

Budget Speech

2020-21



Circulated by The Hon. Dominic Perrottet MP, Treasurer

New South Wales

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Delivered on 17 November 2020 by
The Hon. Dominic Perrottet MP, Treasurer

CREATING JOBS AND SECURING OUR FUTURE

Rising to the challenge

Exactly one year ago – to the day – the first known case of what we now know to be COVID-19 was detected in central China.

Three days later – some 8,000 kilometers away – the normally glittering Sydney Harbour was blanketed in smoke.

As many in NSW were gearing up for Christmas, no one knew what the year ahead had in store.

Catastrophic fires.

Destruction of homes.

Loss of life.

A global pandemic.

The world economy grinding to a stop.

And a million Australians out of a job.

It's a year that will be forever etched in our memories.

A year that will be marked in history.

And through it all, the people of NSW dug deep.

We had a budget built to weather any storm.

And when the storm came we had the reserves to respond without hesitation.

Today we deliver a Budget to build on our response so far.

A Budget to keep our people safe today and create the jobs we need right now.

But a crisis doesn't change our ultimate responsibility of leaving this State a better place than we found it.

So this is a Budget equally focused on reform – to forge a brighter future for our people.

This Budget is our plan for a prosperous, post-pandemic NSW.

Responding to the economic and fiscal challenges

We look to the far horizon, because we have a long road to tread.

Australia has faced its first recession in almost 30 years.

In NSW, state final demand fell by 8.6 per cent in the June quarter – the worst contraction on record.

Between March and May, almost 270 thousand NSW workers lost their jobs.

Along with the Reserve Bank and the Commonwealth, we took decisive action, to limit the damage and cushion the blow.

Health response

We resolved to invest whatever was needed to keep our people safe.

We put the health system on a war footing.

Quadrupled ICU capacity.

Mobilised more health workers.

And put in place the testing and tracing resources that would prove to be the difference.

This early investment gave NSW a precious opportunity: to balance an open economy with keeping the virus at bay.

What the pandemic has put beyond dispute is that the NSW health system is the best in the nation.

That is no accident.

Year after year our Government has built it up, and in our State's time of need, it was ready to go.

I want to pay special tribute to the testing and tracing teams in NSW Health.

Your efforts have given us the freedom to keep going while all around us the world is grinding to a halt.

Keeping people in jobs and businesses in business

When international borders closed, Sydney became the primary gateway back home to Australia.

Since mid-September, 71 per cent of COVID-19 cases recorded in NSW were acquired overseas.

And we have managed the case load with phenomenal success.

This has been a service not just to NSW, but to the entire nation.

We are proud of our State, but first and foremost we are Australians and we will always put the national interest first.

When we fought to keep our economy going, we knew it would keep Australia going.

We deployed targeted support to keep people in jobs and businesses in business.

Almost \$6.4 billion in tax relief, and more than \$860 million in grants.

We axed charges, waived fees and cut red tape – anything to free up cashflow and help households and businesses adapt and stay afloat.

People like Kate, from Dubbo, who was able to keep her shop going and take it online with the support grants she received.

And I'm very proud to be wearing the tie I bought at Kate's shop last week.

Our health and economic response was the largest of any state.

And it has made a world of difference.

Economic outlook

Our State economy is forecast to have ended the 2019-20 fiscal year contracting just 1 per cent – while nations like the UK, Italy and Spain contracted by more than 5 per cent.

Now there are signs of hope.

In the four months to September, NSW added almost 175,000 jobs.

Business confidence rebounded.

And in September, retail spending was up almost 10 per cent on last year.

But as Europe and the United States make clear the pandemic is not over.

Our economy is expected to contract by $\frac{3}{4}$ of a percentage point in 2020-21, before rebounding to growth of $2\frac{1}{2}$ per cent in 2021-22, and strong growth in the outer years.

Budget result and fiscal strategy

When the pandemic broke, we made a conscious decision: to put the economy before the Budget.

In the past we have been criticised for the size of our surpluses.

But this is why we run them.

When things are going well, good governments stay disciplined.

We used asset recycling to strengthen our balance sheet.

And we locked away \$10 billion in the Generations Fund, which is expected to grow beyond \$70 billion by 2030.

