



Government Relations

Barton Deakin Brief: NSW Budget 2013/14

18 June 2013

On 18 June 2013 the Treasurer, the Hon. Mike Baird MP, handed down the [2013/2014 NSW State Budget](#). The Budget delivers on the Government's fiscal strategy of returning the State's finances to a sustainable position whilst simultaneously investing in infrastructure, health, education, and other frontline services. This is to be done through controlling expenses so they do not exceed revenue, reducing the payroll tax burden to support new jobs, delivering \$60 billion to fix the infrastructure backlog and significantly boosting funds for front-line services.

The Budget also outlined a strategy to boost economic growth in Newcastle (the state's second largest city).

The Treasurer announced a 2013/14 budget deficit of \$329 million (compared with a previous forecast of \$423 million), followed by a surplus of \$829 million in 2014/15 (down from a 1.3 billion forecast).

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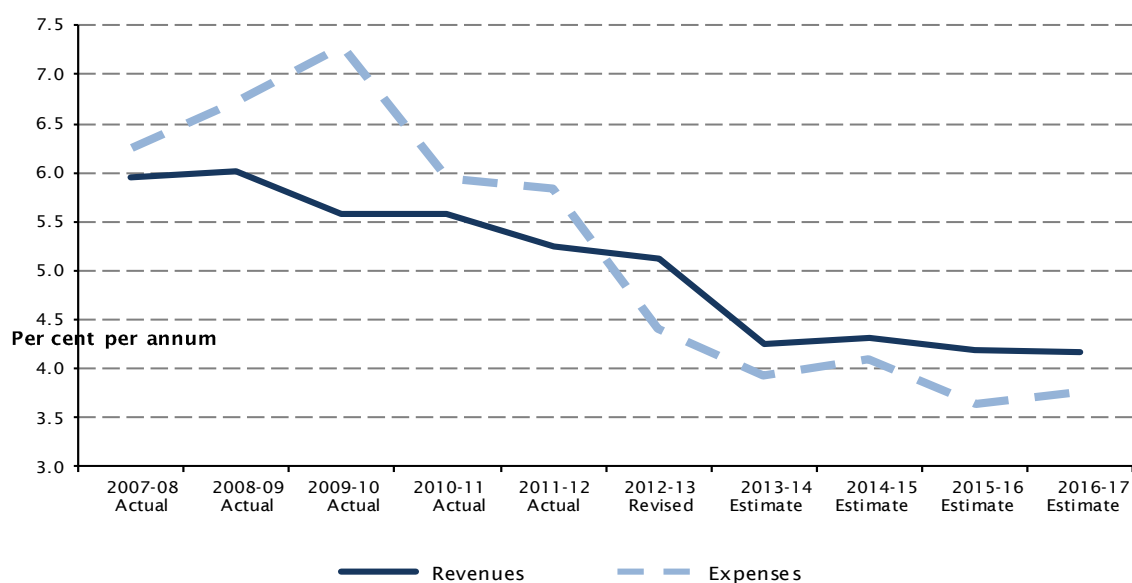
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I. Economic Context

The 2013/14 NSW Budget was delivered at a time in which confidence in the broader Australian economy, and the global economy, is decreasing. However, the NSW economic outlook remains moderate to strong, with the state economy boosted by high jobs growth figures. More specifically, NSW has created more than 128,900 jobs in the last year. This is more than any other state in the nation.

Due to the continued efforts to keep expenditure below revenue, the State's AAA credit rating is not at risk. However, as has been the case in the previous few years, the Budget has been drawn up in the context of weaker revenue growth than forecast. (See below)



[Trend Revenue and Expense Growth, 2007-08 to 2016-17](#)

II. Infrastructure

State infrastructure expenditure in New South Wales will total \$59.7 billion over the four years to 2016-17, including \$15.5 billion in 2013-14. The four year program to June 2017 is 3.4 per cent lower than the four years to 2016 published in the 2012-13 Budget. This is due to reductions in the public trading enterprise (PTE) capital program combined with declining levels of support from the Australian Government. In spite of this, State infrastructure investment continues to increase. This increase in spending has largely been funded by the revenue generated from the leasing of Port Kembla and Port Botany (see table on following page)



