

**Budget in Reply Speech
Hon Mark Speakman SC MP
21 September 2023**

Check against delivery

I too acknowledge that we meet on the traditional land of the Gadigal of the Eora nation and pay my respects to Elders past, present and emerging of the of the traditional owners of all the lands in our various electorates.

Mr Speaker, this is a Budget of broken promises, dodgy numbers, no vision and lost opportunities. This is a Budget that will slash cost of living support and essential services.

This is a Budget that backs union mates ahead of families and households.

This is a Budget that takes NSW backwards and leaves the people of NSW behind.

A BUDGET OF BROKEN PROMISES

A Budget of broken promises...

In just six months the government has broken a string of election promises.

They promised they'd roll over Active Kids, a fundamental cost of living support and way to get kids into physical activity. Instead, they're slashing it by 85%, a broken promise hurting 750,000 kids.

They promised they'd ban secret rent bidding. Instead, realising it was unworkable, they've abandoned any ban.

They promised no privatisation. Instead, they're going to sell off public land to prop up his budget.

They promised a cashless gaming trial by 1 July. Instead, there's no design and no start date.

They promised no new taxes or increased taxes. Instead, over 4 years, there's a \$2.7 billion increase in coal royalties, a tax on coal production, and new land tax laws to increase the land tax take by \$250 million.

They promised they'd build the Sydney West Metro. Instead, the Government says that it's still making up its mind whether to proceed at all. Nothing says *Same Old Labor* like their aversion to game-changing infrastructure projects. When they were last in government, they announced 12 railways and delivered none.

They promised no unfunded public sector wage increases. Labor said that abolishing the public sector wage cap and delivering pay rises for his union mates would cost the Budget nothing. They were to be funded from productivity offsets.

Yet they still haven't identified a single productivity improvement.

Governments have to maintain economic, social and environmental sustainability. The wage rises we'd all like to see are compatible with economic sustainability when they're underpinned by productivity gains. That's how the Government promised to fund wage rises. That's the promise it's broken.

Instead, on the Government's own figures, extra wage rises look like costing over \$7 billion over four years and they're now locked into the Budget indefinitely.

The Government has costed the 4.5% wage deal with public sector unions at \$2.6 billion. Then the deal with the teachers' union costs \$1.4 billion. Then the Government says it has a further fund of \$3.6 billion for further wage increases.

The \$3.6 Billion Essential Services Fund they have provisioned for future wage increases is a floor, not a ceiling – a wink to union mates that there is more to give if they ask.

Because this Government can't stand up to their union masters, we have a Budget that puts at risk NSW's AAA rating, forgoes opportunities for job

creating and congestion busting infrastructure and for housing affordability measures, and forgets families at the height of a cost of living crisis.

A BUDGET OF DODGY NUMBERS

A government that can't be taken at its word on election promises is also a government that can't be taken on its word on its budget figures. This is a Budget of dodgy numbers.

It's a Budget built on quicksand.

It's a Budget whose projections aren't worth the glossy paper they're printed on.

There's no provision for the cost of extending Eraring – despite the Government undermining its own bargaining position and announcing that's what it wants to do.

There's no money for toll relief beyond 2025, or for renegotiated toll agreements.

There's no detail on how the \$13 billion in reprioritised savings will be achieved.

There's wishful thinking on future GST payments from the Commonwealth.

And there's the biggest unknown – the real cost of Labor's wages policy.

A critical assumption in the Budget is the one about employee expense growth. The total cost of the state's wages and superannuation obligations is projected to reach \$55 billion in 2027 – equivalent to over 46% of the state's total expense base.

The Budget Papers make the dodgy assumption that employee expenses can be kept to annual growth of 4.1%.

Yet the Government has just done a deal for the teachers' union – granting pay rises between 8 and 12% for next year alone.

If you think that every other union will simply ignore this precedent, you don't know the union movement. Once the government has let the genie out of the bottle, and given pay increases as large as these, without any productivity offsets, how does the Government now explain to other public sector unions, covering workers like police officers, firefighters, paramedics and nurses, why they aren't entitled to just as much?

The Budget Papers themselves undermine the 4.1% assumption, warning:

“As the Government shifts to a more consultative interest-based bargaining arrangement, it is possible that the final budget outcome for 2023-24 deviates from current projections.”

“Interest-based bargaining” is Labor's code for union-controlled wages policy.