It meant we had the firepower to go big when it mattered.

And now we can inject new stimulus to fill a temporary private-sector void.

This strategy is reflected in the operating result.

In 2019-20, NSW recorded a deficit of \$6.9 billion.

And for 2020-21 we forecast a deficit of \$16 billion.

This isn't just increased spending. Forecast revenue is down by \$25 billion over five years.

Net debt is expected to peak at \$104 billion at June 2024.

But despite the increase in borrowing the cost of debt has never been lower.

In fact this Budget includes borrowings around five times the 2010 amount – yet as a proportion of revenue, the cost of servicing that debt is almost the same.

Record low interest rates are a golden opportunity to get our economy moving.

Doing nothing would inflict long term damage on future generations and we won't let that happen.

Our stimulus will be unprecedented in scale and quality – tenaciously targeted to generate jobs.

But make no mistake: public spending is not a permanent solution.

Stimulus today does not mean stimulus forever.

We will generate momentum in the short term, then reinforce our finances with the discipline that has defined our time in office.

This Budget includes \$12 billion in economically sensible fiscal-repair measures over the next four years.

We will continue to swap old assets for more productive ones, but only when it's in the public interest.

Net proceeds from any WestConnex transaction will allow us to keep building the next generation of world class infrastructure, like Metro West.

This strategy will deliver shrinking deficits over the next four years, with a return to surplus forecast in 2024-25.

And it will bring our net debt to GSP ratio below 7 per cent by the end of the decade.

So when the next challenge comes we will be ready again.

Help in hard times

Staying ahead of the virus with a world-class health system

This Budget enhances the health systems that have made our State a standout success - including \$190 million to keep our world-leading pathology testing and contact tracing at the cutting edge.

This brings the total investment in our health response to COVID-19 to more than \$3 billion.

It's part of an unprecedented \$29.3 billion budget for NSW Health.

Support for those most affected

This year has taken a toll on our wellbeing, and this Budget delivers more help for the people most affected.

For families, our pandemic policy of 15 hours free preschool per week will extend to the end of 2021.

And a major \$337 million investment will provide intensive tutoring next year so school students don't get left behind.

We will also fund 100 more mental health nurses in schools – part of the biggest mental health budget in our State's history.

The strain on mental health is one of the pandemic's most insidious hidden costs.

And we will not allow this global health crisis to cascade into a mental health crisis down the track.

Female-dominated professions have been hit hard this year.

So a range of support measures will help women get back into the workforce – including return to work grants of up to \$5,000.

And a new \$50 million fund will help charities and not-for-profits adapt, to safely keep helping those in need, after a year when they have been run off their feet.

In some cases, the crisis has brought areas of pressing need into even sharper focus.

Earlier this year I met William, who had been sleeping rough on and off for a number of years.

When national restrictions came into effect, he needed urgent help, because social distancing isn't an option when you have nowhere to go.

At first he found that help with our temporary hotel accommodation program.

But since then, we have adapted it into something more permanent – and for the first time in a long time – William is thriving.

He has a secure home, with his guitar taking pride of place.

He has access to wraparound social and health services. And his employment agency has just put him forward for his first job in years.

That's the difference our Together Home program is making for 400 rough sleepers.

And with this Budget we are doubling it to assist 400 more.

Kick-starting the economic engine

Reopening the economy

At the height of NSW restrictions, the cost to our economy was estimated to be \$1.4 billion every week.

Sometimes big numbers like that hardly feel real. But the impact they have had on our people is very real.

People like Ben, who runs my favourite coffee shop in Gloucester Street in Sydney, and who told me his revenue dropped 90 per cent.

For people with a secure job, that's almost impossible to fathom: a 90 per cent pay cut and no guarantee your job will survive.

That's why we fought so hard to keep NSW open.

And doing that has put an additional \$1 billion a week back into the economy.

It has also generated green shoots across the State, as we relax more restrictions and give Sydney and NSW more room to breathe.

40,000 people at the NRL Grand Final.

12,000 at the Everest.

Agricultural shows are starting up again.

Gigs with our Southern Nights program are lighting up the city.

And next month Sydney will launch the first major musical theatre production to open anywhere in the world since the onset of the pandemic.

