

Australian Business Economists



Budget 2011

New South Wales

Briefing and Discussion, 07 September 2011, Sydney



Australian Business Economists



The Hon Mike Baird
Treasurer, New South Wales

Budget 2011





Budget 2011-12
Rebuilding New South Wales

Budget 2011-12



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Rebuilding New South Wales

Budget Context



Budget 2011-12

Rebuilding New South Wales

The Government started \$5.2b behind the Half-Year Review

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	4-Year Total \$m
<i>Budget result estimate at March 2011 (a)</i>	-79	-550	-1,316	-2,439	-4,384
<i>Change in revenue outlook, March to September (b)</i>	-413	-151	-72	-299	-935
<i>Updated Budget result</i>	-492	-701	-1,388	-2,738	-5,319
Budget result estimate in this Budget	-718	292	156	152	-118
Turnaround from Updated to this Budget	-226	993	1,544	2,890	5,201
<i>Net lending result at March 2011</i>	-2,922	-2,851	-3,893	-3,945	-13,611
Net lending result in this Budget	-3,986	-2,560	-2,603	-1,066	-10,215
Turnaround in this Budget	-1,064	291	1,290	2,879	3,396

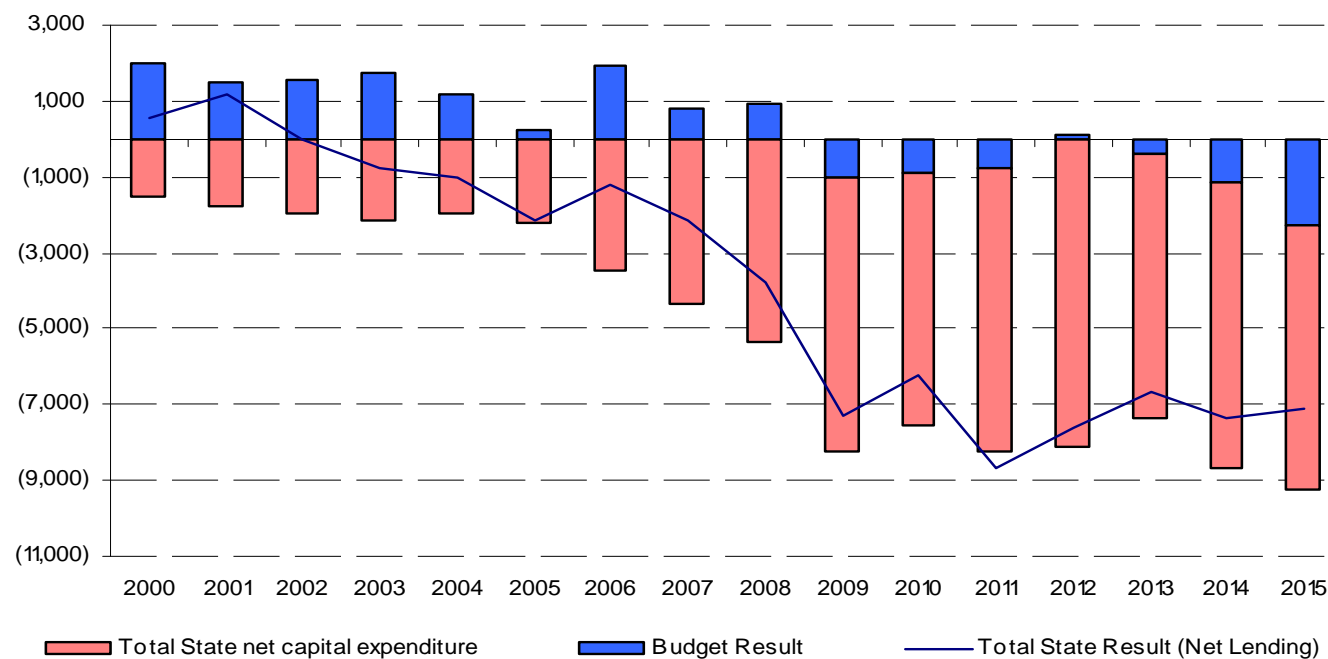
\$5.2 billion
less than
HYR

(a) Budget result adjusted for residual Solar Bonus Scheme costs. Source: Financial Audit, Part 1, Table 3

(b) Major revenue sources including GST, transfer duty, payroll tax and royalties

Growing budget deficits and increasing debt-funded capex reflected a path of fiscal unsustainability

State Financial Results ex Economic Stimulus as at March 2011



Expense growth exceeded revenues by an average of 0.9% a year over the five years to 2010-11

Growth in revenues and expenses 2006-07 to 2010-11
(five year averages)



Chart shows five-year rolling average revenue and expenditure growth rates (per cent per annum) net of Australian Government Economic Stimulus programs.