Employee expenses are the key cost you control.

If you lose control of them, you lose control of the Budget.

And as we are seeing nationwide, when Federal and State Labor governments lose control of their Budgets, we collectively lose some control over inflation.

By losing control of wages, this state government loses control of the biggest item of expenditure.

But concerns about Labor's dodgy Budget assumptions aren't just our alone – they are being led by the ratings agencies.

Moody's has begun to sound the alarm.

Already, they've noted that the projected annual expenditure growth of 0.8% cent over the forward years to 2027 will be, “difficult to achieve given persistent inflation pressures, the recent removal of the wage increase cap and new operating expenditure initiatives.”

This signals a loss of confidence from the ratings agencies at the first hurdle for this Government and a likely downgrade in our state's credit rating.

Even assuming in the government's favour that it can keep employee expense growth to 4.1% each year, the Budget Papers make the dodgy assumption that overall expenses will be kept to 0.8% growth each year. When employee expenses make up almost half of total expenses, it's hard to see how the 0.8% per year projection can be reached, unless there are savage cuts elsewhere.

A BUDGET OF CUTS TO COST OF LIVING SUPPORT AND CUTS TO ESSENTIAL SERVICES

This is a Budget **cutting cost of living support and cutting essential services.**

Sure there's toll relief – but the government gives with one hand and takes with the other, discontinuing the Coalition's toll relief program.

Sure there's some energy bill relief – but unlike the Coalition's proposal, it will only be available to some.

So in a cost of living crisis, but flushed with a \$14 billion tax revenue windfall, what does this Government do?

It slashes Active Kids and Creative Kids by 85%.

It slashes First Lap.

It axes the Regional Seniors Travel Card.

It axes the Regional Apprentice and University Student Travel Card.

And it cuts overall spending on essential services, in the core areas of health, education, TAFE, Police, and Fire and Rescue.

Let's take health first. Let me quote AMA (NSW) President Dr Michael Bonning, who says:

"At a time when the health sector and medical services need an urgent investment of cash, this budget provides almost nothing. Traditionally,

governments increase health investment, this government has effectively slashed it, when health inflation is taken into consideration.

This year's budget of \$30,951 billion is a 0.87% increase on the \$30,684 billion in the 2022-23 budget.

This paltry increase is negligible and will be overtaken by health inflation, which is expected to increase by at least 5% per year.

It is the people of NSW who will suffer. This means less access to emergency department, less urgent surgery and non-urgent surgery, and it will also place NSW's innovative programs such as the collaborative care projects at risk."

In education, the budget for recurrent spending is up only 0.9% in nominal terms on last year's spending. Inflation however is projected at 4.5%. That means a 3.6% real cut to overall education spending.

For the NSW Police Force, the budget for recurrent spending is up only 2.7% on last year's spending in nominal terms. With inflation projected at 4.5%, that means a 1.8% real cut to overall police spending.

The budgets for recurrent spending on TAFE and Fire and Rescue are down by 0.8% and 0.9% respectively in nominal terms on last year's spending. They're therefore being cut by over 5.5% in real terms.

So across key areas of service delivery, the Government is cutting spending.

The government says it's undertaken a "Comprehensive Expenditure Review" identifying \$13 billion in "budget improvement and reprioritisation measures". But the government has failed to provide a full itemisation of what those "budget improvement and reprioritisation measures" are.

There's an ominous line in the budget papers that the \$13 billion in "budget improvement and reprioritisation measures" includes what's euphemistically called "a range of agency operational, procurement, and corporate efficiencies".

That's code for cutting frontline services. We don't know exactly what they'll be, because the government refuses to tell us the question time and refuses to disclose it in the budget papers, having cancelled transparency and cancelled outcomes statements that the Coalition Governments published. But from the bottom line percentages I've just identified, we know these coming from the cuts in real terms to essential services are coming.

A BUDGET OF NO VISION

This is a Budget of no vision.

Budgets are the most important documents a government puts together.

They reflect the thinking, the work, the plans, the priorities and the values of a government.

The last Coalition Government delivered 12 budgets.

Budgets that took NSW from last to first.

Budgets that 824,000 additional jobs created in NSW.

Budgets that invested in the future, with \$178 billion in infrastructure - WestConnex, NorthConnex, the Pacific Highway, the NorthWest Metro, to name a few, with a multitude of new schools and hospitals.

