

# **Budget Speech**

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**2021-22**



Circulated by The Hon. Dominic Perrottet MP, Treasurer



# New South Wales

## 2021-22 Budget Speech

Delivered on 22 June 2021 by  
The Hon Dominic Perrottet MP, Treasurer

### YOUR FAMILY, YOUR FUTURE

#### A COVID response ten years in the making

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NSW is back.

From the deepest recession in our lifetime, we are back to growth, and back on track.

And it is no accident.

Ten years ago we imagined a better future for our State.

In our first budget, Treasurer Mike Baird, observed:

*Governments that lose control of their Budgets lose control of their destiny... [and they] have few options available when external shocks emerge.*

He was reflecting on the Budget inherited from NSW Labor: black holes, backlogs, an economy in the slow lane on the road to nowhere.

The first Baird budget was a statement of intent.

The last 10 years have been a decade of delivery: O'Farrell, Baird, Berejiklian.

Before the pandemic hit, NSW was the only state to grow above its long run average.

643,000 jobs were added.

Unemployment reached the lowest rate since records began.

\$150 billion in infrastructure built – the biggest build since Federation.

Net worth up by more than 40 per cent.

More than 160 new and upgraded schools delivered.

And \$140 billion invested in education for the children of NSW.

We reimagined government services and pioneered a digital revolution.

And in the decade before a brutal pandemic, the NSW Liberals and Nationals built the best public health system in the country.

We took back control of the Budget and reclaimed control of our destiny.

So when the biggest external shock in a generation hit, we didn't just have options: we unleashed the most successful health and economic response of any state, underpinned by a world-leading COVID-digital platform.

Our health system set the bar - and kept raising it - with gold-standard testing, tracing, quarantine, and now vaccination to keep our people safe.

Our economic stimulus worked.

It has kept people in jobs and businesses in business.

None of it came easy.

Our State has been more exposed to a fast evolving virus, accepting more returning travellers than any other state.

Yet we have kept our borders more open and our way of life more free.

Our pandemic response - and the decade that enabled it - is the fruit of our values.

We believe in the people of this State - in letting them thrive and getting government out of the way.

Our job is to be disciplined in the good times, so we are ready to weather the hard times.

To imagine a better future, and do the hard work to make it possible.

The values that have served us well so far are the same values that underpin this Budget.

We say to the people of NSW: we will take this State from recovery to reform for your family and your future.

And we will do that in three ways.

We will keep NSW safe and accelerate our recovery.

We will invest in our people.

And we will transform our State for a brighter future.

But before I address those three core objectives, I will first update the House on the state's economic and fiscal position.

## **The economy has rebounded**

Mr Speaker, keeping our economy open has made NSW the confidence capital of Australia.

Consumer confidence in NSW is well above every other state and territory, and business confidence reached its highest level since records began.

Confidence is back because we kept calm and carried on.

And NSW is open for business.

Today this approach is paying dividends.

Between the June quarter of last year and the March quarter of this year, State Final Demand grew 11.5 per cent.

Consumer spending rebounded 15 per cent.

Dwelling investment is up 18 per cent.

Economic activity is back above pre-COVID levels.

And it all adds up to jobs for our people.

The unemployment rate has fallen from 7.1 per cent in July last year, to 5.0 per cent in May - two years sooner than forecast.

And I am pleased to inform the House, not only have we recovered all 270,000 jobs lost to the pandemic - we have added 36,000 more.

## **The deficit has halved**

Economic strength means stronger finances too.

GST and transfer duty revenue are up \$6.4 billion and \$1.4 billion respectively, over the forward estimates.

Even with payroll tax cuts and deferrals, the jobs rebound has improved payroll tax to \$1.2 billion above previous forecasts.

We promised to put jobs before the Budget, and because we did, both have benefited.

Last year we forecast an operating deficit of \$16 billion for 2020-21.

That has halved to \$7.9 billion.

For the coming financial year, we forecast a deficit of \$8.6 billion.

An increase from \$6.8 billion that reflects our decision to protect the safety of our citizens and further stimulate our economy.

Over the four years to 2023-24, our net operating result from last year's Budget has improved by more than \$6.8 billion.

And we forecast a surplus of \$466 million in 2024-25.

These numbers reflect our progress, but the future is volatile, and we will be ready.

## Keeping NSW safe, accelerating our recovery

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### Keeping NSW safe

Now let me turn to this Budget's three core objectives - and the first core objective is to keep our people safe and accelerate our recovery.

We will continue to push the pace to vaccinate our State with more than \$260 million for the rollout.

And with a further \$796 million we will keep up our gold-standard COVID defence, bringing our total commitment for the COVID health response to more than \$4 billion.

