home by offering a \$15,000 grant.

In 2014, the Government provided almost 8,000 First Home Owner Grants for new homes, a 25 per cent increase on the previous year.

This Government also introduced the New Home Grant Scheme, offering people a grant of \$5,000 towards the purchase of a new home.

Our plan to build more roads and railways will also help open up new areas for housing growth.

You only have to catch a train on the South West Rail Link to see this in action. Housing is springing up rapidly around this new world-class railway, linking these new areas to the rest of Sydney. Paddocks are becoming communities that have the associated infrastructure they need.

Federal State Relations

Mr Deputy Speaker, this Government has always tried to have a productive relationship with the Federal Government, no matter what their politics.

We were the first state to sign up to the Gonski reforms, and the first state to sign up to the full rollout of the National Disability Insurance Scheme.

Our actions show that we will always put the interests of New South Wales first.

The Commonwealth's asset recycling incentive payments will provide New South Wales with an additional \$2 billion for the lease of our electricity assets, funding critical infrastructure.

We will continue to push the Commonwealth Government to engage productively with the states this year on the issue of health and education funding, and broader tax reform, and we are looking forward to positive interaction with the Federal Government to progress these significant issues.

Services

And of course within the Federation, the States are the “service deliverers”.

This Budget puts funding where it’s needed - on the frontline, delivering services the community relies upon, day in, day out.

Health

This Government is delivering a record \$21 billion budget for health in 2015-16. This means extra surgeries, more admissions, and more staff caring for patients.

In 2015-16, we are boosting frontline health staff by a further 980 positions, including nurses, doctors and allied health professionals, as part of our commitment to an additional 3,500 frontline hospital staff over the next four years.

The 2015-16 Budget invests a record \$1.4 billion on health infrastructure, ramping up major projects like Westmead and Blacktown Hospital, and continuing significant funding for our regional hospitals, such as:

- § Lismore,
- § Armidale,
- § Wagga Wagga,
- § Tamworth, and
- § Bega.

Mr Deputy Speaker, the health budget includes a record \$1.7 billion in mental health funding across New South Wales in 2015-16, a 6.7 per cent growth in funding on last year. This ensures more people living with mental illness receive the vital support they need.

Education

Spending in schools and early childhood education is \$12.8 billion for 2015-16, a record budget and an increase of \$635 million over last year.

Education is the ultimate enabler and every child in New South Wales deserves a good education.

Government school enrollments are forecast to increase by more than 6,800 students this year. And we are responding – the Department of Education has a \$456 million capital budget this year. This is a 27% increase on last year, and will go towards building schools in places like Parramatta, Bella Vista and Narellan.

This Budget delivers more than 500 additional teachers on last year. Also, an additional \$167 million over four years is being provided for additional counseling support and more counselors at schools, giving much needed support to vulnerable students and families.

We are also supporting parents by investing \$20 million to provide up to 45,000 new before and after school care places.

Service NSW

Improving service quality as well as the number of services is also a priority for our Government.

Mr Deputy Speaker, whether you are looking to register your car, get a boat licence, or one of 800 other services, you can now do that under the one roof at over 35 Service NSW centres.

Service NSW centres epitomise our Government's commitment to customer service.

This Budget delivers \$362 million for Service NSW to improve digital transactions services and roll-out a further 27 one-stop shops all over the State, including in places such as:

- § Bateman's Bay,
- § Macarthur,
- § Mount Druitt, and
- § Mittagong.

And of course quality services means greater productivity and efficiency.

Transport

The Transport cluster will also receive a record \$16.5 billion for services and infrastructure in 2015-16.

In addition to having undertaken record delivery already on major transport and roads projects, this Government has delivered more than 12,000 transport services since 2011, and successfully implemented the Opal card.

This Government is also undertaking the biggest investment in the State's public transport network in history by spending \$9 billion on public transport infrastructure and services this year alone.

The 2015-16 Budget includes:

- § \$977 million in funding for the Sydney Metro NorthWest,
- § \$120 million on the CBD and South East Light Rail,
- § \$103 million on the Newcastle Light Rail, and
- § \$99 million for a new fleet of intercity trains to service the Central Coast, Blue Mountains, and Illawarra.

Mr Deputy Speaker, the long-term lease of the electricity network assets will allow us to finally build a second harbour rail crossing for Sydney, unclogging our train lines to boost capacity from Sydney's West.

Along with upgrades to the existing network, this will increase the overall capacity of the rail network by 60%.

We can achieve all this because we did the hard yards in planning, and we've stuck to our guns, not chopping and changing projects every month like the Labor Party.

And then, unlike Labor, we have delivered funding for these projects, both in this Budget and through Rebuilding NSW.

Roads

This Budget funds major road projects to help ease congestion and improve productivity right across the State, with a record \$7.5 billion.

Construction is commencing on the 155 kilometre Ballina to Woolgoolga upgrade of the Pacific Highway. That's roughly the same distance as from Sydney to Newcastle.

Since 2011, over \$3.4 billion has been invested into Pacific Highway upgrades, to reduce travel times and most importantly to save lives, and we are spending an additional \$1.4 billion this year alone.

In Sydney, WestConnex continues at a cracking pace, with \$1.7 billion allocated for 2015-16. Only a few weeks ago, the Government awarded the contract for the M4 East, a critical stage of the WestConnex project; and major progress is being made on future stages.

NorthConnex is also underway, and will dramatically alleviate congestion, with \$275 million allocated this year.

All across this great State, road upgrades which have been sorely needed for decades are having sods turned on them.

Accelerating Infrastructure

But Mr Deputy Speaker, we appreciate the community wants to see progress on these and other major projects as soon as possible.

That's why today I am pleased to announce that we are using our strong budget position to bring forward key infrastructure election commitments.