Budgets that left a pipeline of \$116 billion in projects - including city changing projects like the City and South West and Western Sydney Airport Metros.

Budgets that backed families in with cost-of-living relief: support through COVID, and assistance with the day to day costs that add up.

Budgets that supported households and families with the first major overhaul of stamp duty in 150 years, with First Home Buyer Choice. A choice now taken away by Labor.

Budgets that, last year, delivered a historic \$16.5 billion investment over 10 years to improve women's opportunities and child development, including

introducing universal pre-kindergarten, boosting accessibility and affordability of childcare, and supporting women return to work.

Budgets that stood shoulder to shoulder with regional communities, that did it tough through bushfires, floods, drought and COVID-19.

Budgets that preserved two AAA credit ratings - despite those challenges.

Budgets that, through prudent and compassionate decision making, saw NSW emerge strongly from the most difficult combination of circumstances in a generation.

But what do we have now? A Budget with no vision, and a government with no vision.

Labor had 12 years to prepare for government.

They didn't and it shows.

The new government has been at its busiest when its re-announcing Coalition projects or cutting the ribbons to open them. The vast majority of the Government's health and education infrastructure pre-Budget announcements were projects already happening under the Coalition. In transport, the government is flirting with the idea of cancelling the largest infrastructure project, the Sydney West Metro. It's cancelled nation-building projects in the regions like the Great Western Highway upgrade.

The government wants to focus, so it says, on housing. We support that focus. There's an Australia-wide housing affordability and supply crisis for buyers and renters. NSW is not immune from that. We're keen to work constructively with the government on ways to fix this crisis.

We support announcements like better use of AI and other technology to speed up planning approvals. But that there's not much else in the Budget towards addressing housing affordability.

The Government trumpets a \$2.2 billion Housing and Infrastructure Plan. Let's deconstruct that announcement.

Its centrepiece item is said to be \$1.5 billion housing related infrastructure. But this is in fact a \$1.5 billion tax on new homes through the Housing and Productivity Contribution. The Government's leading solution for housing affordability is more tax on new homes.

The Housing and Productivity contribution adds \$12,000 to a new free standing dwelling and \$10,000 to new apartments in the Greater Sydney area and a bit less in Newcastle, Wollongong and the Central Coast.

The infrastructure isn't tied to where building is occurring ,so there's no nexus to the development. The contributions from a new house in Penrith could be paying for a bike path in Petersham.

The tax is applied at the time a construction certificate is issued, rather than at the time of occupation certificate, adding to the financing burden for industry. And, of course, none of this helps the regions.

Another part of the \$2.2 billion Plan is \$300 million funding for Landcom. This is funding out to 2039-40 for the construction of only 1,049 affordable homes and 3,288 private market homes. That means that, on average, under this package only 88 affordable homes will be delivered each year, with less than 300 homes delivered in total each year.

Another part of the \$2.2 billion Plan is the \$400 million Housing Infrastructure Fund under Restart NSW. This is nothing new. Since 2012 the Coalition Government reserved more than \$1 billion through the Housing Acceleration Fund and nearly \$1 billion under the Accelerated Infrastructure Fund to unlock housing supply.

In addition to its Housing and Infrastructure Plan, the Government claims to have a "focus is on directing more money to build social and affordable homes". The NSW Government is the beneficiary of \$610 million from the Commonwealth under the Social Housing Accelerator Agreement to build new social housing and upgrade existing stock.

But now the NSW Government has abdicated its own responsibilities. It's cut the infrastructure budget of the key social housing delivery agency, the Land

and Housing Corporation by \$330 million.

The Greater Parramatta and Olympic Park corridor is expected to take 60% of the population growth for the Central River City. If the Government is serious about housing supply in Sydney, it has to end the uncertainty. It has to do what it promised at the election to do. It has to build the Sydney West Metro.

The Metro West will transport up to 40,000 people an hour. It will double the capacity of the current rail network between Parramatta and Sydney.

The former Labor Lord Mayor of Parramatta and Former Minister for Roads David Borger is right to say, "You can't build high-density precincts without high-quality public transport".

A BUDGET OF LOST OPPORTUNITIES

The Government could have done so much more to help housing affordability.

But instead, this is a Budget of lost opportunities.

The Budget misses a golden opportunity to tackle, here in NSW, the Australia-wide housing crisis in a meaningful way.

