

9. GOVERNMENT BUSINESSES

- The NSW Government operates a range of public sector commercial entities that play a critical role in delivering essential services and supporting the State's economic development. These entities balance public policy objectives with commercial performance and accountability.
- The commercial entities include State Owned Corporations (SOCs), as well as other public non-financial corporations (PNFCs) and public financial corporations (PFCs). They operate at arm's length from the Government and are guided by Treasury's Commercial Policy Framework.
- Government businesses are supporting the State's commitment to increasing housing supply. Landcom is working to unlock development in metropolitan and regional areas of New South Wales, with a focus on expanding the stock of affordable housing. Sydney Water and Hunter Water are focused on delivering essential water, wastewater and stormwater infrastructure for housing.
- Sydney Water, Hunter Water and WaterNSW are currently undergoing pricing reviews by the Independent Pricing and Regulatory Tribunal. These reviews are expected to result in lower customer price increases than the businesses had anticipated in their pricing submissions, and a reduction in forecast revenues to government.
- SOCs are evolving to align with the State's energy transition, playing a key role in decarbonising the energy sector and supporting the shift to renewable energy. They are exploring a wide spectrum of renewable energy solutions, including renewable energy generation, energy storage and efficient connections to the network.
- The total dividend and tax equivalent payments by entities in the PNFC and PFC sectors were \$669.8 million in 2024-25 and are forecast to be \$4.1 billion over the budget year and forward estimates to 2028-29.

9.1 Reforms and initiatives of State Owned Corporations

Property

Landcom

Landcom is the State's land and property development organisation that develops land to achieve both public outcomes and financial benefits for the State and people of New South Wales. Over recent years, the Government has provided additional funding to Landcom in order to meet various housing targets including:

- \$450.0 million equity injection in the 2024-25 Budget for the Essential Workers Build to Rent program
- \$300.0 million dividend reinvestment in the 2023-24 Budget to accelerate investment in affordable and market housing
- \$60.0 million in the 2023-24 Budget, and an additional \$5.0 million in the 2024-25 Budget, to deliver 110 build-to-rent homes on the South Coast and Northern Rivers regions.

Over the forward estimate years, Landcom is focused on the following areas:

- increasing market housing supply
- leading in the delivery of affordable housing
- delivering built form faster and in more innovative ways
- impactful presence in regional New South Wales.

Key initiatives being delivered include:

- accelerating the development of projects in the portfolio to achieve settlement of lots for 22,000 dwellings from 2023-24 to 2028-29 (2025-26 Target: 3,010 dwellings)
- growing the affordable housing pipeline to deliver at least 1,800 affordable homes from 2023-24 to 2028-29
- pilot Build to Rent projects in Bomaderry and Lismore – construction works on the 60 dwelling Bomaderry project have commenced and the construction tender is underway on the 50 dwelling Lismore project, with anticipated completion at the end of 2026. 20 per cent of the target dwellings in these projects will be affordable housing dwellings.

All new projects are required to enable carbon neutral, zero waste, water positive and net positive ecological outcomes by 2028.

Box 9.1: Build to Rent program

Landcom is making progress on delivering 400 new build-to-rent dwellings for essential workers, using the \$450.0 million equity injection provisioned in the 2024-25 Budget.

The first site in the program was announced in February 2025 for at least 200 Essential Workers build-to-rent apartments, as part of an overall development of approximately 500 apartments. The site is located at the former WestConnex dive site on Parramatta Road, Camperdown. Landcom is currently progressing the required planning submissions, with construction expected to commence in early 2026.

Further sites are being investigated for the Essential Workers Build to Rent program. Pending acquisition of the sites and respective design and planning approvals, construction is expected to commence in 2026-27.

‘Keys in doors’ for these dwellings are anticipated in late 2028.

Water

The NSW Government owns three SOCs in the water sector – Sydney Water Corporation (Sydney Water), Hunter Water Corporation (Hunter Water) and WaterNSW. Sydney Water and Hunter Water deliver essential water and wastewater services to households in Greater Sydney, Illawarra and the Lower Hunter. WaterNSW supplies bulk water to metropolitan and regional areas. These businesses play a pivotal role in safeguarding public health and the environment through sustainable water management.

