

Budget Speech

2019-20



Circulated by The Hon. Dominic Perrottet MP, Treasurer

New South Wales

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Delivered on 18 June 2019 by
The Hon. Dominic Perrottet MP, Treasurer

BUILDING A BETTER NEW SOUTH WALES

Introduction

Just over a month ago, North West Metro opened to the public for the very first time.

An eight year dream realised - with time and money to spare.

Over a million people have already boarded these new trains.

The nation's first driverless Metro, right here in New South Wales.

The first step in a game changing network that will forever alter the landscape of our city and our State.

Saving people time.

Connecting our communities.

Growing our economy.

But North West Metro is more than just a project.

It is a monument to the difference between spin and substance.

First promised by those opposite 34 years ago - and cancelled 4 times.

Promised once by our government - and delivered - on time and under budget.

Our bold decisions have unleashed a mega building program on a scale never before seen in the history of our nation.

And North West Metro is just one of many dividends the people of New South Wales will now receive for placing their trust in us.

The Newcastle Light Rail is running.

Western Sydney Stadium has opened.

The new WestConnex M4 Tunnel is about to.

The CBD Light Rail

NorthConnex

And the WestConnex New M5 Tunnel.

This is just the first wave of projects that will breathe new life into our State.

After these open, along will come the second:

A new Football Stadium

Walsh Bay Arts Precinct

The Australian Museum

A redeveloped Barangaroo

The Princes Highway to the south

And the Pacific Highway to the north

Then even more will come online:

Sydney Gateway

The M4-M5 Link Tunnels

Precincts in Ultimo & Redfern

The Rozelle Interchange

A Powerhouse Museum in Western Sydney

Parramatta Light Rail

And after these, still more:

The F6

The Sydney Modern Art Gallery

Sydney Metro City & South West

A renovated Central Station

The Western Harbour Tunnel

The Great Western Highway

The M12 Motorway

Sydney Metro West

North South Metro Rail Link

And the brand new Western Sydney Aerotropolis.

Wave after wave of projects, forever transforming New South Wales.

We're launching the biggest school building program since Federation.

190 projects - in every corner of the State:

Bungendore to Bangalow, Milton to Merrylands, Penshurst to Picton.

And a hospital building blitz that has never been seen before:

Liverpool to Lismore, Coffs Harbour to Campbelltown, Gosford to Goulburn

Bankstown to Blacktown, St George to Shoalhaven, Randwick to Ryde.

We have taken windfall revenues and lazy assets and are transforming them into bricks, mortar, concrete and steel.

Roads, rail, metros and motorways.

Schools, hospitals, museums and stadiums.

Every project we build standing in silent testimony to which party is on the right side of history.

And we are not even halfway through our ambitious agenda for New South Wales.

Our infrastructure investment is now approaching **\$100 billion**.

A new golden century for New South Wales.

The compound effect of vision, passion and determination.

The Liberals and Nationals are not content to simply sit here as passive custodians of the status quo.

We are relentlessly ambitious for the people of our State.

We share their big dreams and their drive to achieve them.

And together we forge ahead, pioneers in prosperity, so our people are free to achieve.

Even as we sit here today, our machines are grinding away, carving another crossing under the most famous harbour in the world.

A crossing that will one day be used by our children and grandchildren.

Just as we stand on the shoulders of those who have come before us - we are building a better future for those who will come after us.

Most good governments have their legacies written long after they are gone.

But our legacy is appearing before our very eyes.

In March, the people of New South Wales made a choice.

A choice that also echoed around the nation just a few weeks ago.

To put their faith in a Premier and a party that will always put them first.

The party that knows you don't need to pull someone else down to lift yourself up.

The party of Menzies' forgotten Australians.

This last election was a referendum on values and ambition.

And the people always get it right.

We thank them for the trust they have placed in us.

And now we are getting straight to work, getting the job done for New South Wales.

Economic Context

In 2011, we faced significant challenges.

A slower economy, higher unemployment and ageing infrastructure.

Our response was to dare to do things differently.

Our record construction program isn't just the foundation of our future.

It's been a pillar of our economy too.