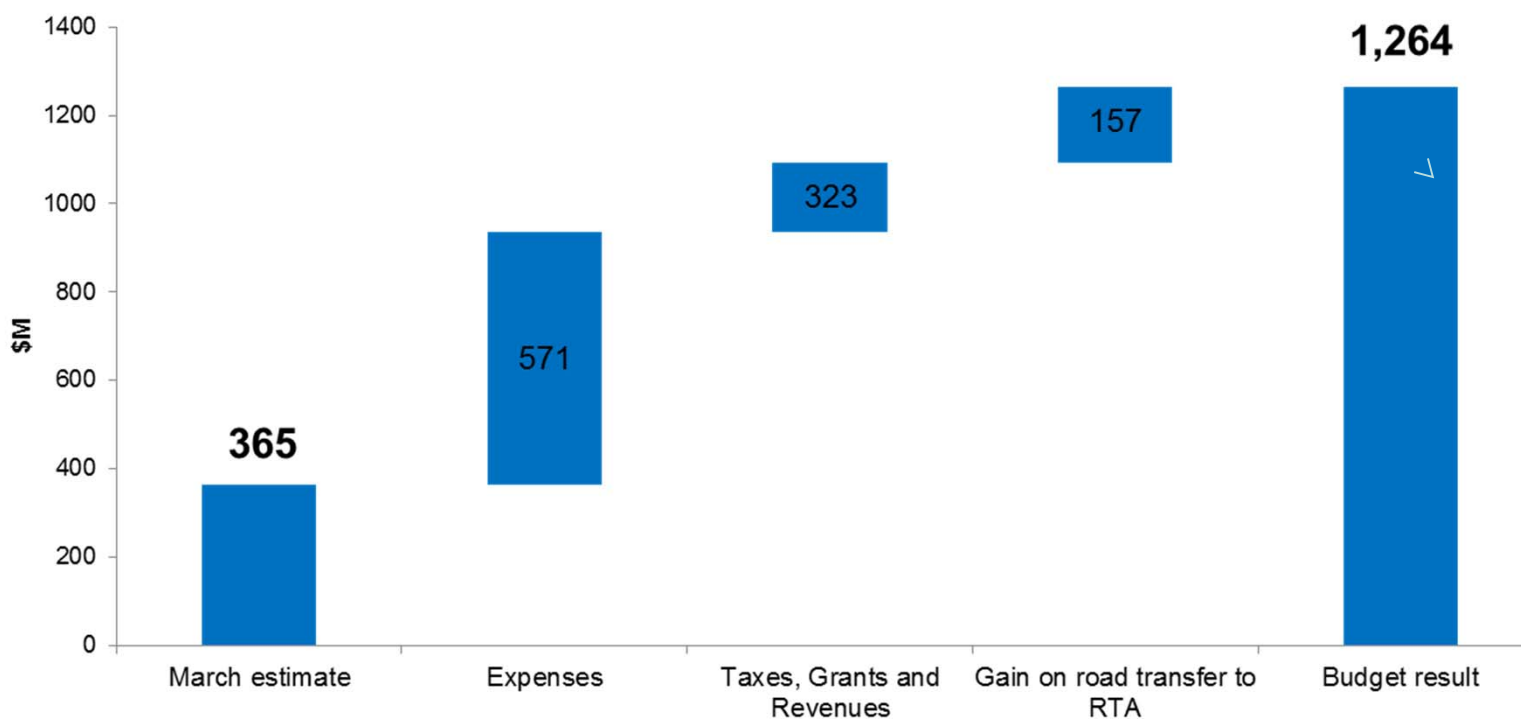


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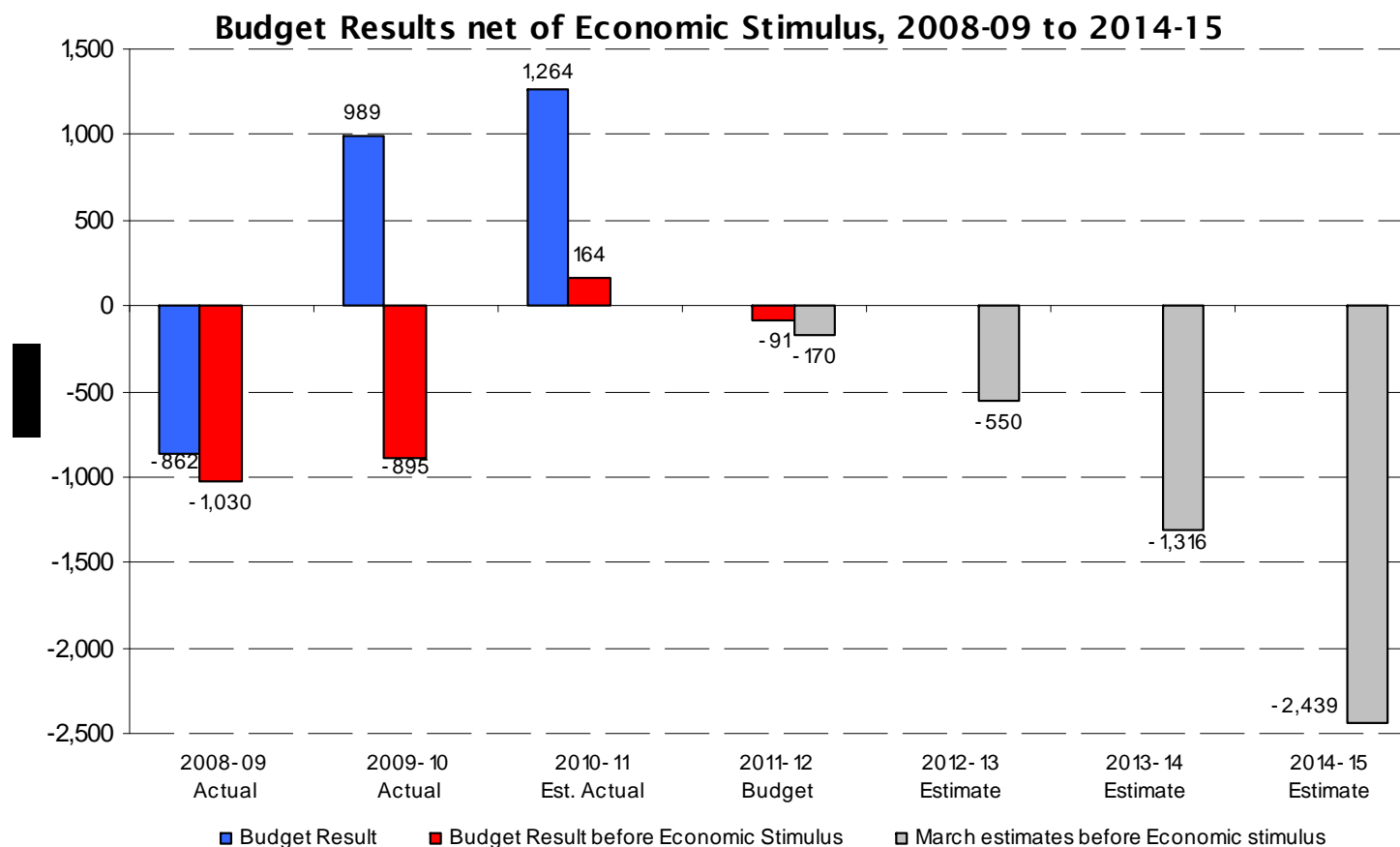
Rebuilding New South Wales