As we continue to lift restrictions, a wave of excitement and optimism is rippling across NSW.

Timely, targeted, temporary stimulus

When economies come to a virtual standstill, Government's role is to give the private sector the confidence it needs to get moving again.

Timely, targeted stimulus has never been more appropriate.

Jobs have been lost on an epic scale, and this Budget will bring them back in a big way.

It's not just the amount of stimulus that matters – quality counts even more.

Every dollar must ease the burden on jobseekers and struggling businesses.

Today I can announce new stimulus and support which brings our total pandemic response to \$29 billion – the largest of any state – and as a percentage of own-source revenue, even bigger than the Commonwealth.

Small projects will keep creating jobs in every suburb and every region.

We are fast-tracking maintenance, like replacing lights in more than 700 public schools with long-life LEDs.

And we're partnering with school communities to accelerate facility upgrades.

There are also large-scale investments that will change people's lives.

This Budget commits \$812 million for social and affordable housing – to deliver more than 1,200 new dwellings, and upgrade over 8,000 more.

Once again, the numbers don't tell the full story.

We talk about cycles of poverty.

This Budget sets in motion cycles of security to lift future generations from disadvantage to opportunity.

Secure a house – secure a job.

Secure a job – secure a family.

Secure a family – secure a childhood.

And if you can secure a childhood – the sky's the limit.

Our hardest hit sectors are in need of our help too – like tourism, hospitality and the arts.

A \$175 million commitment to support the NSW TV and film industry will retain local talent with world-class job opportunities.

It means NSW will leapfrog other states to become the premier destination for production down-under.

One of the biggest casualties of the pandemic has been the Sydney CBD.

In a global city with borders closed, workers and businesses feel the pinch.

CBD job numbers have fallen at more than double the rate of our State.

This Budget will bring our city's mojo back, with support for late night opening across cultural attractions, al fresco dining, art and music.

And today I can announce half a billion dollars in stimulus for NSW restaurants, visitor sites and cultural attractions through the Out and About voucher.

Every adult will receive \$100 worth of vouchers to contribute to the cost of eating out and going out in NSW.

In our time of need, we encourage anyone who can, to go out and enjoy the best our State has to offer, and support the businesses doing it tough.

Our vision for a stronger future

The challenges we face will not be short lived.

But we view the future with optimism and determination.

We will turn this period of adversity into a new era of opportunity.

Building a better NSW

And that begins by building a better NSW.

We have long been the infrastructure capital of Australia.

And we will be for years to come with another record four-year infrastructure program totalling \$107 billion.

A few weeks ago we opened NorthConnex.

Saving time. Saving stress. All those traffic lights, gone.

That is why we build, and this Budget keeps delivering.

Our growing Metro network will reach Western Sydney Airport in time for opening in 2026.

The final pieces of WestConnex will fall into place, linking east and west like never before.

We'll deliver 200 new and upgraded schools and 47 new and upgraded hospitals.

When sport was put on hold this year, you could hear the hearts of a million kids breaking, and the club legends and weekend warriors let out a cry of despair.

Because community sport is the heart of our State, and this Budget will get it pumping.

We are investing \$100 million over two years to upgrade community sports facilities and build new ones.

This is an investment in every sport and every kid who dreams of running on to the field under the big lights one day.

The \$4.2 billion Snowy Hydro Legacy Fund will keep transforming our regions.

With \$100 million for high-quality internet in regional communities.

Our new Renewable Energy Zones and pumped hydro projects will attract billions of dollars in regional investment.

This is a huge economic opportunity for NSW – to lock in lower prices, generate jobs and position NSW as a climate leader, and the clean energy powerhouse of the Asia Pacific.

The scale of our infrastructure pipeline is unprecedented, supporting tens of thousands of jobs each year.

This state-building pipeline will drive our recovery and strengthen our State, so we can stand tall today and lift future generations even higher.

Delivering quality services for everyone in NSW

Even in a crisis, a government's core mission is to deliver the services our people rely on.

This Budget delivers on every front.

Record funding in health, education and transport.

More nurses, more teachers, more police on the beat.

And extended funding for 1,000 additional Service NSW staff.

