Centre of Full Employment and Equity

Opinion and Commentary

CofFEE

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NSW State Budget 2007-08

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Yesterday's State Budget revealed once again how things have changed in Macquarie Street over the last two years. After starving NSW of essential public infrastructure for years, the beleaguered State Government is now trying to repair the damage they created.

A problem with this "famine-to-feast" strategy is that it assumes the construction industry has spare capacity when required. With skills in short supply and the mining boom sucking construction workers west it isn't likely that is not a good assumption to make.

But the budget repudiates the penny pinching Carr era which has left a legacy of sub-standard public facilities and infrastructure. This capacity not only delivers public services but also underwrites private investment and further growth.

The fact that NSW is languishing as the slow state in the "two-speed" Australian economy and losing investment and labour to the mining states is in part due to this leadership failure in recent years.

But I support the renewed commitment to public infrastructure provision and the Hunter region will benefit with more employment and better services.

The budget also provides modest real increases in recurrent spending which have been stretched in recent years. More funds to employ doctors, nurses, and police are welcome.

The TAFE sector finally gets some acknowledgement after weathering a funding attack and being forced to provide VET services in an open competitive market. Starving your skills development institutions is never wise. This budget provides modest relief in that regard.

But digging deeper, you start to see the dark clouds.

The budget attacks the state's public servants. It seems to be the season. Federal public servants have been attacked by the new Federal government for being diffident about attending meetings at 5.30 am and occasionally wanting to see their families.

Now the NSW Treasurer thinks it is reasonable to forecast 3 years of real wage cuts for the state public servants. The forecast annual growth in wages of 2.5 per cent to 2011-12 will not keep pace with inflation. This will be unpopular and counterproductive.

The state would be better to reward their workforce appropriately for their efforts. Expect industrial action from nurses, teachers, firefighters and police in the coming year.

The explicit pro business cutting of payroll taxes is not a winner despite the rhetoric. The cuts will only help large firms and then only marginally. It would have been better to focus on some wider impacting taxes such as stamp duties or the tax surcharge on insurance premiums for relief.

The budget confirms the Government's zeal to privatise electricity generation. The latest furphy from the Treasurer in relation to the extremely unpopular electricity sale is that failing to proceed will endanger the state's AAA credit rating and this will damage its proposed infrastructure spending by making finance more expensive.

How many more of these nonsensical propositions can we absorb as justifications for the unjustifiable? If the Government doesn't sell the electricity generators but instead allows the private sector to compete for the new demand by supplying the new capacity, the state's credit rating wouldn't move a tick.

Further, the state will always be able to get finance cheaper than the private sector given that its taxation capacity renders insolvency impossible.

Overall, this is a safe budget with nothing particularly bad in it but then not a lot of good.