The revenues for these businesses are subject to regulation by the Independent Pricing and Regulatory Tribunal (IPART), which hands down Pricing Determinations every five years.

Box 9.2: Independent Pricing and Regulatory Tribunal water pricing determinations

- The forecast financial results of the water businesses, and the distributions they make to the NSW Government, will be impacted by the outcome of the ongoing IPART review of water prices for the 2025-26 to 2029-30 determination period.
- In September 2024, each of the water SOCs submitted a pricing proposal to IPART and the forecast financial results and shareholder distributions included in the 2024-25 Half-Yearly Review were based on these submissions. The Government wrote to IPART during this time requesting the tribunal prioritise consideration of cost-of-living pressures for customers during its deliberations.
- IPART has released:
 - the final report of their pricing determination for Hunter Water
 - the draft report of their pricing determination for Sydney Water
 - an Information Paper on the draft decisions for WaterNSW's bulk water services.
- IPART's Final Determinations for Sydney Water and WaterNSW will not be available until after the 2025-26 Budget is released.
- These final and draft decisions indicate that IPART is seeking to limit bill increases and manage cost-of-living pressures for customers in its determinations. However, the pricing decisions will also result in lower government revenue than previously forecast by the water businesses in the form of lower dividends, income tax expenses and government guarantee fees. The Government will continue to monitor IPART's determinations closely, with a view to managing emerging fiscal risks over the coming months.

Sydney Water Corporation

Sydney Water's planning and delivery of strategic investments is directed at ensuring a resilient and safe water supply for a growing city. Sydney Water is focused on the delivery of essential infrastructure needed to enable housing and support public and waterway health while maintaining affordability for customers.

Water services are crucial for economic development and enabling growth. Key projects underway include the following:

- Upper South Creek Advanced Water Recycling Centre (Stage 1) is nearing completion and is expected to generate \$10.0 billion in social and economic benefits. It will support the opening of Western Sydney International Airport in 2026 and enable 130,000 new dwellings by 2056.
- Continued delivery of the new \$756.9 million Prospect Pretreatment Plant. This project will enable the continued supply of safe, secure and reliable drinking water to a growing population in Greater Sydney particularly during events that impact the quality of raw water.
- Commencement of \$644.1 million investment in the integrated stormwater and recycled water scheme needed to deliver 850 hectares of industrial land in the Mamre Road Precinct and support the 22,200 Western Sydney jobs alongside it.
- The Housing Approval Reform Action Plan developed in partnership between the NSW Department of Climate Change, Energy, the Environment and Water, Sydney Water and WaterNSW aims to accelerate infrastructure delivery by enhancing workforce and industry capability with a focus on improving application turnaround time through a digital platform transformation program. Progress has already been made, with the time taken for Sydney Water to issue a Notice of Requirements down 50 per cent, and design approval times down 25 per cent.

Sydney Water is committed to net zero emissions by 2030 through negotiating renewable power purchase agreements, offsets and increasing renewable generation, supported by assets like biogas cogeneration, hydro power, and new solar generation.

Hunter Water Corporation

Hunter Water forecasts capital investment of \$1.6 billion over IPART's 2025-2030 regulatory period. Hunter Water's capital program supports the sustainable and resilient water supply for the region. A key project is the construction of a permanent 30 megalitre per day desalination plant at Belmont. The plant is scheduled to be operational in 2028. This new facility will provide the region's first drought-resilient water source.

To support the region's growth, Hunter Water is investing \$32.0 million in 2025-26 on infrastructure projects that facilitate new housing developments and economic prosperity.

Recognising the cost-of-living pressures faced by its community, Hunter Water is committed to balancing the need for critical infrastructure investments with the affordability of customer bills. This consideration has been reflected in Hunter Water's pricing proposal submitted to IPART in September 2024. Hunter Water continues to enhance its customer support and hardship assistance programs to assist those experiencing difficulties in paying their bills, ensuring equitable access to essential water services across the community.