Every year, hundreds of pregnant women in NSW suffer from a debilitating disease called hyperemesis.

As if carrying a baby wasn't hard enough, hyperemesis adds crippling nausea, stress and exhaustion to the mix.

Many of us know a mum who has had it, and yet very little is known about it.

So in this Budget, we are funding research to work towards better treatment, and practical support to ease the strain.

Two years ago we provided funding to help build Adele House, a drug and alcohol rehabilitation centre near Coffs Harbour.

This Budget will deliver a new centre in Dubbo – a town that has been hit hard by the ice epidemic – so more people can experience that life-changing help.

And we will keep fighting the scourge of ice with a formal response to the Special Commission of Inquiry in the coming months.

This Budget also makes another significant investment in palliative care, to secure 5,000 more End of Life home support packages.

And we will support up to 20,000 training places in aged care over the next 12 months.

Because although responsibility for aged care lies with the Commonwealth – we will do everything we can as a State Government to affirm the dignity of our older generations.

This Budget takes the lessons of last summer to increase our resilience to natural disasters and help communities rebuild and rebound.

We will invest \$192 million to implement the Bushfire Inquiry's recommendations.

Almost \$150 million will set up Resilience NSW with the resources it needs over the next four years.

We have fast-tracked hazard reduction ahead of the bushfire season

And we're investing in 190 new and upgraded firefighting trucks this financial year.

Last summer left a scar on our State and our people.

None of us ever want to see it happen again.

This Budget ensures that whatever the future brings, we will be better prepared than ever.

Investing in our people and their future

Great government services are a vital support to help our people reach their full potential.

In our schools we will continue to drive curriculum reform and improve teaching standards by fast-tracking the best and brightest into teaching.

Our education system has never had more funding – and we must focus those resources on getting better education outcomes for our kids.

In the current climate - many school leavers, and jobseekers are worried about getting into work.

So we will support more than 100,000 training places over two years under the State and Commonwealth funded Job Trainer program, 300 youth apprenticeships including social housing tenants, and more than 400 apprenticeships and traineeships just across government agencies.

We will also deliver a new Trades Skills Pathways Centre, based on recommendations from the Productivity Green Paper.

It will develop new trade training pathways, to boost female and mature age entry into these professions and deliver the skills our economy needs.

We will also help more women stay in the workforce, with a new paid parental leave policy for the NSW public sector – making 14 weeks leave available to all eligible workers.

Making it easier to run a business

A skilled workforce is one side of the economic coin – a booming business sector is the other.

Just three years ago, NSW was not competitive on payroll tax.

Both our rate and our threshold were at the middle of the pack.

Well we want NSW to be the most attractive state to build a business and create jobs.

So we took action, with a plan to raise the threshold to \$1 million by July 2021.

When the pandemic hit, we brought that target forward by a year.

Today we are going further.

From July 2020, this Budget will reduce the payroll tax rate in NSW to 4.85 per cent for two years – the equal lowest headline rate in the nation.

And we will permanently raise the threshold to \$1.2 million, almost double Victoria's.

These changes mean around 36,000 businesses will save on average \$34,000 each year for the next two years – including 3,500 that will pay no tax at all.

This adds to the thousands of businesses who have already benefited from our changes.

And for our smaller businesses you'll get a \$1,500 digital voucher to put towards government fees and charges.

We will also recognise interstate licences and qualifications, so workers from any state can ply their trade in NSW.

It's all about getting Government out of the way so businesses get on with business.

Strong local industry, big global outlook

This Budget broadens the industrial foundations of our State and sets us up to take NSW to the world.

At the height of the pandemic our local manufacturers adapted to produce the medical supplies we needed.

This Budget will bolster our Advanced Manufacturing industry, supporting a new strategy to create thousands of jobs.

And we'll keep developing our industrial precincts – from Tech Central in Sydney to the Special Activation Precinct in Parkes – to grow the sectors that will grow the jobs and careers of the future.

We will work with the international education sector towards a return of students in 2021.

And we will invest \$728 million over four years to attract tourists to NSW while overseas holidays remain on hold.

This Budget continues our work to establish a bigger, better trade and investment network through Global NSW.