In recent years, New South Wales has been leading the pack, powering the nation.

Almost half a million jobs have been added in just 4 years.
This year unemployment fell to its lowest rate since records began.
And regional New South Wales added more jobs than every other region combined.
Workforce participation is at record highs.
Youth unemployment fell to record lows.
And it's working women driving our State forward.
Our exceptional strength has seen us outperform.
Growing above trend.
Recording the fastest per capita growth of any state.
Contributing the lion's share of national prosperity.
Adding record numbers of jobs.
And attracting increased levels of business investment.
But today we face a new set of challenges.
The global economic outlook is weaker than it was 12 months ago.
Our farmers are battling what some are calling the worst drought in living memory.
Our housing market has undergone the biggest downturn in four decades.
And with wage growth still slow, homeowners are cautious with their spending.
But just as we overcame the challenges of the past - so too will we overcome these new challenges.
While our growth is forecast to be slower,
It is strong for this point in the economic cycle - a testament to the resilience and flexibility of our economy and the working men and women of our State.
We enter the future equipped with the tools that will see us return to trend growth:
Strong labour market conditions
Recent policy stimulus
A solid export sector
And our record construction program, the cornerstone of our economy.

Budget Result

While we are optimistic, the current economic headwinds have fiscal consequences too.
The soft housing market has wiped **\$10.6 billion** in forecast stamp duty from the Budget since 2017.
The federal budget in April cut a further **\$2.3 billion** in GST receipts as consumers tighten their belts.
These drastic fluctuations are a fact of life in our federal system.
And a weak and fragile budget would buckle under the strain.

But I am pleased to inform the House - despite the largest revenue write downs in our history - Fortress New South Wales is standing strong.

Today I can announce a projected operating surplus for 2018-19 of **\$802 million**, and average surpluses of **\$1.7 billion** each year to 2023.

Net debt is again negative - for the fourth year in a row.

Our net debt to GSP - the lowest of any mainland state.

And our Triple-A rating is once again secured.

Our wealth is also growing - a shared prosperity in which we all have a stake.

Our net worth will surpass **\$310 billion** by 2023, fast approaching a third of a trillion dollars.

That's because we've swapped old assets for new ones - and are building like never before.

Our collective wealth is now invested in outstanding schools, world class hospitals, exceptional sporting facilities and state-of-the-art transport.

Savings

One of the hallmarks of our government has been running a public service that is focused on the needs of our citizens.

That means a bigger, better frontline.

And a leaner, more agile back-office.

This Budget continues that journey, reflecting changes to the public service announced in April.

This means 10 departments will be reduced to 8.

While our frontline is again boosted, we will drive more efficiencies in our back-office and contingent labour expenses across government.

We will also reduce spending on consultants and contractors, abolish bonuses for the highest paid department executives and bring long-service leave benefits into line with community standards.

Strong Financial Management

While we have tightened our own belts, other states have gone down a different path - cutting wages for their workers and increasing taxes on their people.

These short-term measures may help plug holes in their budgets - but they cause long-term harm to their economies.

As Liberals and Nationals, we believe as Menzies did, that people should be free to flourish.

That means less government, not more.

And lower taxes, not higher ones.

Over the last four budgets the Coalition has cut nearly **\$5 billion** in taxes to grow our economy.

So businesses can invest.

Families can get into their first homes.

And small business can hire more people.

Like Steven Benham from Wilkins Windows.

Because of our payroll tax cuts, he's now able to take on an extra apprentice.

16 year old Chloe Wykes, who's studying joinery using one of our new fee free apprenticeships at TAFE.

A win for business.

A win for the economy.

And a win for a young woman with the chance to now pursue her dream career.

On this side of the House, we believe that you cannot tax your way to prosperity.

Reducing wages and raising taxes should be levers of last resort - not default options of first opportunity.

That's why I'm proud to say our Budget today will not introduce a single new tax.

Instead it continues to fund:

Stamp duty cuts to help first home buyers

Indexing stamp duty to make housing more affordable for the next generation

And further payroll tax cuts to drive investment and boost small business as the threshold lifts to **\$900,000**.