In line with its commitment to environmental sustainability and the views of its customers and community, Hunter Water is progressing towards achieving net zero carbon emissions by 2035. A significant milestone is the commencement of a renewable energy power purchase agreement from January 2025. This initiative will transition Hunter Water's electricity usage at all its large sites to 100 per cent renewable energy by 2030.

WaterNSW

By leveraging the organisation's existing asset base, WaterNSW's Renewable Energy Storage Program and Long Duration Storage Program support the development of renewable energy projects, contributing to the NSW Government's net zero targets. Throughout 2024-25, progress has continued to be made on key deliverables including the commencement of long duration storage pre-feasibility studies and the delivery of an option assessment report. WaterNSW continues to facilitate private sector-led developments at key sites, including:

- ZEN Energy's proposed Western Sydney Pumped Hydro project at Lake Burragorang
- AGL Energy's development of pumped hydro projects in the Upper Hunter region at Glenbawn Dam and Glennies Creek Dam.

WaterNSW continues to support the NSW Government's Town Water Risk Reduction Program, by partnering with local water utilities to share WaterNSW's knowledge and expertise around water quality monitoring and dam safety.

Energy

Essential Energy

Essential Energy operates and maintains one of Australia's largest electricity distribution networks and focuses on the future needs of customers in regional, rural and remote communities. It seeks to optimise asset investment and usage, and facilitate new ways for customers to connect to the network and use services, while keeping network prices as low as possible.

Essential Energy facilitates utility scale renewable generation and firming capacity connections to its distribution network, in the Dubbo region and across other parts of New South Wales. One such project involves a market process for the deployment of high voltage battery storage on land adjacent to Essential Energy zone substations. Increasing use of the network will help to maintain reliability and security of supply and to put downward pressure on network prices.

Essential Energy is actively supporting the transition to electric vehicles across New South Wales by using capacity across its network to dramatically increase the availability of electric vehicle charging infrastructure, particularly in regional, rural and remote areas. This could encourage more people to buy and use electric vehicles and deliver far-reaching benefits across New South Wales. Expanding the availability of charging infrastructure will enable low and zero-emissions vehicles to travel further and more frequently across more of the State. This can have broad-ranging benefits, including reducing carbon emissions, improving air quality, and delivering a boost in tourism and economic activity across the regions.

Ports

Port Authority of NSW (Port Authority)

Port Authority is responsible for all commercial marine functions in the ports of Sydney Harbour, Port Botany, Newcastle Harbour, Port Kembla, Port of Eden and Port of Yamba. These include the statutory Harbour Master's function, pilotage and navigation services, port safety functions, and port and terminal operations.

Port Authority is committed to embedding sustainability across the organisation, guided by its Net Zero implementation pathway to 75 per cent reduction in scope 1 and scope 2 emissions by 2030 and overall net zero balance by 2040. Key initiatives include:

- delivery of the Vehicle Fleet EV Transition Strategy
- continuing to reduce vessel emissions through operational efficiencies and long-term decarbonisation of the vessel fleet
- developing best practice methods for the biocultural restoration of the endangered seagrass *Posidonia australis* in Botany Bay
- installation of Shore Power at the White Bay Cruise Terminal by 2026-27.

In 2025-26, Port Authority will also publish its first standalone Sustainability Report (with reference to the Global Reporting Initiative).

In 2025-26, Port Authority will enhance cruise infrastructure by continuing Stage 2 of the Berthing Infrastructure Project at the Overseas Passenger Terminal and participating in the Cruise Industry Advisory Panel to identify options for long-term growth in New South Wales.

Forestry

Forestry Corporation of NSW (Forestry Corporation)

Forestry Corporation manages state forests. It delivers a range of other public services including recreation, tourism, conservation and firefighting.

Forestry Corporation continues to progress explorations of wind farms for renewable electricity generation within the State Forest Pine Plantations. It has issued investigation permits to successful proponents in four locations across New South Wales who are engaging with local communities and completing environmental feasibility before submitting development applications in coming years.