And through our \$250 million Jobs Plus program we will entice more Australian and international businesses to make NSW their home. We know – as the world knows – that Sydney is Australia's only truly global city.

We're taking NSW to the world, and we want the world to come to us.

These are the foundations of a resilient economic future and we are building them today to secure tomorrow.

A reform agenda for lasting prosperity

Our greatest challenge is to ensure that today's adversity does not become our children's disadvantage.

This Budget opens the door to intergenerational reform.

Reform is hard in any system.

In our federal system the odds are stacked against it.

States that reform get penalised, while states that don't, get paid.

But I believe we can do better.

There is a willingness in the community to embrace new ideas.

There is goodwill among states and the Commonwealth to work together.

This Budget leads the charge with a reform agenda that covers the field.

Planning reform for a fairer, faster, more flexible system.

\$1.6 billion for digital reform to maintain our position as the most digital government in the nation.

Digital health, transport, planning, business services, and even courtrooms.

Not just for the sake of it but because it puts services in your pocket, cuts red tape, and above all, improves people's lives.

One area where the pandemic has revealed scope for sweeping change is regulation.

We've lifted regulations because we had to, and it has unleashed the innovative instinct in business owners and workers across the State.

Brewers like Young Henrys in Newtown went from making beer to hand sanitiser in the space of a few weeks.

Bars and restaurants went from dining in to taking out.

You couldn't go to a pub, so the pub came to you.

Shops went online or adapted their products.

All of this happened, and yet the world didn't end.

The pandemic is a rebuke to unnecessary red tape.

And if there's no reason to put regulations back, we won't.

We will stay out of the way and let the entrepreneurial spirit of our State soar to new heights.

Tax reform

For state governments, the reform with the greatest potential to unlock prosperity is tax.

Report after report has recommended action, including our own Review of Federal Financial Relations.

Today we turn theory into the first firm step, seeking feedback on a proposal to transform our property tax system.

This proposed model would give buyers a choice to axe stamp duty at the point of purchase and choose an annual property charge instead.

There would be no impact unless you are purchasing a property and you make the choice to change.

For everyone else, everything stays the same.

This model would give NSW a realistic pathway to achieving the most important state economic reform of the last half century.

Stamp duty is a relic from a bygone era when you picked one career, started a family, bought a home and basically settled in for life.

It adds tens of thousands of dollars to the cost of the biggest financial commitment most people ever make.

If you want to move, change jobs, or switch careers, upsize or downsize to match your family size, stamp duty can be the spanner in the works.

It is holding our economy back at a time we need to be going full throttle.

That's why we believe that reform is the best way forward.

Our proposal would give more people the opportunity to own their own home, and more freedom to live in the home that's right for them.

Over time it could generate 75,000 new jobs and add an extra \$3,300 of income for every household in NSW.

This would be an important step towards a tax system that propels the NSW economy forward.

And when NSW goes well, Australia goes well.

Our proposal today is just the first step on a journey to design a better system together with the people of our State.

We will be seeking feedback from the community and the next step will reflect that conversation with the public.

Our vision is big and it is bold, but it has to be.

Because the challenges we face will demand every ounce of effort, ingenuity and imagination our State can muster.

The Premier State

For many people the end of the year cannot come fast enough.

But I believe we will look back on 2020 as the year that forged our resolve to build a better future.

This year has shown us what we are capable of.

From start to finish everyone has done their bit.

Our fireys – putting it all on the line.

Our health workers – keeping us safe.

Businesses adapting to find a way through.

Employees working wherever and however they could.

Millions of people getting millions of tests.

Millions of students learning from teachers on screens.

We've kept our distance when we had to.

And reached out when someone needed a hand.

If you look around the world I believe there is no state or nation better placed than NSW.

We are open for business – the virus is under control – the health system is set – and the economic engine is raring to go.

It's a phenomenal achievement.

And it's just the beginning.

Recovery comes first, but our vision stretches beyond the here and now.

One tough year doesn't change the fact we are NSW – the Premier state.

We will build on what we are so lucky to enjoy.

And fulfill our obligation to future generations: to leave our State and our nation better than we found it.

This is our Budget to rise to that challenge.

And like so many things we have achieved this year, the people of NSW will do it together.

I commend the Bill to the house.