Improvement of 2010-11 result from March estimate largely due to lower expenses

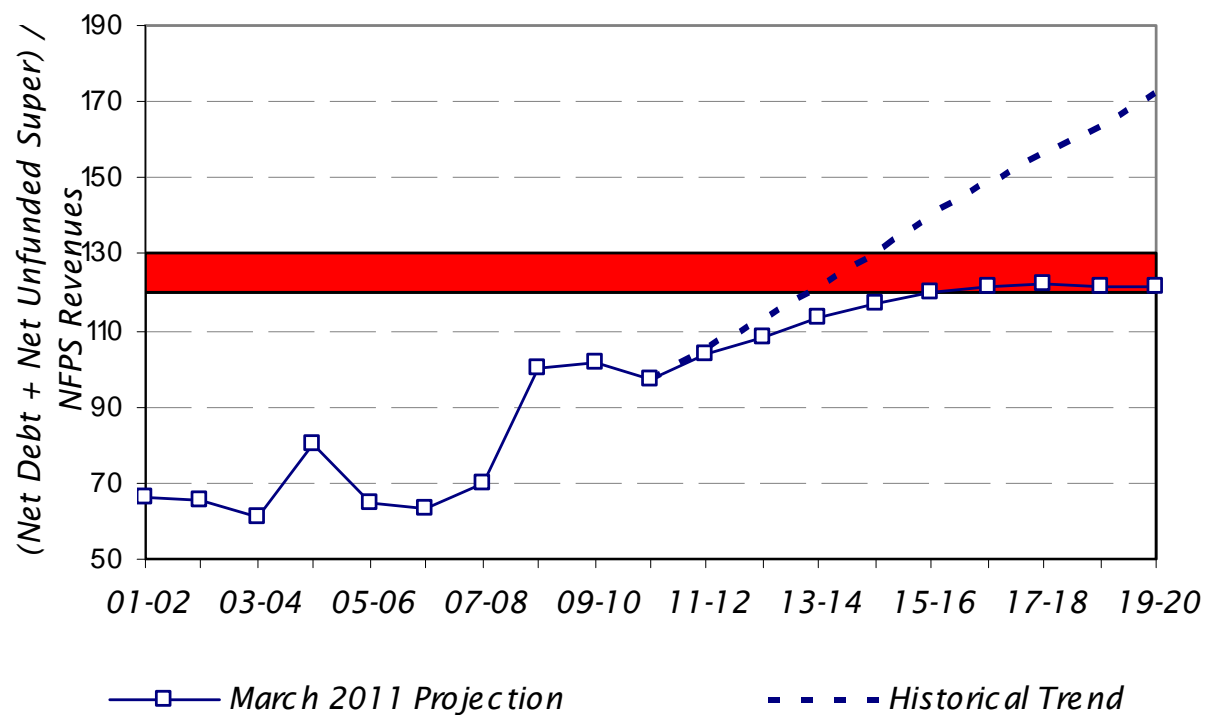
Budget result 2010-11 from March estimate



Labor's legacy was deficit spending that jeopardised the long term future of NSW



On historical trend and forward estimates, the Triple A rating was lost this term...