State Infrastructure Spending

	2012-13		2013-14 Budget \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Four year total \$m
	Budget	Revised					
	Forward Estimates						
General Government sector	6,356	8,009	9,085	9,753	8,627	8,584	36,048
Public Trading Enterprise sector	8,652	6,487	6,451	5,384	5,421	6,436	23,692
Total^(a)	15,000	14,487	15,528	15,128	14,040	15,011	59,707

Key Infrastructure Spending: Roads

- \$1.8 billion for the WestConnex motorway over 4 years.
- \$1 billion on a Pacific Highway upgrade in 2013/14 to continue duplication.
- \$1 billion on the Western Sydney Growth Roads Program.
- \$400 million on the F3 and M2 motorways reserved from Restart NSW.
- \$178 million on a Princes Highway upgrade.

Key Infrastructure Spending: Transport

- \$4.1 billion on the North West Rail Link over 4 years.
- \$899 million on new trains.
- \$353 million on the South West Rail Link.
- \$142 million for Light Rail in the Inner West and Sydney's CBD.
- \$133 million on Opal electronic ticketing across the public transport network.
- \$92 million on bus upgrades.

Key Infrastructure Spending: Other

- \$1 billion on construction of the Sydney International Convention Exhibition and Entertainment Precinct.
- \$141 million on building the state housing package (see section VI of this brief).
- \$120 million on court upgrades.
- \$31.5 million on the local infrastructure renewal scheme.
- \$21.8 million on the Sydney Cricket Ground.

III. Rebirth of Newcastle

A centrepiece of the 2013-14 Budget is the NSW Government's strategy to drive the economic growth and renewal of Newcastle. A 99-year lease of Newcastle Port will unlock resources that can then be used to accelerate and extend the vision for a revitalised Newcastle.

Lease of Newcastle Port

The 99-year lease of Newcastle Port is expected to be completed by mid 2014. Of the proceeds, \$340 million will be directed towards a new vision for Newcastle, in addition to the \$120 million the Government has already committed to the revitalisation project. The funds will be coordinated through the Hunter Infrastructure and Investment Fund (HIIF), taking the amount invested in the HIIF to \$690 million.



Revitalisation of Newcastle CBD

The Government's urban renewal strategy will reunite the Newcastle city centre with its waterfront, making the city a diverse, vibrant and attractive place for visitors and locals.

The revitalisation announced by the NSW Government last year included changes in relation to the rail line that ensured the return of the city's harbour to its people. This has already triggered a burst of private development activity in the area. This project will be fast-tracked with proceeds from the lease of Newcastle Port.

Light Rail for Hunter

The proposed new light rail option between Wickham and Newcastle is potentially only the beginning of a light rail system for Newcastle. \$10 million will be allocated to explore the potential for this link to be the basis for light rail linking the CBD with surrounding suburbs, beaches and the broader Hunter region. This light rail project will be a critical part of the revitalisation of Newcastle as a modern city – fast-tracked through the lease of Newcastle Port.

IV. Tax Rebates

The Government has announced two initiatives that reveal changes to the payroll tax.

Increase in the Payroll Tax Threshold

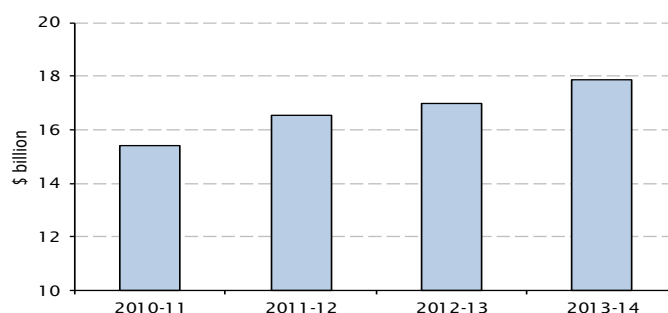
The Treasurer announced an increase in the payroll tax threshold from \$689,000 to \$750,000. This means around 1,300 fewer businesses will have to pay payroll tax and the remaining will have their payroll tax bill cut by an average of \$3,000 per annum.

Increase the Payroll Tax Rebate

The Treasurer announced an increase of the payroll tax rebate from \$4,000 to \$5,000 for each new job supported under the Jobs Action Plan.