We're also using our Budget to deliver for families and lower the cost of living:

- A second Active Kids voucher
- Creative Kids vouchers
- Baby Bundles
- Free Dental checks for Kids
- Reductions in early childhood education costs
- Fee Free Apprenticeships
- TAFE and VET places
- Motor Registration relief for toll users
- Weekly \$50 Opal caps
- Energy rebates for self-funded retirees
- Regional Travel Cards for Seniors
- Caravan registration discounts for grey nomads
- And expanding the Energy Switch Program to help lower gas bills.

That takes the total amount we have returned to the people of New South Wales in cost of living support in the last two budgets alone to over **\$2 billion**.

Drought

With drought now affecting close to 100% of our State - our farming, rural and remote communities are being put to the ultimate test.

Water is scarce.

Times are tough.

And people are hurting.

The late Les Murray once claimed - farmers have few friends in Australia's towns and cities.

But to each and every farmer across our State, I say: all of New South Wales stands with you.

We can't control the rain - but we can control what we do about it.

This is a Budget for the bush with farmers at its heart.

It delivers critical relief to the most drought-affected communities of New South Wales, taking our total support package to over **\$1.8 billion**.

More transport subsidies for stock, fodder and water.

Further funds for emergency water supplies.

And waiving charges for water licenses, interest on drought loans and local land service rates.

We know when people on the land aren't doing well, it doesn't just affect them.

It also hurts towns and local economies.

So we're fast tracking local infrastructure projects with another **\$170 million** investment, to keep people employed and families in towns.

Our regional, rural and remote communities are resilient.

And they will get through this time.

But we can't just wait for a crisis in order to act.

As one farmer I met in Bourke said, "Every day, we're one day closer to when the rain comes. But we're also one day closer to when the next drought hits."

This Budget doesn't just provide short-term relief for the current crisis - but also long-term solutions for the future.

We're using the proceeds from the greatest water project in our history - Snowy Hydro - to deliver water security for the regional communities of the future.

We'll look at raising the Wyangala Dam wall

And delivering the pipeline from Lostock Dam to Glennies Creek.

Fast-tracking new regional water strategies

And investing more for bores and drains in the Great Artesian Basin.

The total funding for water security projects in this Budget comes to **\$1.4 billion**.

These decisions we make today will help protect and future proof our regions tomorrow.

Election Commitments

This is a Budget that gets it done.

It funds our election commitments - just as we promised.

And it makes record investments in the things that matter.

World class services

It boosts our frontline workers yet again.

4,600 teachers.

5,000 nurses and midwives.

3,300 more health professionals.

And **1,500** more police.

The education measures we are launching today represent the biggest ever New South Wales education budget.

Fully meeting our Gonski commitments

Putting mental health counsellors in high schools

Offering before and after school care for every primary school student in New South Wales

Rolling out free mobile dental checks for primary school kids from July 1

Record funding for non-government schools

Wiping the maintenance backlog to zero

Air-conditioning **over 900** schools

And investing a record **\$6.7 billion** to build and upgrade **190** schools.

Our health system will be boosted to fast-track an additional **8,000** paediatric operations and **10,000** cataract surgeries.

That means more staff and less pressure on wait times, and quality care when you need it.

And I can announce today, for the first time ever, our health infrastructure budget hits the **\$10 billion** mark, with new facilities planned for every corner of the State.

We'll combat crime with new police stations in Bega, Goulburn and Jindabyne

Major upgrades at Bathurst and Bourke

And a new state-of-the-art training facility in Dubbo.

We'll build 10 Service NSW centres

And put four Service NSW buses on the roads in the regions.

World class infrastructure

Our transport system continues to grow, with another 17 new air-conditioned Waratah trains

More express services to Western Sydney

And congestion easing measures like smart traffic lights, pinch point upgrades and smart motorways.

We'll duplicate Nelson Bay Road

And duplicate the Great Western Highway from Katoomba to Lithgow.

We're fast-tracking Sydney Metro West to start construction next year

And we'll build the North-South Metro Rail Link - getting ready for our new airport.