The Government expects to receive a \$14 billion tax revenue windfall over the next four years.

This year alone, the Government expects tax revenue to increase by 12.5%, including stamp duty on transfers by 21%.

But this revenue won't be spent on addressing the housing crisis or making housing more affordable.

Instead, it will go towards rewarding union mates and paying for wage increases the Premier said wouldn't cost a cent, but would be offset by productivity gains.

The Coalition would not have squandered this opportunity.

As a complement to other policies, we would have delivered policies with a bit of vision to tackle housing affordability for buyers and renters.

First, we would have looked to keep and expand the *First Home Buyer Choice* scheme *and* keep the Government's reduced threshold and rates of stamp duty - providing our next generation with choice in how they enter the housing market and giving them the best possible chance of realising the Australian dream.

Instead, this Government puts ideology before aspiration, scrapping the *First Home Buyer Choice* scheme and removing choice for young people looking for their first home.

Second, we would have looked to invest windfall stamp duty revenue to complement Commonwealth funding, by establishing a *Community Benefit Fund* of \$2 billion or more to incentivise and reward local communities which achieve their housing targets - helping renters and buyers – and that includes the regions.

Rather than telling communities to “get out of the way”, we would engage with local councils and communities to review housing targets in line with the delivery of 314,000 homes across the State and a bonus target in line with the delivery of 378,000 homes from 2024 to 2029.

The fund would be available to local councils that met their targets in order to fund the improvement of public open spaces through new and improved walking and cycle paths, parks, trails, boardwalks, lookouts, foreshores, riverbanks, play spaces, civic plazas, and outdoor event spaces.

The fund could also be used to upgrade local sporting facilities and community recreational facilities.

The fund would provide a carrot that our communities need to support the delivery of more homes.

And third, to encourage empty nesters to downsize and to free-up appropriate housing supply for younger families, we would have looked to introduce a stamp duty exemption, with appropriate thresholds, for downsizing older

buyers.

This would encourage seniors to downsize to a smaller property and help them in finding more suitable accommodation - reducing housing affordability pressures by making more suitable homes available to meet the needs of younger families.

More than 1.4 million people in NSW occupy a three or four-bedroom home on their own or as couples without children. Nearly three quarters of them are over 55 years old.

We have an opportunity for one generation to support another.

These policies would tackle supply, improve housing affordability and reduce the stress on rents.

Going ahead, we'll consult with interested parties on the feasibility of designing future policies like these. But for the moment, these are lost opportunities. The Government has instead squandered windfall revenue on wage increases that should have been made sustainable from productivity offsets.

There are other lost opportunities.

The Liberals and Nationals invested \$484 million in the 2021-22 Budget in the single biggest investment in tackling domestic and family violence in the State's history.

Meanwhile despite massive revenue windfalls it appears that this Budget only manages to find \$39.1 million in new funding for the sector.

The Gender Equality Statement states that the escalation in domestic and family violence, acknowledged in the Minns Government's Gender Equality Budget Statement, will cost NSW \$3.3 billion between 2020 and 2025.

This Budget fails to provide any detail of significant new funding to protect women fleeing domestic violence – another lost opportunity.

In Government, the Liberals and Nationals signed the National Agreement on Closing the Gap.

A historic new agreement – built upon the principles of working in partnership and joint decision-making.

Indigenous disadvantage remains our nation's, and state's, greatest policy failure.

We committed \$716 million to Closing the Gap initiatives – in health, education, the environment and housing. It was a clear commitment to deliver practical outcomes and improvements for Aboriginal people.

This year's Budget Papers are opaque, but there appears to be no new money for Closing the Gap.

CONCLUSION

To conclude, this is a Budget of missed opportunities from a Government lacking vision.

This is a Budget built on broken promises.

This is a Budget of dodgy assumptions that can't be trusted.

This is a Budget that puts Labor's union mates ahead of hard-working families.

This is a Budget that looks after Star City, but not Western Sydney.

It's a Budget that fails NSW.

NSW deserves much better.

And we all know that our Government can do so much better.

The Liberals and Nationals will continue to hold this arrogant Government to account.

We'll deliver a vision to keep NSW strong and prosperous.

We'll continue to stand up for families, households, seniors and small businesses, from the cities to the regions.

Our first priority will always be the people of NSW, not Labor's union mates. That's what we stand for – and that's / what we'll fight for.