V. Health

The Budget provides an additional \$884 million to support higher levels of patient activity including more preventative health and chronic care services together with improvements in hospital access and quality of care. The government has again maintained its year on year increase in health spending (see below).





The Budget for 2013/14 provides for:

- An extra 34,000 patient admissions for acute care in hospitals, including elective surgery for an extra 3,000 patients.
- An extra 69,000 emergency department attendances.
- 80 more clinical nurse/midwife educators and specialists, including 30 for palliative care.

Key Health Spending

- \$270 million on Wagga Wagga Base hospital.
- \$270 million on Blacktown-Mt Druitt hospital.
- \$220 million on Tamworth hospital.
- \$170 million on a new hospital in Bega.
- \$139 million on Campbelltown hospital.
- \$120 million on Hornsby Ku-ring-gai hospital.
- \$110 million on Port Macquarie hospital.
- \$80 million on Lismore hospital.
- \$80 million on Kempsey hospital.

VI. Housing

The NSW Budget 2013-14 extends the Building the State housing package, which was introduced last year to stimulate housing construction and boost housing supply.

While NSW recorded the lowest number of new dwellings per capita in the nation for the last five years, NSW now has the highest number of new home approvals over a 12 month period since October 2005.

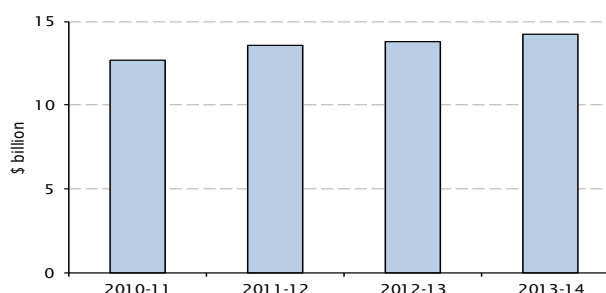
Under Building the State, first homebuyers of new homes can get more than \$35,000 in assistance.

VII. Education

A major priority in the 2013/14 Budget is the implementation of National Education Reform Agreement (NERA) based on the Gonski Report. The NSW Government has signed an agreement with the Australian Government to undertake significant reforms in the school sector, which will also deliver a substantial increase in school funding and a new model for the allocation between schools. This builds on reforms that the Government has already begun to implement.



Like health, education has also seen a year on year increase in spending (see table below).



Key Education Spending

- \$5 billion for Gonski reforms over 6 years.
- \$2.3 billion on vocational education and training.
- \$301 million to increase access to preschools.
- 5 new public schools and major upgrades of 14 schools and TAFE colleges.

VIII. Regional Spending

Key regional spending measures in the 2013/14 Budget include:

- \$120 million on the resources for regions program.
- \$165 million over 4 years to improve road freight productivity.
- \$30 million for new Catchment Action funding for sustainable productive agriculture programs.
- \$8.5 million for the rural fire service.

IX. Supporting the Vulnerable

A key priority of the Government is to provide extensive support and services to disadvantaged individuals, families and communities. Initiatives funded in the 2013/14 Budget are further steps to fulfil the goals of *NSW 2021* to increase opportunities for meeting the individual needs of the most vulnerable and to assist them in realising their potential.

The NDIS

The NDIS scheme will be launched in the Hunter region of New South Wales in July 2013 with the full scheme commencing from July 2018. The estimated cost of the full scheme in New South Wales is \$6.5 billion in 2018-19. The Australian Government will contribute \$3.3 billion. The 2013/14 Budget includes \$585 million for the launch of the NDIS in the Hunter.



Social Benefit Bonds

New South Wales signed the first Social Benefit Bond contract in March 2013 with UnitingCare Burnside and signed the second with the Benevolent Society, Commonwealth Bank of Australia and Westpac Institutional Bank in June 2013. Social Benefit Bonds allow investors to direct their funds to a social program that improves outcomes for vulnerable families, while also providing the investor with a share of anticipated savings to taxpayers.

Key Support Services Spending

- \$585 million on the NDIS.
- \$297 million on the community sector.
- \$138 million to break the cycle of homelessness.
- \$26 million on mental health.
- 4.7 million on Aboriginal Affairs.

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