Regional Investment

In our regions we'll deliver **\$500 million** to repair local roads

And another **\$500 million** to fix country bridges.

We'll eliminate blackspots - and build new data centres.

Across our regions, we're delivering thousands of small investments making a big difference to regional communities.

The Environment

Our environment wins with a new national park in south-west Sydney - to protect precious koala habitats.

We will invest **\$150 million** for new and improved public parklands

Upgrade fire trails and National Park walking tracks

And give more households the choice of cheap, clean energy - with no-interest loans for solar panels and batteries.

Digital New South Wales

We'll continue to make people's lives easier with a focus on digital government.

Victoria has copied our Service NSW approach - and now the Commonwealth too is jumping on board - with the originally named "Service Australia".

But we're going to take things to the next level.

This Budget provides seed funding of **\$100 million** to establish the Digital Restart Fund

To drive digital transformation across the whole of government.

And after successful trials in key locations – New South Wales drivers will be the first in the country to have the choice of a digital driver's licence from August this year.

Jobs for the future

At the heart of this Budget are policies that grow jobs.

We believe, as Reagan did, that work and family are at the centre of our lives, the foundation of our dignity as a free people.

That's why it's important to us that there is work for those who want it - and a fair reward for those who work.

A few weeks ago I was out in Cobar, the red heart of New South Wales.

One in three people there work the mines.

Plenty more earn their living from the people mining brings in.

People like Neal Valk who's here in the gallery today - and who has worked mines up and down the country.

He knows, as we do, just how much we depend on our miners for their contribution to our economy.

And just how much they depend on us, to do the right thing by them, with policies that help, rather than hurt.

Unlike others, who seek to play politics with their lives and livelihoods

On this side of the House, we are proud to stand in solidarity with the blue collar workers of our State.

And our commitment to them is to always put them first.

We are also helping create the jobs of tomorrow.

In 2015 we promised an additional **150,000** jobs by this year.

Instead, we have delivered more than triple that number.

This year, we committed to an even more ambitious target of **250,000** jobs by 2023.

And we intend on achieving that too.

To help skill our workforce, this Budget funds **100,000** fee free TAFE and VET courses.

Including **30,000** for mature-aged workers.

We'll build a new state-of-the-art Western Sydney Construction Hub.

Eight new TAFE Connected Learning Centres for our regions.

And invest in training and mentoring for women who want to get into the workforce.

We'll also develop four new major employment precincts to add to the six already underway.

Our policies are working - and so too are hundreds of thousands more men and women across the State.

Helping the most vulnerable

One of the benefits of running strong budgets is our ability to help people who need it most.

We are using our financial might to help those who have slipped through the cracks.

Our previous two budgets have:

Rolled out palliative care programs

Helped injured workers recover faster

Increased funding for children at risk

Delivered initiatives to increase adoption rates

Helped indigenous boys complete their education

Supported drug addicts with a second chance

Increased funding for domestic violence initiatives

And allocated money to reduce homelessness.

Today this Budget continues our targeted investments, giving the most vulnerable among us support and care:

A new Ageing and Disability Commissioner - to stand up for those most at risk

Increased assistance to Lifeline and Kids Helpline, meaning they can answer thousands more calls per year

And a new investment in cutting edge spinal research - to one day help people who were told they would never walk, take their first steps.

As conservatives, we are champions of hope and opportunity.

We know part of building a better future is helping people build better lives.

And we do this by finding new ways to solve old problems.

Our social impact investments are bearing fruits, delivering **\$220 million** in outcomes contracts so far, supporting programs which enable at-risk children to have a safe and stable home.

This Budget continues to tackle indigenous disadvantage with **\$55 million** in funding to upgrade local infrastructure and establish new opportunities to get ahead - through the Roads to Home program.

We're also proud to partner with Foodbank, with **\$8 million** in funding over the next four years, to provide breakfast at an additional **500** schools across this State.

I want to thank parents like Sam Hyratt and Amanda Mataele, here today, who volunteer at the Breakfast Club to make sure students at Campbellfield Public School start the day with a full meal, ready to learn.