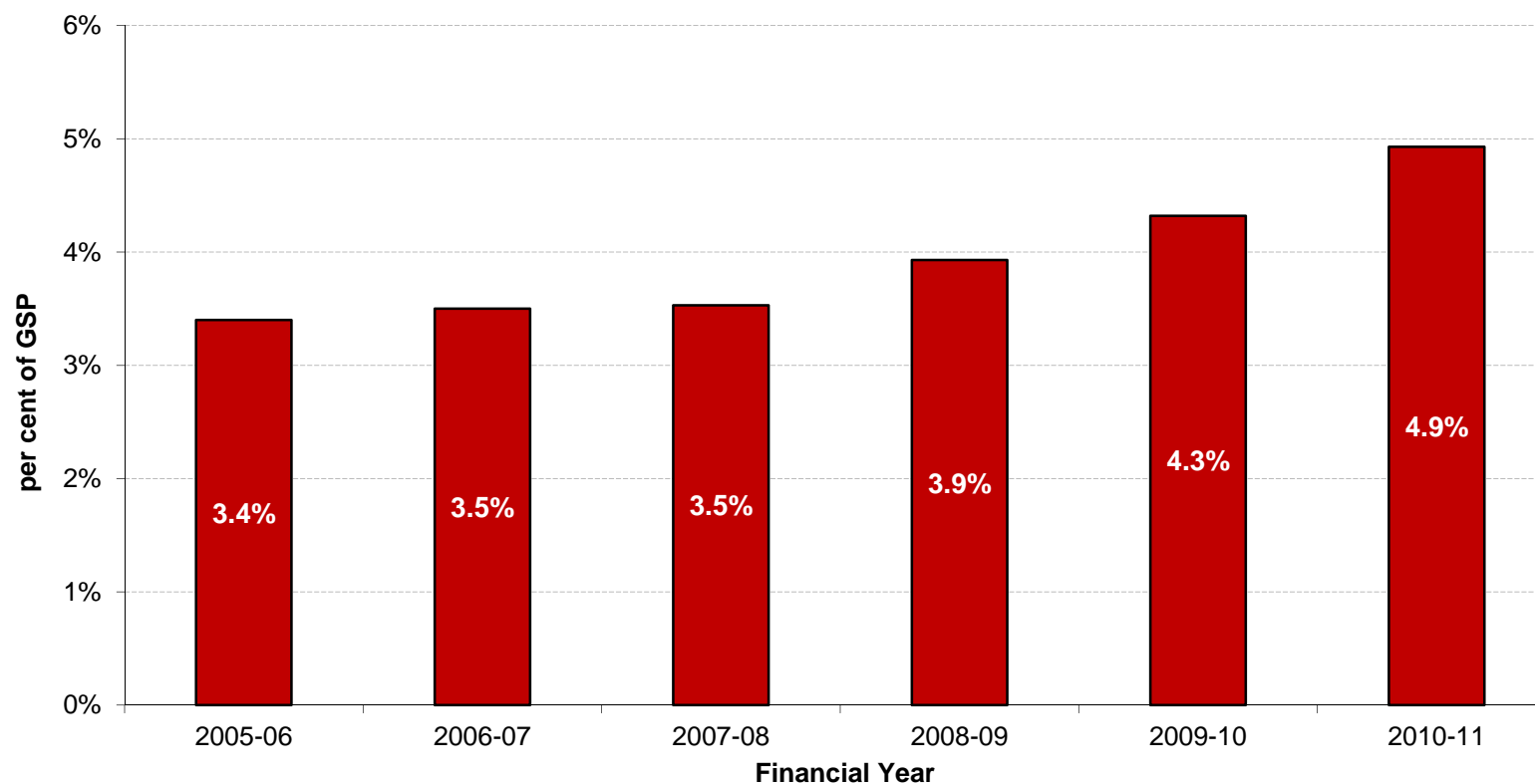


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...and the fiscal gap deteriorated under every state Labor budget

Fiscal Gap (per cent of GSP in 2043-44/2050-51)





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NSW Economy



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The economic outlook is challenging in the short-term, returning to above trend in the longer term

Economic Performance and Outlook (year average per cent change, unless otherwise indicated)

	2009-10 Outcomes	2010-11 Estimates	2011-12 Forecasts	2012-13 Forecasts	2013-14 & 2014-15 Parameters ⁽³⁾
New South Wales					
<i>Real state final demand</i>	3.4	2½	2¾	3½	-
<i>Real gross state product</i>	1.7	2¼	2½	3	3
<i>Employment</i>	1.2	3.1	1	1¾	1¼
<i>Unemployment rate</i> ⁽¹⁾	5.7	5.1	5¼	5¼	-
<i>Sydney CPI</i> ⁽²⁾	2.9	3.8	2½	3¾	2½
<i>Wage price index</i>	3.2	3¾	4	4	3½

(1) Year average, per cent

(2) Per cent change through the year to June quarter

(3) Real SFD and the Unemployment rate are not forecast in these years



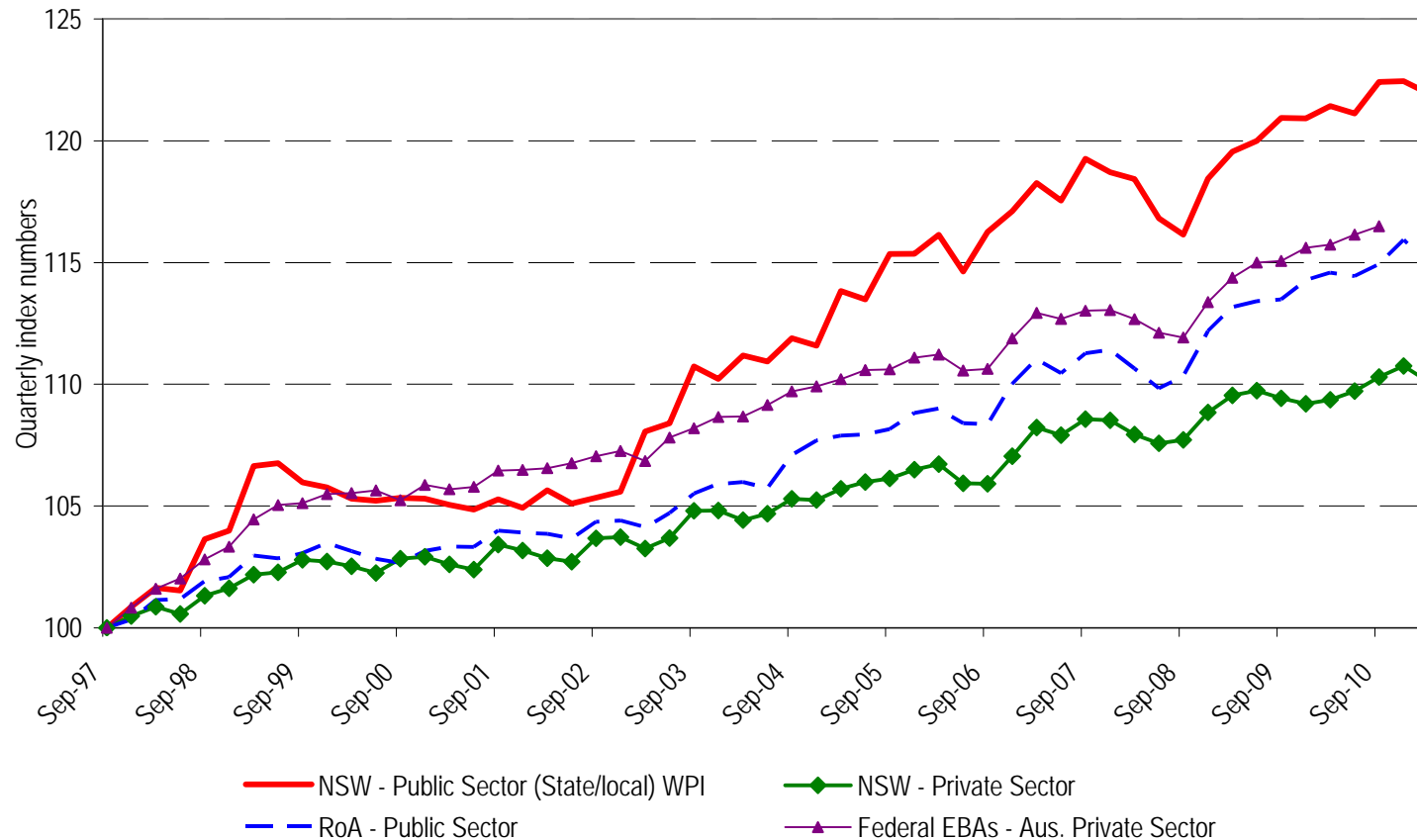
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Rebuilding New South Wales

