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NSW SPENDING CUTS WELCOME, BUT STATE STILL IN DEEP DEFICIT WATERS

“The second O’Farrell Government Budget has put in place the basis for policy reforms to restore fiscal sustainability and revive an underperforming economy,” said Ms Julie Novak, Research Fellow at the Institute of Public Affairs, a free market think tank.

The measures of the Government to reduce its operating costs are appropriate in the current environment to help restrain expenses growth and reduce the size of government.

“Sluggish growth and overspending by the previous Government have contributed to the state’s parlous financial position, with an estimated budget deficit of \$824 million this financial year the result,” Ms Novak said.

“And external policy factors, such as the federal carbon tax, will soon put additional pressure on public sector costs including schools and hospitals.”

“In this environment the announced reduction in the NSW public sector by some 10,000 staff, saving \$2.2 billion over four years, is a welcome move to contain state spending in non-essential functions of government.”

“Proposed asset sales, such as the sale of electricity generators and the leasing of Port Botany and Port Kembla, will reduce the government’s future capital funding task and allow for the more efficient management of facilities by the private sector.”

Despite the positive measures announced by Treasurer Mike Baird to restrain expenditure, the state’s debt requires additional remedial attention.

“The projected increase in state net debt, rising from \$49 billion to \$65 billion, is of concern given expectations of rising interest costs to be borne by taxpayers should NSW lose its AAA-credit rating.”

“The Government should at least remain open to enabling greater private sector involvement in the construction and maintenance of new infrastructure works in Sydney and the regions.”

Increases in stamp duty exemptions are another welcome feature of the Budget, yet the introduction of additional housing grants for new properties further risks housing affordability.

“Unless the government’s land use policies do genuinely increase land supply, the new housing package will only stoke demand for new housing and reduce opportunities for young people to purchase homes in the state with the highest capital city median house price,” Ms Novak said.

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