Since the 2019-20 Black Summer Fires, Forestry Corporation continues to make substantial investments in regrowing and expanding its State Forest Pine Plantations, producing enough renewable timber to build approximately 40,000 homes annually.

9.2 Capital expenditure

In 2024-25, capital expenditure within the PNFC sector is projected to be \$6.9 billion, which is \$441.8 million lower than projected in the 2024-25 Half-Yearly Review.

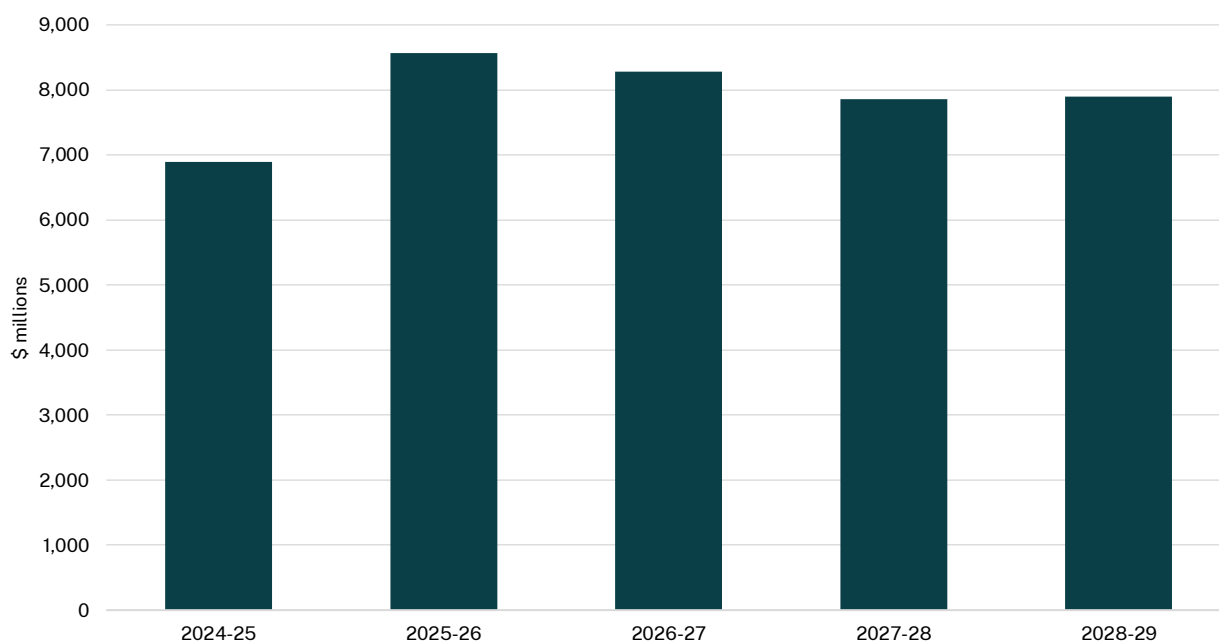
Over the budget year and forward estimates, capital expenditure within the PNFC sector is projected to be \$32.6 billion. This is \$818.2 million lower than projected in the comparative forecast periods in the 2024-25 Half-Yearly Review.

Key drivers include a:

- \$2.0 billion decrease resulting from the conversion of the Transport Asset Holding Entity of NSW from a for-profit SOC into a not-for-profit statutory authority named Transport Asset Manager of NSW, and a change in its asset valuation methodology accordingly
- \$376.2 million decrease from Sydney Water following a reduction in the forecast cost of stormwater infrastructure in the Mamre Road and Aerotropolis precincts
- partially offset by a:
 - \$626.9 million increase from Essential Energy related to ongoing investment in the network and increased expenditure to deliver major connection projects
 - \$480.1 million increase from Landcom due to the capitalisation of the previously funded build-to-rent properties on Landcom's balance sheet.

The Final IPART determinations are likely to result in a reduction in the forecast capital expenditure for both Sydney Water and WaterNSW (see Box 9.2 for details).

