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NSW State Budget 2004-05 – chickens coming home to roost!

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Should we applaud yesterday's State Budget which guarantees that 'Bob the Builder will be everywhere' boosting public infrastructure and services? The Treasurer claims the Budget provides 'substantial additional resources for key front-line services, especially our schools, hospitals and public transport'.

While I always applaud increased public infrastructure spending, especially on education and health, this Budget is more about 'chickens coming home to roost'.

For several years the State Government has been drowning in property tax revenue but has failed to maintain and develop essential public infrastructure. The Treasurer has defended the Government's reluctance to use their burgeoning coffers to fund infrastructure growth noting that debt retirement has saved around a billion dollars in interest payments. But he neglects to mention that debt retirement and interest savings destroy the wealth holdings and incomes of private savers.

The rundown of existing infrastructure is now revealing itself to be a myopic strategy - one that will cost more in the long-run than if there had been steady capital spending growth over the life of the Government.

The Government has now realised that its past penury is catching up with them and that another 'train disaster' will see them turfed out of Macquarie Street. The signs were there in the April mini-Budget, which attempted to address the unexpected shortfall in Federal tax redistribution and growing public unease about road and rail safety and the viability of our public education and health systems.

At last the government is realising that debt can be good a good thing - spreading the burden of public investment over the generations that will benefit from it. Education is a good example. Investment in public education underpins child and community development but as the government built their surpluses in recent years it allowed teachers' pay and conditions to lag behind other occupations. In the recent teachers' pay case the Government cried poor, claiming that it could only afford a pay rise if it raided other areas of the education budget. The hollow nature of these claims was revealed yesterday. The Budget readily met the teachers' pay claim and then some.

The Budget projects a deficit of \$379 million for 2004-05. To fund the deficit, the Government's net debt position will rise, but will fall in proportion to economic activity. With public services crumbling, there is no virtue to be found in this declining net debt ratio.

The increased spending of around \$140 million on last year (detailed elsewhere in the Herald) will provide significant benefits for the Hunter. Public investment in the region will provide more full-time jobs, better career prospects and improved services – all in desperate shortage. The regional focus of this investment is excellent if long overdue.

The relocation of the Department of Mineral Services to Maitland is excellent and will provide stable employment opportunities in our region. In an era of electronic communication, it makes no sense to concentrate large Government departments in Sydney. I suggest next year, they relocate the Department of Education to Newcastle!

I wonder if the \$132 million for roads will be a one-off? Is the Government trying to help Mark Latham win Paterson given the recent Federal road funding onslaught in marginal seats. I would prefer more to be spent on the education and health with some innovative alternative transport options developed which carry less environmental burden.

There is good news in this Budget but it remains hard to feel good about a government that has ripped us off for years, run down essential public services to the point of collapse, until finally, as the political costs hit home, they are compelled to start doing what they should have been doing all along.