Our goal has always been to lock down the virus, not to lock down the State.

This COVID-safe funding is part of a record \$120 billion investment in health over the next four years.

Two thirds of our 46 new and upgraded hospitals and health facilities are being delivered in our regions - part of a \$30 billion investment in regional health.

We will employ almost 1,800 more nurses, midwives, doctors and allied health staff in the year ahead.

And today I can announce we will upskill 246 paramedics for intensive care service as part of a \$214 million boost to NSW Ambulance, including a new, state-of-the-art operations centre.

This Budget also builds on last year's investment in better mental health, taking this year's total to \$2.6 billion.

We will create 25 Child and Adolescent Mental Health Crisis Teams, and establish 57 mental health Response and Recovery Specialists in regional and rural communities.

Among other important benefits, these investments will help us combat the tragedy of youth suicide.

We will take Australia's best public health services rapidly into the digital future, increasing expenditure on Digital Health to over \$500 million over four years, and continue to develop opportunities for Virtual Care and Telehealth.

Strong public health has been the foundation of our recovery.

But NSW also had a secret weapon: a digital government platform light-years ahead of the competition.

Today I can announce an additional \$500 million for the Digital Restart Fund to expand digital services, so they are there whenever you need them, wherever you are.

That takes our investment to transform digital services for our citizens to \$2.1 billion.

## **Accelerating our recovery**

This Budget creates jobs and locks in a strong recovery.

More than 100 support programs and almost 200 capital projects have boosted our rebound, from tax relief to training and supporting thousands of jobs.

This Budget winds back stimulus where it is no longer needed, and redirects support for maximum impact.

Almost 9 million Dine and Discover vouchers have been redeemed, and we have extended that program, which has injected over a third of a billion dollars into 12,500 businesses across the State.

Our accommodation sector support program kicks off in July.

And we'll offer \$100 to spend on Fridays in the city to stimulate recovery for small businesses.

Our construction stimulus provides the biggest economic bang for buck.

Last year's Budget injected \$3 billion for construction stimulus.

This year, our big build gets bigger.

\$3.3 billion for 44 new and upgraded schools - the biggest state school building program in our country's history.

\$1.15 billion to start building the new Bradfield City Centre - home of our second airport.

More than \$360 million for social housing just in the next financial year - part of an \$812 million investment delivering more than 800 new homes and upgrades to 16,500 more.

\$2.7 billion for the M6 Extension Stage 1.

\$2 billion for the Great Western Highway Upgrade.

\$1.3 billion for the Bankstown-Lidcombe Hospital and Community Health Services Redevelopment.

This takes our four-year infrastructure program to a record \$108.5 billion.

And we will continue our successful asset recycling program - including the sale of our remaining share of WestConnex - to keep funding state-building projects for a stronger NSW.

And we will progress planning for a major urban renewal of Newcastle's Hunter Park, to deliver sporting and entertainment facilities and new homes.

Today I can also announce further local stimulus to boost the Community Building Partnership program by \$100,000 per electorate each year for the next two years.

This will enrich our local communities, while supporting jobs and local businesses.

The bonds of community are forged at local sports grounds and they should benefit from investment so everyone can access them.

So today I can announce \$200 million to make access to local sporting facilities more equitable - delivering more women's change rooms, as well as funding upgrades to equipment like playing surfaces and lighting.

These investments add to the wave of transformative projects already underway.

Three new metro lines, WestConnex, and major road safety upgrades across the State.

There is new funding for planning works on Henry Lawson Drive Stage 1B and Parramatta Light Rail Stage 2.

We call it a pipeline, but it has been more like a lifeline.

Years in the planning, priceless in a crisis.

### **Reinforcing the finances**

Mr Speaker, the next order of business is reinforcing the finances.

Last year, we forecast net debt would reach \$104.3 billion by June 2024.

That position has improved by \$10 billion.

Net debt is forecast to peak at 13.7 per cent of GSP in 2024-25.

And all the while we remain committed to reducing net debt to 7 per cent of GSP by 2030.

We will methodically and responsibly restore our State's finances, with ongoing savings through procurement reform and efficiencies across the sector.

Long before COVID-19, we set up the NSW Generations Fund: Australia's first sub-sovereign debt retirement fund, to safeguard future generations from unsustainable debt.

This Fund has achieved extraordinary growth, forecast to reach more than \$90 billion over the next decade.

And today we will strengthen the Fund's transparency and accountability with new legislation, so any future government that wants to draw-down on these funds must report it to Parliament - and be held to account.

### **A great place to visit, a great place to live**

Border closures have hurt thousands of people whose livelihoods depend on tourism.