Chart 9.1: Capital expenditure of the PNFC sector



9.3 Major public financial corporations

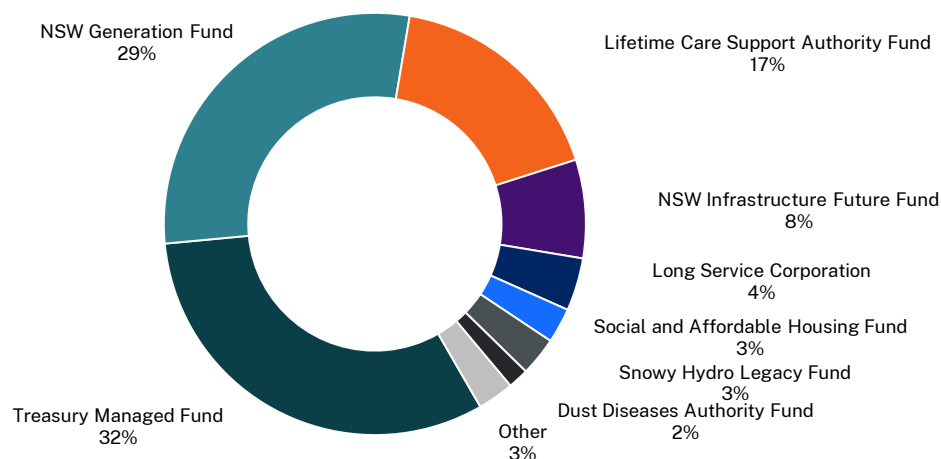
NSW Treasury Corporation (TCorp)

TCorp is the State's investment management agency and central financing authority. TCorp's total funds under management was around \$114.7 billion as at 30 April 2025, making it one of Australia's largest fund managers.

As at 30 April 2025, TCorp has raised \$25.6 billion face value in debt funding and had maturities of \$8.9 billion face value during 2024-25. The NSW Sustainability Bond Programme remains at \$11.9 billion face value outstanding, making TCorp one of the largest government issuers of sustainability bonds in Australia.

TCorp implemented the Government's policy to centralise the investment management for four NSW Treasury controlled funds, two icare¹ portfolios, and others into a single whole-of-state fund, OneFund, during 2024-25. OneFund is expected to deliver higher investment returns on behalf of the State. OneFund held \$62.1 billion in assets under management as at 30 April 2025.

Chart 9.2: Composition of OneFund as at 30 April 2025



icare

icare is the State's insurer and its aim is to protect, insure and care for people injured at work and on the road, businesses, government agencies, builders and homeowners.

Following passage of legislative amendments to the *State Insurance and Care Governance Act 2015* in 2024, and completion of its Enterprise Improvement Program, icare continues to transform and build on solid foundations designed to promote efficiency, transparency, and accountability in the conduct of its operations. This includes the roll out of a new and upgraded Lung Bus (see Box 9.3) to improve ongoing essential health screening services for workers in dust industries.

Another major focus for 2025-26 will be supporting the Government's commitment to ensuring the State's insurance schemes are sustainable and fit for purpose.

¹ Insurance and Care NSW (icare).

Box 9.3: Upgrade of icare's Dust Diseases Care Lung Bus – mobile lung-testing clinic

Each year, approximately 26,000 workers are exposed to hazardous dust in NSW workplaces and should be screened for lung health. Dust Diseases Care currently screens and monitors approximately 5,000 workers annually, with its popular mobile testing clinic (the Lung Bus) operating at 112 per cent capacity.

To ensure continuity of service across regional areas, a new and upgraded Lung Bus was built and commenced operations in February 2025. The new Bus has been designed with service continuity, customer experience and staff wellbeing in mind, including:

- larger consultation and clinical spaces to accommodate carers and translators
- updated medical equipment
- onboard facilities management systems
- back-up power generators
- satellite internet for improved regional network connectivity.

The popular service's regional schedule has already been fully booked for 2025. In June, icare will commence planning for 2026, centring its planning around waitlisted employers.