Actions to rebuild NSW

Employee expense growth will now be restrained to reasonable levels

Wage Cost Comparisons – Real Wages





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Tough decisions have been made to control expense growth over the forward estimates

Savings measures	\$8 billion in total over 4 years
Efficiency dividends + Agency savings plans	1.5% in 2011-12 1.5% in 2012-13 1% in 2013-14 \$150m in 2014-15 Total savings \$6 billion over four years (\$2.5 billion in 2014-15)
VRs	Up to 5000 VRs will be offered
Procurement savings	More than \$1 billion over four years
Program review	\$800m to 2014-15
Wages Policy	Avoids further costs of \$2 billion over 4 years



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Rebuilding New South Wales

New revenue measures will raise \$2.2b over four years and support key Government priorities

Table 5.1: Tax Measures Announced in the 2011-12 Budget

Measure	Revenue Impact ^(a)			
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Target first home buyers' stamp duty concession to newly built homes	131	277	305	336
Increase coal royalties for firms liable to the Australian Government's Minerals Resource Rent Tax		235	244	465
Lower licence fees for safe drivers		-24	-29	-37
Increase Climate Change Fund contributions to offset SBS costs			150	150
Payroll tax rebate for workers with a disability	-2	-2	-2	-2
Total	129	486	668	912

(a) Revenue impacts are expressed in nominal dollars. These figures show the part-year effect of the revenue measures where the change starts during the year.



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Rebuilding NSW

- **Rebuilding finances**
 - Surpluses from 2012-13
 - Structural reform in Health, Transport, Education, FACS, Prisons, Police D&D
 - Wages policy and Savings
 - Improved fiscal accountability
- **Rebuilding infrastructure**
 - Record infrastructure spend
 - \$6.3b transport spend
 - \$1b Health spend
 - Infrastructure NSW
 - Desalination Plant and Port Botany
- **Rebuilding services**
 - More teachers, nurses, police
 - Record spend in Health
 - Better transport services
 - Contestability: Sydney Ferries, Road Maintenance
- **Rebuilding protection for the vulnerable**
 - Largest ever investment in disability services
 - Disability Employment plan
 - Social Benefit Bonds