But our endurance through COVID - and our strong recovery - have set off a groundswell of pride in the Premier State.

This Budget invests to harness that pride.

We will make Australia's premier global city a thriving 24-hour metropolis.

We will put NSW in pole position to win major international events and blockbuster exhibitions.

We will invest \$60 million to support more cultural experiences in Greater Sydney and the regions.



And \$80 million to create multi-day walking experiences, as part of a record \$9.5 billion environment budget over the next four years.

We will transform the old Powerhouse Museum and reimagine the Registrar General's Building on Macquarie St - part of a new cultural ribbon that celebrates our history.

And our Blue Plaques will elevate the places and people who have made our State great.

Mr Speaker, politics can be divisive.

But if there is one belief that can unite us all, it's that the Cahill Expressway is the greatest act of vandalism ever inflicted on our beautiful Harbour.

So, as we can't get rid of it - yet - for an entire week over New Years, we will reclaim it for the people, and that is a start.

A highline experience above Circular Quay in the lead up to the Sydney Festival, as we dare to imagine what our future Harbour could look like.

And we will afford pride of place on the Harbour Highline to the front-line responders who have done NSW so proud.

## **A strong future for our regions**

This Budget continues to rev-up our regions.

The \$100 million Regional Job Creation Fund will keep restoring jobs lost to the pandemic.

A new drug court in Dubbo will help offenders get healthy and fight the scourge of ice in the west.

There's \$50 million for regional tourism and events.

And we're upgrading country race tracks, to make regional racing great again; investing to keep communities at the cutting edge of ag-tech; and creating future jobs and industries, with over \$460 million in funding for regional Special Activation and Regional Job Precincts.

Welcome rain has put an end to the drought, but the pain is not forgotten.

Outside Dubbo last week, one of our Central West sheep farmers told me he'd spent \$400,000 just to feed his stock when the grass wouldn't grow.

At the time his old shearing shed was on its last legs - 100 years old, unsafe, and in need of an upgrade.

Borrowing more from the bank wasn't feasible.

But then he secured a low interest loan from our \$1 billion Farm Innovation Fund, and it gave his business a new lease on life.

He turned the old shed into storage and built a new one for shearing.

And the local builders who built it told him 60 per cent of their work was coming from Farm Innovation Fund projects.

They had 90 people on the books, and sourced their materials from local suppliers.

That is the impact our investments are making - rippling through communities, helping farmers stay afloat, and supporting local jobs and businesses right across our regions.

The drought may be over, but the next one is never far away.

So this Budget invests to continue the Deputy Premier's important work helping farmers build resilience to drought, through Farms of the Future.

Today I can also announce \$719 million to complete the upgrade of our critical communications network - to guarantee radio coverage for first responders right across the State.

And we will invest \$268 million in response to the Bushfire Inquiry.

This frontline funding for our brave men and women will protect property and save lives.

## Investing in our people

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This Budget's second core objective is investing in our people.

### Higher wages, lower taxes

The pandemic has forced all governments to borrow more.

But while other states resort to lower wages and higher taxes, we will do the opposite.

In 10 years we have delivered \$9.4 billion in tax relief.

We've almost doubled the payroll tax threshold from \$689,000 to \$1.2 million, and cut the headline rate to the equal-lowest in the nation.

It has saved thousands of businesses tens of thousands of dollars, and many more pay no payroll tax at all.

But at the last election Labor promised to scrap our tax cuts, threatening businesses and farmers with higher taxes for creating jobs.

Labor's taxes are bad enough in good times, but in a pandemic they would have been devastating.

On this side of the House, we believe in lowering the tax burden.

And in this Budget we are providing a further \$200 million in tax relief, while at the same time lifting wages higher.

Last year we took the difficult but necessary decision to constrain public sector pay rises.

But with recovery well underway, from 1 July our new Wages Policy will offer increases up to 2.5 per cent for NSW public servants.

And we will provide for even higher wages where productivity and employee expense savings are made.

This is a \$2.7 billion vote of confidence in our public sector workers, and a return to the steady wage growth that has lifted public sector wages in NSW by 27 per cent over the last 10 years.

## **Meeting families where they are**

The coalition understands the pressures families face just to get by, let alone get ahead.

Now, we can't increase wages in the private sector.

But we can continue to bring down the cost of living and improve our quality of life.

For the past 10 years we have kept finding ways for families to save.

A \$50 weekly Opal cap.

Cut price travel for seniors and pensioners.

Green slip reforms delivering \$60 dollars in average savings.

Free rego for regular toll users.

Free pre-school.

Free TAFE courses.