The mobile clinic will help ensure dust industry employers meet their health monitoring obligations and will be essential in monitoring the health of those workers for years to come.

The investment in the building of the replacement mobile clinic demonstrates icare's commitment to providing ongoing essential health screening services to the people of New South Wales.

9.4 Returns to the Government from the PNFC and PFC sectors

SOCs and TCorp pay dividends to the State as a return on the Government's investments in these entities. These entities also pay tax equivalents and debt neutrality charges (government guarantee fees) to ensure competitive neutrality.

Government guarantee fees are projected to be \$369.9 million in 2024-25 and are forecast to total \$2.0 billion over the budget year and forward estimates. This is a \$261.4 million decrease from the 2024-25 Half-Yearly Review.

Key movements over the budget year and forward estimates include:

- \$195.0 million reduction in Sydney Water's government guarantee fees due to refinanced borrowings at a higher TCorp rate. TCorp's rate increase was influenced by macroeconomic factors, which reduced the yield spread resulting in lower government guarantee fees from Sydney Water
- \$47.3 million reduction in Essential Energy's government guarantee fees due to an improvement in Essential Energy's credit rating from BBB to BBB+, again resulting in a reduced yield spread.

Total dividend and tax equivalent payments from the PNFC and PFC sectors are forecast to be \$669.8 million for 2024-25, which is \$1.7 million higher than the comparative forecast in the 2024-25 Half-Yearly Review.

Over the budget year and forward estimates, total dividend and tax equivalent payments to the Government from the PNFC and PFC sector are forecast to be \$4.1 billion, which is \$510.9 million lower than the comparative forecast in the 2024-25 Half-Yearly Review.

Key movements include:

- \$133.7 million reduction in Sydney Water's income tax equivalents, which was caused by:
 - a reduction in profit before tax due to forecast revenue decreases to reflect the delayed commencement date for new prices to 1 October 2025
 - a reduction in infrastructure contributions due to delayed capital projects
- \$126.3 million reduction in Essential Energy's dividends primarily due to a revision of the major connections pipeline, higher vegetation costs and increased labour costs following the approved 2024 Enterprise Agreement
- \$44.2 million decrease in Hunter Water's dividends as a result of lower forecast revenue from customers following IPART's pricing determination for Hunter Water
- the inclusion of an IPART Determinations risk adjustment totalling \$289.0 million to reflect reductions to tax equivalents from Final Determinations for Sydney Water and WaterNSW. These estimates will be updated in the 2025-26 Half-Yearly Review once the Final Determinations have been handed down.

Table 9.1: Total dividend and tax equivalent payments from the PNFC and PFC sectors

	2024-25 Projection \$m	2025-26 Budget \$m	2026-27 Forward Estimates \$m	2027-28 Forward Estimates \$m	2028-29 Forward Estimates \$m
Public non-financial corporations					
Essential Energy	-	-	-	-	27
Forestry Corporation of NSW	-	-	-	-	-
Hunter Water Corporation	26	48	70	94	112
Landcom ^(a)	19	9	38	40	35
Port Authority of NSW	59	39	33	37	39
Sydney Water Corporation	280	552	513	544	630
WaterNSW	40	40	46	76	102
Public financial corporations					
NSW Treasury Corporation ^(b)	205	235	269	286	302
Less: IPART Determinations risk adjustment	-	(50)	(51)	(81)	(107)
Total Dividend and Tax Equivalent Payments in Revenue from Transactions section	630	874	919	995	1,139
Public non-financial corporations					
Landcom	40	14	62	65	57
Total Dividends in Other Economic Flows section^(c)	40	14	62	65	57
TOTAL DIVIDEND AND TAX EQUIVALENT PAYMENTS	670	888	981	1,060	1,196

(a) Landcom's returns classified under the 'Revenue from Transactions' section in the General Government Operating Statement relate to tax equivalent payments.

(b) Dividends paid by Landcom across the five years to 2028-29 are classified as income within the 'Other Economic Flows' section of the General Government Operating Statement.