They rise early, day in day out, to make sure no child is left behind.

Their reward is not financial, but it is invaluable - witnessing the bonds of their community grow ever stronger, and knowing that so many kids will feel better and achieve more - because they've been fed and nurtured all before the school bell rings to start the day.

I also want to acknowledge the former Labor leader - Mr John Robertson - for his advocacy - in making this possible.

Setting up for success

Good governments don't plan according to electoral cycles.

They plan for the future they know is coming.

Our economic landscape is rapidly shifting.

Productivity growth has slowed.

Our population is ageing.

Automation and artificial intelligence will soon touch the working lives of millions of our people.

And a booming middle class in Asia will open massive new markets and new opportunities.

We must act now to overcome these challenges - and make the most of what lies ahead.

This Budget puts in place four pillars of prosperity - to set our State up for future success.

Economic Blueprint

The first pillar is a vision and a plan - to take our economy to the next level.

We take pride in our place as Australia's leading economy.

But the race that matters is a race against time - to secure our strength today and tomorrow.

By the end of this year the Chief Economist will formally release the New South Wales Economic Blueprint.

It will identify the industries and markets where our future prosperity lies.

And help us to be ready for new opportunities yet to emerge.

Generations Fund

The second pillar is sustainable debt - and a commitment to intergenerational equity.

The **\$3 billion** Generations Fund - launched last year - has already grown to **\$10.8 billion**, thanks to new contributions and strong returns.

By 2030, it's expected to reach **\$28 billion** - a balance sheet buffer to keep our debt sustainable and support our Triple-A rating.

Federal Financial Relations

The third pillar is making the case for a better Federation.

In our three-tier federal system - financial relations are a mess.

The people of New South Wales contribute the most in GST and income tax - yet have to sit and watch as it's doled out to other states with no benefit for themselves.

We rely on the Commonwealth for a substantial part of our funding - but have little control over where it is spent.

When GST receipts fall - we find out at the last minute.

And the complicated tangle of financial arrangements makes it harder for states to plan.

Under the current system, states that perform well are penalised.

Reforming states end up subsidising those that don't.

States that do nothing to strengthen their economies - reap windfall gains from other states that do.

This is not a system that's fit for purpose.

And New South Wales can no longer wait for others to act.

Just like we took the lead in establishing the national Board of Treasurers.

Today I announce we will again take the lead - launching a comprehensive review of Federal-Financial Relations from a New South Wales perspective.

The review will be conducted by a panel of eminent experts.

They will be charged with finding ways to give states that embrace reform - more autonomy and more flexibility - making dynamic federalism a reality.

They will develop practical options for state reform on how to best encourage investment and growth in the State's economy.

Above all the panel will be guided by core Liberal principles - lower, simpler, fairer and more sustainable taxes for the people of New South Wales.

Outcomes

The final pillar is more efficient government spending - as we move to the next phase of outcome budgeting.

No state has been more committed to implementing the Gonski principles than New South Wales.

This has seen record real increases in our education budget.

But we need to ensure this is matched by a corresponding increase in education outcomes.

We want our kids not just to be the best funded, but the best educated.

Education will be the first department shifting to a focus on outcomes.

Over the coming 12 months each cluster will produce an Outcome and Business Plan - showing how the taxpayer money it spends will achieve concrete outcomes - and if something's not working - how they will fix it.

Conclusion

Over our last two terms we have developed sources of enduring wealth for our State.

A strong economy with quality jobs.

Record investments in the services that matter.

The largest construction program in our State's history.

Tax cuts and cost of living support.

Negative net debt and growing net worth.

And a sovereign wealth fund that will deliver dividends for future generations.

We now promise to maintain the momentum that has made New South Wales number one.

And with this Budget we are getting it done.

The best education for your children - in state-of-the-art schools

World-class healthcare in world-class hospitals.

Metro lines and better roads to get you home faster to the ones you love.

And more help for those doing it tough.

This is a Budget that revs up our regions and supercharges our cities.

That supports people-powered businesses creating millions of jobs.

A Budget of delivery kicking off a term of delivery.

I commend it to the House.