Free dental checkups.

Rent subsidies.

And tens of thousands in stamp duty savings for first home owners.

In 2018 we introduced Active Kids, and the following year we doubled it.

We introduced Creative Kids and families have flocked to get involved.

These are just a handful of the 130 rebates and savings available to the people of NSW.

And we've made it easier to find them through our Cost of Living program at Service NSW.

The average saving for people who have made an appointment is \$600.

In this Budget we are providing even more support.

We will continue to fund two days of free pre-schooling per week for the 2022 school year, extend the Regional Seniors Transport Card, and offer energy rebates saving households an average of more than \$300 a year.

We believe all children should have access to swimming and water safety education.

But we also know many families can't afford the lessons.

Today we announce \$100 in support for every pre-school child aged 3 to 6 to learn to swim.

It will save families money, and it will save lives.

This Budget offers more cost of living support than any state budget in the history of our nation, with \$470 million in new measures, and total savings of over \$6 billion available for individuals and families in 2021-22.

We want a new generation to understand that making the right financial choices will safeguard them from challenges ahead and set them up to chase their dreams.

From Tommy in kindergarten to Gina in her teens, the NSW Treasurer's Financial Literacy Challenge - introduced in this Budget - will empower the children of NSW with lifelong skills and habits that lead to a secure financial future.

## **More social support**

This Budget provides extra support to help those most in need.

The Together Home Program has already helped over 400 rough sleepers find safe and secure accommodation.

We are expanding it because it works, funding a further 250 wraparound service packages and 100 new homes.

We will fund a dedicated guardianship and adoption taskforce, so more children in out-of-home care can find a loving and permanent family home.

We will redouble our efforts to eliminate domestic and family violence, with an additional \$94 million to support victims and their children so they aren't forced from their homes.

\$30 million in social impact investments will provide pathways out of disadvantage for women and Indigenous youth.

And \$4.9 million will enable St Vincent De Paul to provide crisis accommodation, so that women who have fled violent relationships have a safe place to stay.

More than 100,000 women suffer miscarriage in Australia every year.

If they need time off work, they have to access sick leave or holiday leave.

This is not acceptable.

Having a miscarriage is not an illness - it's a loss that should be recognised.

As the largest employer in the State, the NSW Government will, for the first time, offer 5 days of leave for women who suffer a miscarriage or stillbirth.

We are also increasing support for women in the NSW public service whose babies are born premature.

Colette and Colman O'Driscoll were both employed in public service, when their son Rory was born at just 685 grams at 28 weeks at the Royal Hospital for Women.

And they spent the next 13 weeks in the Neonatal Intensive Care Unit watching their son fight for his life.

But Colette's maternity leave started the moment Rory was born.

So what should have been a time of joy with her son was consumed with the stress of hoping he'd survive, while worrying about having to return to work earlier than planned.

Premature babies need acute care, and that time should not come out of parental leave.

That's why - starting in July - our Government will offer additional premature-birth leave for NSW public sector employees, so parental leave will not start until the day the baby would have reached full term.

## **Empowering Aboriginal communities**

When funding gets outcomes, governments should keep investing.

This Budget invests in our State's Aboriginal communities, to close the gap and celebrate culture.

Two years ago we piloted the Roads to Home program, creating jobs in remote communities to build the local infrastructure they need.

The program has been a success, driving employment and improving quality of life.

In this Budget we are expanding it to ten more communities, and we will keep working to roll the program out across NSW.

We will build 250 new Aboriginal Housing dwellings, and upgrade 7,000 more.

And we're investing in Aboriginal cultural and tourist attractions in the Hunter Valley, Coffs Harbour and Birubi Point, so that local businesses can continue to thrive, creating prosperity and opportunity for current and future generations of Aboriginal and Torres Strait Islander people.

## **Honouring the dignity of our most vulnerable citizens**

A healthy society does not allow its most vulnerable members to feel they are a burden.

As our population ages, all of us will have to dig deeper for the elderly and those suffering terminal illness.

NSW has led the nation in investing in palliative care.

In this Budget, we build on those efforts with another \$82 million to strengthen services and honour the dignity of our elderly and dying citizens.

One chronic illness increasing in prevalence is Parkinson's Disease.

I was deeply moved to hear the former Deputy Premier of NSW, John Watkins, share his own experience right here in parliament.

John spoke of a disease that has mercilessly attacked his physical and mental health, robbing him of everything from his career to his balance.

At the heart of this Budget we acknowledge the suffering of people with movement disorders

And we will invest \$8.6 million in additional funding for more specialist nurses and better community care, including \$650,000 to support the valuable work of Parkinson's NSW.