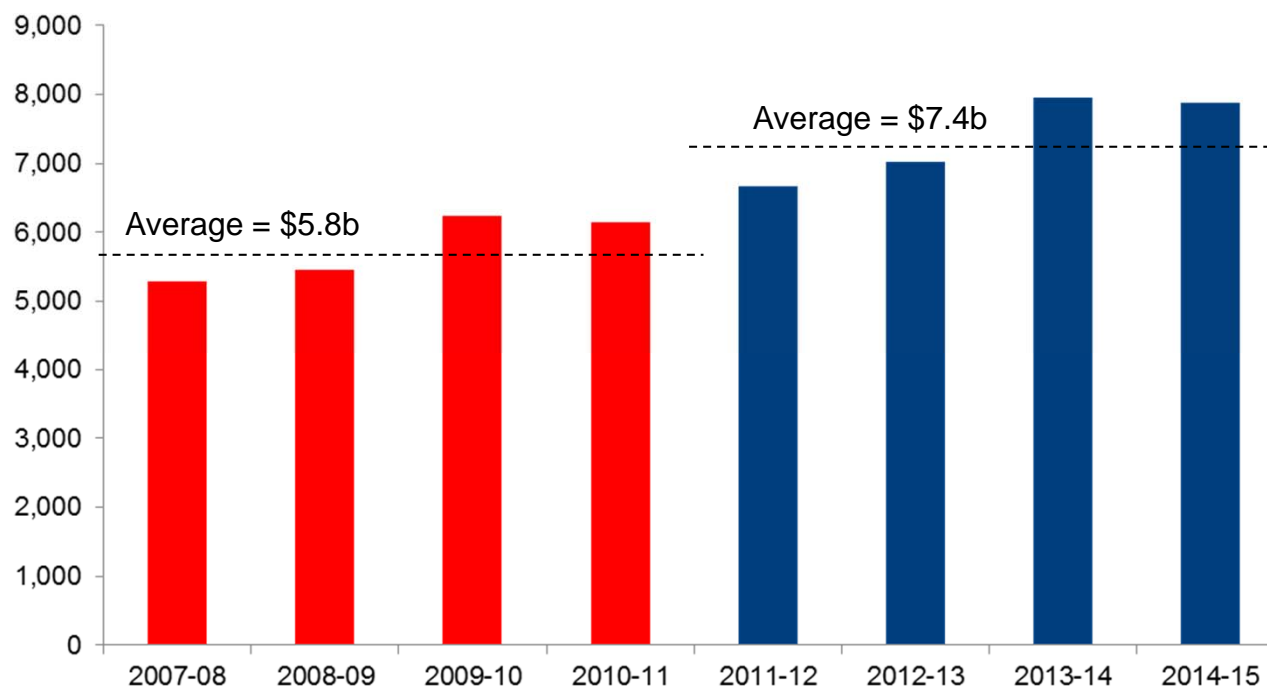


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Rebuilding New South Wales

State funded infrastructure: \$1.6b a year more than under Labor

Total State Funded Infrastructure, including PTE Transport Capex





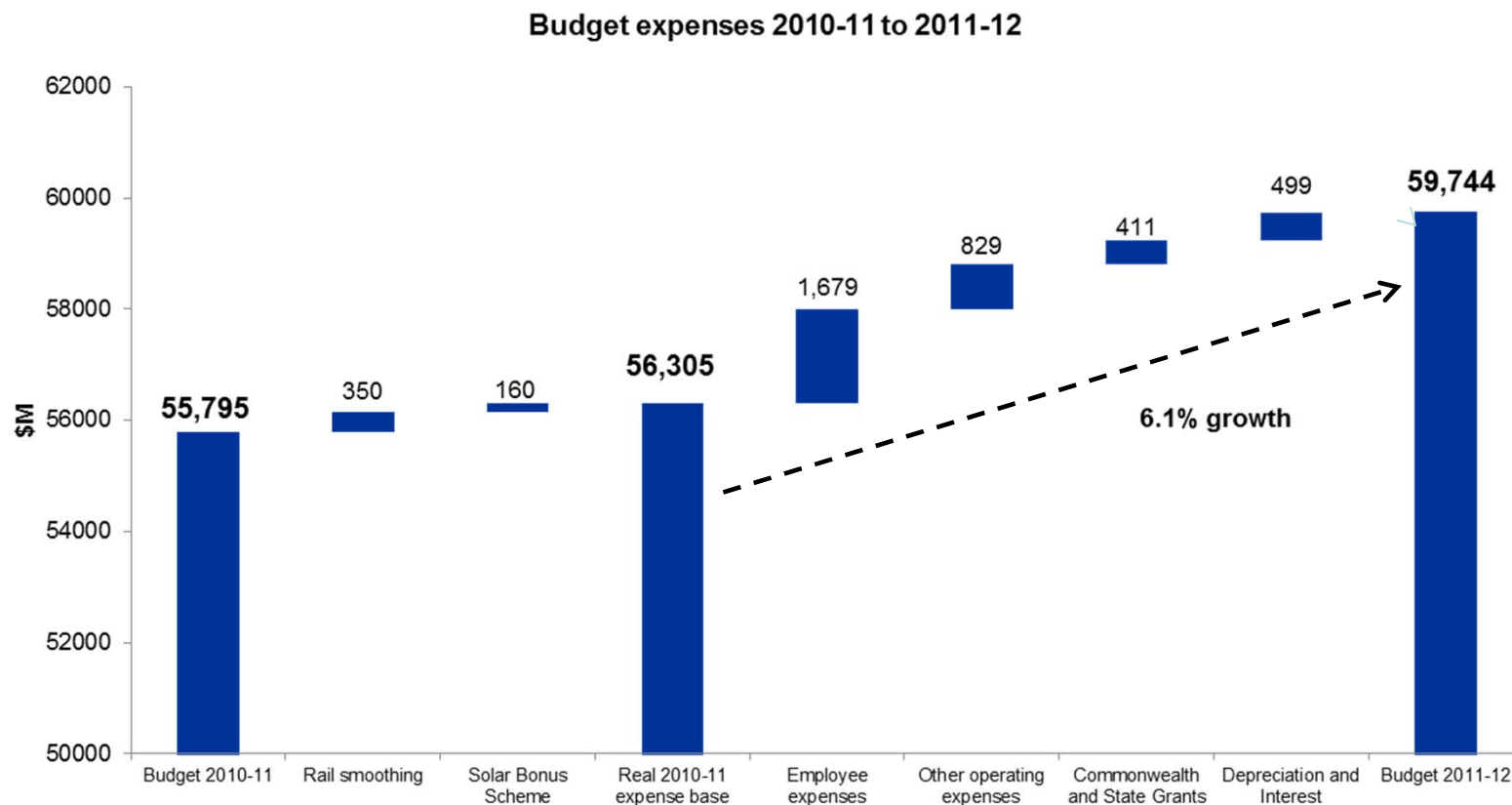
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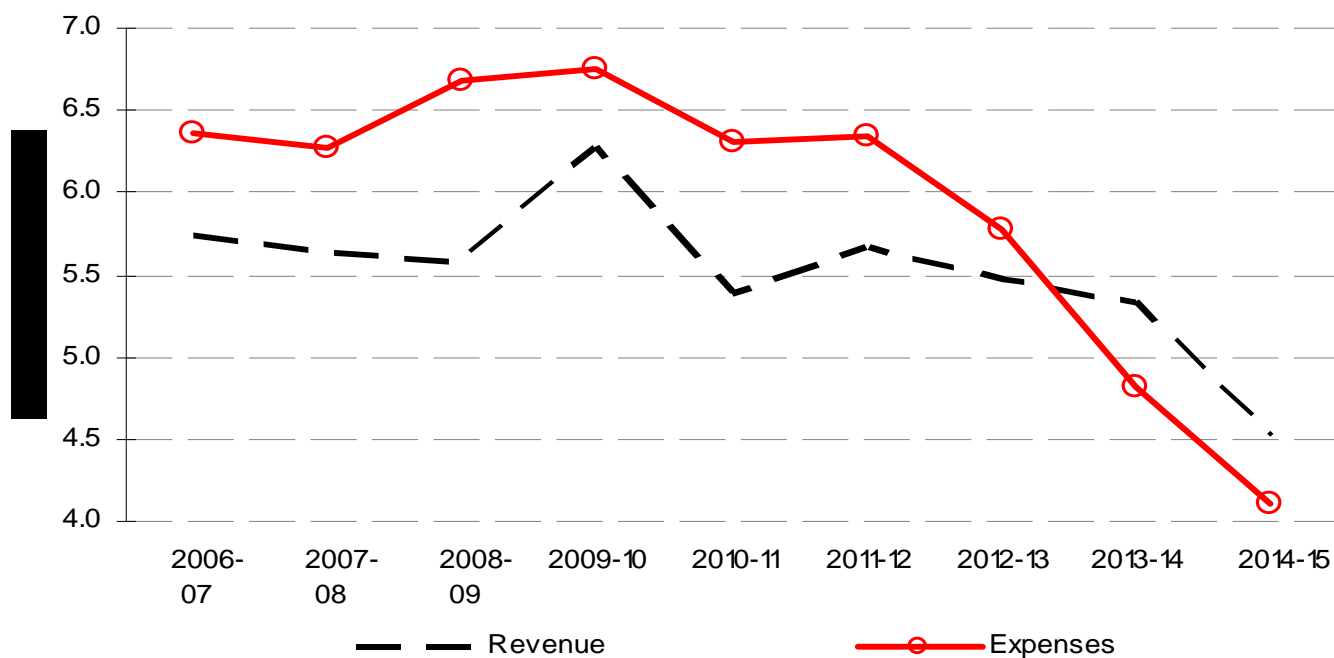
Outcomes

