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O'Farrell Focuses on Trust and Credibility

By Liam Bathgate

The O'Farrell Government in NSW has used its vital first Budget to build a strong credit balance of public trust and credibility.

The budget focuses on delivering on election promises while trimming spending, boosting revenue and containing the size of the public service.

Transport, Health – notably infrastructure and disability services - and Police are the major spending areas.

Marketed by Treasurer Mike Baird as the budget to start rebuilding NSW, it will involve a \$718m deficit in 2011-2012 (on an overall spend of almost \$60 billion) followed by small surpluses in the out years.

“The budget regains control of the State’s finances, delivering a turnaround in the budget balance of \$5.2 billion over the next four years, while funding our election commitments,” Mr Baird said.

One of the major revenue measures – an increase in coal royalties – is being blamed on the Gillard Government’s carbon tax.

“While the Commonwealth has refused to discuss the impact of the carbon tax, we must use whatever means are within our

power to recover some of the direct costs to the NSW budget,” Mr Baird said.

“It is therefore our intention to increase mining royalties in order to raise the revenue the State needs. This cost increase will be borne in full by the Commonwealth,” he explained.

The other major revenue measure is a decision to privatise the State’s freight hub, Port Botany – on top of already announced measures to unlock funds from the desalination plant nearby.

“The introduction of a private operator at Port Botany will increase contestability and help drive further efficiency on the waterfront, which will in turn help to further develop the NSW economy,” Mr Baird said.

Savings measures totalling \$8 billion include restricting a stamp duty concession on properties costing less than \$600,000 to new homes, axing a plan to build a new arts precinct at Parramatta, closing three prisons and imposing efficiency dividends on Government departments

The Government will be looking for 5,000 voluntary public service redundancies over the next four years – but over the same period will be hiring 4,000 new nurses, teachers and police officers.

Overall infrastructure spending will be the biggest commitment in NSW history: \$62.5 billion over the next four years.





This includes \$70 million to fund the local government infrastructure backlog and specific funding

commitments through the Hunter Investment and Infrastructure Fund (\$350 million) and for regional NSW through the Restart NSW Fund.

Spending on hospitals and health capital works over the next four years will total \$4.7 billion – a 50% increase on the last four years.

There will be another \$2.8 billion for disability services.

In transport, for 20-11-2012 more than \$300 million is committed for design, survey, environmental assessments and land purchases for the North West Rail Link – and other \$292 million to complete the South West Rail Link.

Roads will receive \$3.2 billion in 2011-2012, including \$1 billion for the Pacific Highway.

Police numbers and equipment will be significantly strengthened.

Authorised Police Force strength will be increased by 550 over four years to 16,356, there will be extra police vehicles, police station upgrades and replacement, more mobile command units and mobile number plate recognition units, upgraded bulletproof vests, and an upgrade for the Police helicopter.

There will be a payroll tax rebate of \$4,000 for the first 100,000 new full-time jobs

created after 1 July 2011, and \$130 million to attract industry to NSW.

As an example of the Government's commitment to fulfilling its election promises in detail, the RSPCA gets \$7.5 million over two years to redevelop the Sydney Animal Shelter at Yagoona.

NSW's peak business group, NSW Business Chamber, said the budget had laid a strong fiscal foundation for NSW.

"The Budget, State Plan and Inter-Generational Report demonstrate a clear and compelling vision for NSW, which has been lacking in previous years", said Stephen Cartwright, CEO of NSW Business Chamber.

"The NSW Treasury Forecasts for growth and employment for NSW make sober reading. The ongoing pressure of the two-speed economy means that the State Government must accept the need to make its own Budget sustainable in the medium term.

"This is a strong budget that tackles unnecessary expenses growth, cuts bureaucracy, and invests

heavily in much needed infrastructure. As importantly, through contestability, privatisations and efficiency dividends, we are going to see improvements in State Government productivity," Mr Cartwright commented.

For details see www.budget.nsw.gov.au

Liam Bathgate is a Director of Australian Public Affairs, a former Chief of Staff to Barry O'Farrell and a former State Director of the NSW Nationals, with extensive experience in corporate communications.



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