## Transforming our State

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This Budget's third core objective is transforming our State.

### **A call to arms**

In the long run, governments should not be judged on how well they have recovered from the COVID pandemic, but by what they have done to imagine what comes next - and make it a reality.

The Intergenerational Report lays out the challenges our children will face.

Our population will age, expenses will rise.

By 2061, 40 per cent of revenue would need to be spent just to cover the interest on public debt - a crippling burden on our children and grandchildren.

Governments of tomorrow would face harrowing choices: cutting health, cutting education, cutting services.

Make no mistake: this is a call to arms.

What sets NSW apart from every other state - and the Commonwealth - is that we are not just focused on today, we are focused on the future.

### **Productivity is everything**

The key is productivity.

Lifting productivity means the people of our State get more value for their efforts and more reward for their hard work.

Higher productivity means higher wages, better jobs, better services and more freedom.

But since the Hawke, Keating and Howard Governments, productivity reform has virtually stopped.

It takes imagination to build a better future.

And long before any pandemic, this Government saw the future coming.

In 2018 we appointed the first NSW Productivity Commissioner, and we've acted on advice to get the ball rolling.

We're advancing reforms to deliver a more streamlined planning system, to get more houses built faster and more affordably.

We're piloting flexible pathways into trades, especially for women and older citizens.

And we've legislated for the automatic recognition of interstate licences - because Australia should be a nation of trades without borders.

But we're not stopping there.

Last month the Commissioner released his first White Paper.

There are 60 recommendations, and we did not commission them to gather dust on a shelf.

Every 6 months I will give an update to parliament on how we are progressing.

Legislation will make a steady march through this House, and every member's vote will hold them to account.

Because we all have a responsibility to rise above the politics of the day, to do what is right for our State and our people.

This Budget continues our nation-leading productivity agenda, starting with education.

The most valuable policy we can pursue is lifting education standards for our children.

This Budget invests a record \$20.5 billion in the NSW education system.

But improving education is about more than just money. We must be willing to do things differently.

So we are reforming the curriculum, and changing the way teachers can enter the profession, to attract the highest quality teachers and enrich the learning experience for our children.

This includes \$2.9 million for Alphacrucis College to bring high achievers into teaching, especially in regional NSW.

And this Budget supports a landmark pilot, with certain school communities trialling alternative school hours, to better fit the busy lives of mums and dads.

If the pandemic has enabled us to live and work more flexibly, governments must be more flexible too.

Education is just the start of our productivity agenda.

We're implementing the Gonski-Shergold Review, to embed skills training in high-schools.

We'll pilot Institutes of Applied Technology in Kingswood and Meadowbank, bringing industry and training together to fast track our young people into high quality careers.

We're funding new research to develop emerging industries like advanced manufacturing.

We'll launch Careers NSW - part of an unprecedented \$2.9 billion skills budget to help our young people get the skills they need for the jobs they want.

Today we introduce legislation to reform infrastructure contributions, and it will unlock housing supply faster and more efficiently, and make homes more available and affordable.

We're progressing our property tax proposal, because we know housing affordability is the challenge of a generation, and we want young people to get a foot in the door.

We're legislating today to stamp out stamp duty on electric vehicles, for a greener future, where stamp duty on all cars will be a thing of the past.

We're setting up a better system for funding our roads, establishing a road user charge on electric vehicles but only once they reach a critical mass, so we're driving takeup, not impeding it.

We're implementing the Electricity Infrastructure Roadmap, to provide reliable, affordable energy for generations to come.

And we're driving a manufacturing renaissance right here in NSW, supporting local production of new technologies like batteries, electric buses and renewables.

And our economy of the future is taking shape before our eyes in innovation precincts, bringing together research, investment, innovation and industrial might - in which vision and imagination lead to new jobs, new products, new markets, greater prosperity, for an economic future Made in NSW.

## Another decade of delivery

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These are the foundations of a future that will be brighter if we dare to do things differently.

For a decade we have kept the State's finances secure and the economy strong.

We invested to build the best services in the nation, laying the groundwork for our pandemic response.

That has fuelled confidence, spurred our recovery, ignited our economy and boosted our finances.

And as we look to the future, we do so from a position of strength, in control of our Budget and in control of our destiny.

This Budget keeps NSW safe, and accelerates our recovery.

It invests in our people.

And it transforms our State.

Today, other governments are raising taxes and cutting wages, sacrificing growth to save their Budgets.

In NSW we do not have to make that choice.

The future we imagine is not built on austerity.

This is a Budget for our future prosperity.

Another decade of delivery has already begun.

And this Budget gets NSW dressed for success.

I commend the Budget to the House.