True expenses growth in 2011-12 is 6.1%: wages an ongoing challenge



Fiscal improvement begins by aligning expenditure and revenue growth

Growth in revenues and expenses 2006-07 to 2014-15
(five year averages)



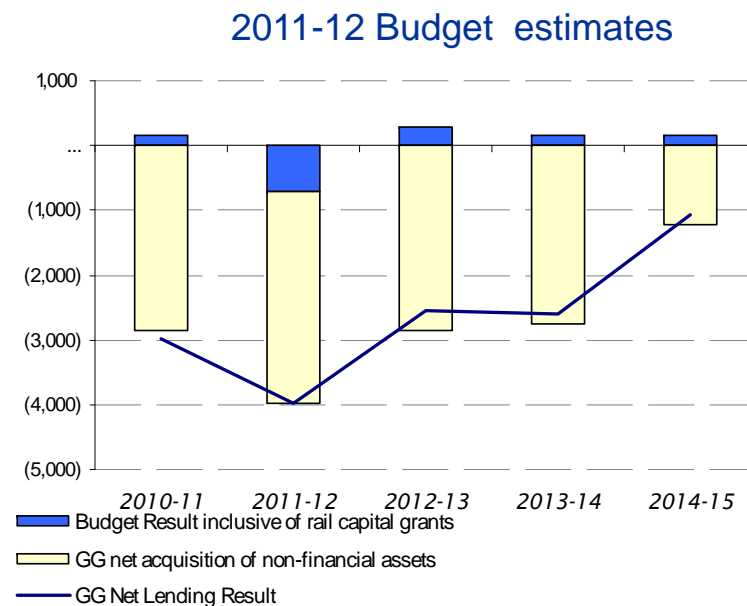
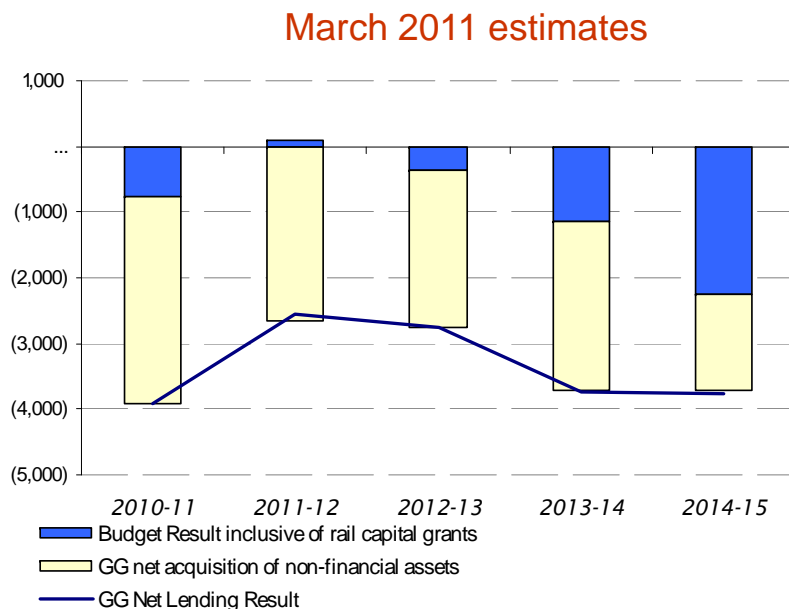


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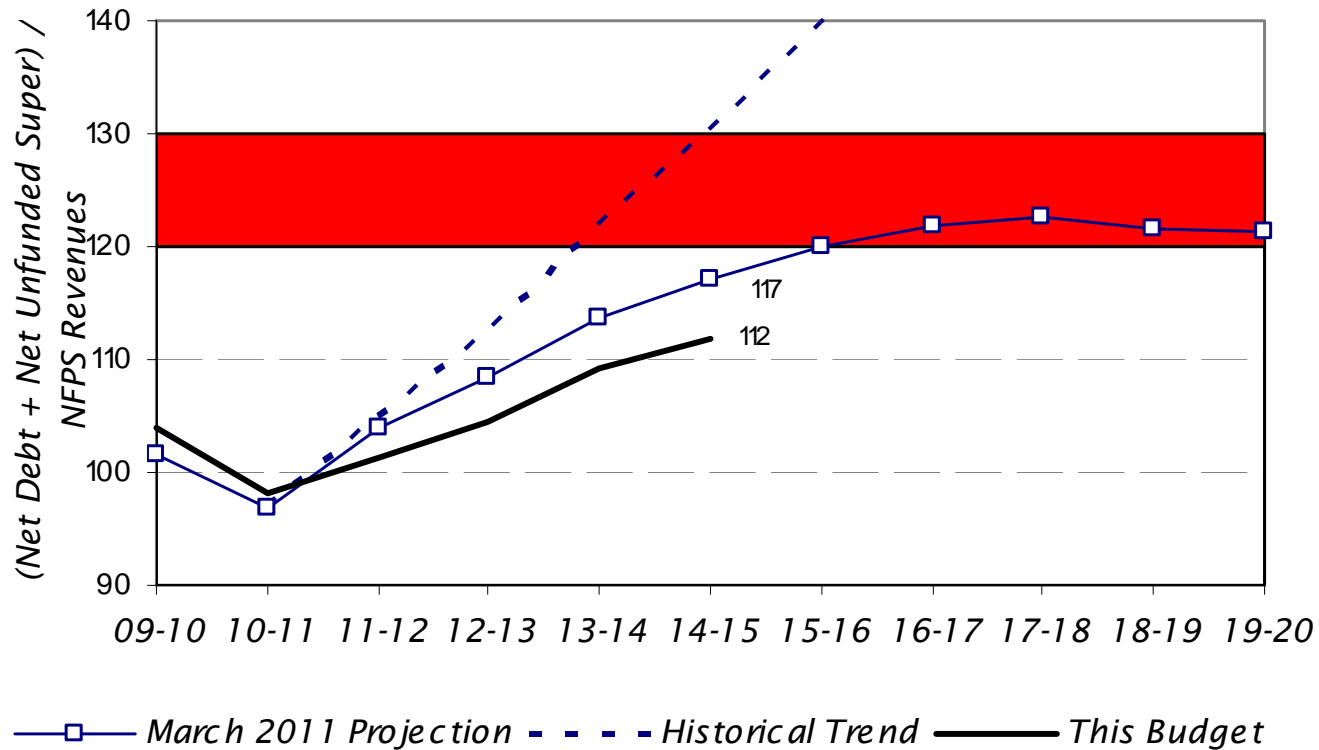
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Together this has improved the Budget result by \$4.3 billion from March 2011, and improved net lending