With the recent passage of the legislation enabling the lease of the 'poles and wires' the proceeds from these transactions is guaranteed.

Yet if we waited until we have completed the transactions of Transgrid, Ausgrid and Endeavour, we would be missing an opportunity.

We do not intend to do that.

With the billions from the electricity transactions assured, today I announce that we will use our strong financial position to bring forward \$591 million of funding for infrastructure over the forward estimates, starting this year.

This includes funding for pre-feasibility, detailed planning, and construction.

These allocations form part of the \$20 billion Rebuilding NSW commitment, but we are accelerating them to get started immediately.

Of this, more than \$200 million worth of new pre-construction funds will be available in 2015-16.

This includes an additional \$50 million to start the new second Harbour rail crossing, and we were pleased to announce today that Sydney Metro will definitely include a station at Barangaroo, the State's new financial services hub.

We are accelerating funding of \$19 million this year for planning the Parramatta Light Rail, as part of our \$1 billion commitment to the project, signalling our determination to make Parramatta a truly vibrant and global city in its own right.

This infrastructure acceleration also brings forward:

- § \$10 million to plan for new bus rapid transit systems,
- § \$14 million in 2015-16 planning for a new Western Harbour Tunnel,
- § Planning for the long-awaited F6 extension, and
- § \$11 million for detailed design of the Walsh Bay Arts Precinct.

The regions of course are set to benefit from this acceleration as we accelerate planning funding in 2015-16 for:

- § Bridges for the Bush;
- § The Regional Road Freight Corridor, and
- § Regional Growth Roads

We are also accelerating an initial \$160 million, as part of the \$1 billion Rebuilding NSW Education package, for new schools in Parramatta, Inner Sydney and Ballina.

\$77 million is also being brought forward to fund key health projects, in places such as Bonalbo, Molong and Walgett.

All this funding is to get projects shovel-ready for when the serious funding comes in from the long-term leases.

But some of the regional road projects in our Rebuilding NSW plan are in fact ready to be built now - they are obvious and needed, and that's why we're bringing forward \$130 million of construction funding to actually start digging now.

This means projects on the Pacific, Mitchell and Newell Highways will see progress sooner than if we had waited for the transactions to be completed.

Mr Deputy Speaker, it is of course important that the community have their say on aspects of these projects through the planning system and community consultation is key to the success of a project.

At the same time, we do not want projects to be bogged down in red tape, lengthening the time they take to build.

That is why today I announce we will also provide almost \$7 million to establish a new crack team within the Department of Planning and Environment to halve the time it takes to assess State significant projects.

The *Priority Projects Branch* means projects will move from the planning to the construction stage quicker, and the benefits will flow sooner.

Not Leaving Anyone Behind

Mr Deputy Speaker, as we have said in all our budgets, you can judge a government and indeed a society on how it treats its most vulnerable.

This year, we are spending a record \$6.1 billion through the Department of Family and Community Services supporting vulnerable people and families. This is a 7% increase on 2014-15.

We are also looking at innovative ways of delivering social services, whether it be through partnerships with non-government organisations, or through social impact investment.

And we are supporting those in need with important rebates and grants, including more than a billion dollars in energy rebates over the next four years.

Out of Home Care

Mr Deputy Speaker, children and young people who are placed in out of home care need our support more than anyone.

And we know we have a lot more work to do.

Given this critical area of need, this Budget delivers an additional \$200 million over the forward estimates to go directly into supporting children in out of home care – to ensure they are safe and have the best quality of life.

Domestic Violence

Mr Deputy Speaker, this is also a budget that takes the scourge of domestic violence in our society seriously, and puts funding where it is needed.

The Government will spend an estimated \$148.5 million over the forward estimates on specialist programs and services to prevent and respond to domestic and family violence. We will also pilot a Domestic Violence Disclosure Scheme, an Australian first.

Police play a huge role in tackling domestic violence. That is why New South Wales Police Force capability to counter domestic and family violence will be increased from 2015-16 through the appointment of 24 domestic violence specialist police.

Mr Deputy Speaker, this Budget puts a major focus on keeping people safe.

Police and Correctives

In 2015-16, we are delivering a record 16,665 police officers.

The community will also benefit from \$100 million over four years for the Policing for Tomorrow Fund, which will make crime-fighting high-tech and deliver enhanced mobility for officers.

In addition, the Government has allocated \$4 million in new funding over two years to counter violent extremism.

We are also investing significant funds to ensure that our prisons keep up with demand. This Budget allocates funding for a 400 bed expansion of Parklea prison, and a brand new prison in Grafton with capacity for 600 prisoners.

The Environment

In addition to supporting the most vulnerable and keeping communities safe, this Budget also supports protecting the environment and making our communities even more vibrant.

The 2015-16 Budget includes expenditure of \$1.7 billion to protect the State's precious National Parks, preserve significant heritage assets and ensure local communities are protected from pollution and environmental harm.

We are also spending more than \$120 million over four years to improve and develop western Sydney parkland facilities, creating new employment and recreation opportunities for Sydney's west.

The Government is also well on track to deliver on its election commitment for a container deposit scheme, with a working group being established and the scheme due to commence by 1 July 2017.

In addition, we have a record \$176 million allocated to tourism and major events, and sport and recreation will have \$175 million to invest this year in grassroots sports, facilities and programs across the State.

Conclusion

Mr Deputy Speaker, in summary this Budget presents a horizon without a deficit in sight and preserves our triple-A credit rating.

It provides a massive boost to the services people rely on and record investment in infrastructure.

It supports the most vulnerable and provides opportunities for people to be their best, no matter where they live and what the circumstances.

It cements New South Wales as the place to live, work and invest.

This is the legacy of the Baird/Grant Government, and our work is far from over.

This Budget is about building our future.