Comparison of General Government Budget Forecasts, March estimates vs 2011-12 Budget, Excluding Australian Government Economic Stimulus

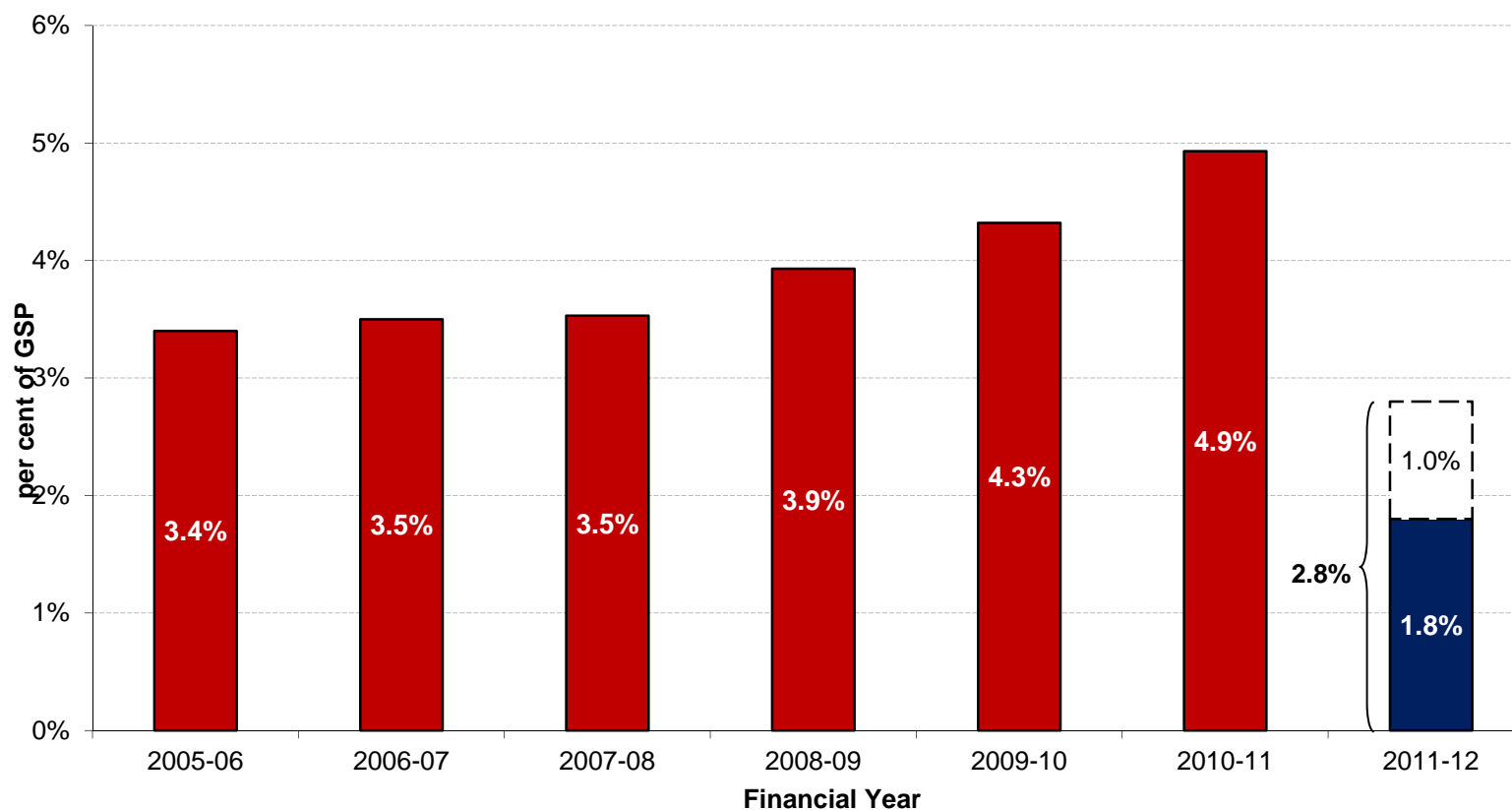


As a result, a marked improvement already in the S&P ratio



...and the fiscal gap has improved 1.0%

Fiscal Gap (per cent of GSP in 2043-44/2050-51)





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