



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: B409

Date Referred: 11/03/2019

Date Published: 18/03/2019

Proposal Title: Local jobs first – jobs compact

Cluster: Industry

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	720	738	756	2,214
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	(720)	(738)	(756)	(2,214)

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	(720)	(738)	(756)	(2,214)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(720)	(738)	(756)	(2,214)
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Notes and costing assumptions

The policy proposes to:

- insert considerations about local jobs, skills and industries into the NSW Procurement Policy Framework
- create a new Jobs Act that will require Industry Participation Strategies for major procurement projects
- give the NSW Government the power to consider and declare major projects as "Jobs Significant", which would add additional local content requirements
- create a new unit within the Department of Industry to help NSW small and medium sized enterprises to participate in procurement opportunities.

The policy specifies that the above components will start from 1 July 2019.

The PBO estimates that the cost of this policy is \$2.2 million over the forward estimates. This represents half of the employee costs of a new unit within the Department of Industry to assist with small and medium sized enterprises. The remaining half of the costs is to be absorbed by the Department of Industry, as specified by the policy. The PBO considers it feasible for the Department to absorb the costs.

For the other components, the PBO estimates the impact to be nil. This is because the changes proposed by the policy requires decision-makers to consider certain principles or factors when making decisions about procurement. The following sections set out the policy's components in more detail and the PBO's estimate of the cost of each component.

Notes and costing assumptions continued:

Consideration about local jobs, skills and industry

The policy would insert requirements in the NSW Procurement policy for decision makers to consider local jobs, skills and industry. The policy specifies that the consideration of local jobs, skills and industry is non-determinative, and that decisions would be made within the context of existing budget constraints.

The PBO estimates the budget impact is nil for this component as this policy imposes a requirement to consider local jobs, skills and industry.

New "Jobs Act" and Industry Participation Strategies

The policy proposes new legislation for a jobs strategy that would require businesses tendering for government work to provide information on details of their commitments to provide local content, employment, training and innovation outcomes.

The policy also proposes business would also be required to submit a detailed participation plan which would be reviewed against the NSW Industry Participation Strategy. This includes principles about "value for money", positive impact on NSW economy, and local jobs and training opportunities, and transparency.

These plans would need to be submitted for all major projects i.e. projects that exceeds the following threshold:

- \$500,000 for supply of new equipment, services or capital investments
- \$3 million for construction or major projects in metropolitan Sydney
- \$500,000 for construction or major projects in the rest of NSW.

The PBO estimates the budget impact is nil for this component. This component would require legislative, regulatory and policy changes to procurement, which are part of the Government's core functions.

"Jobs Significant" major projects

The policy states that the new legislation would give powers to Ministers to declare major projects to be "Jobs Significant". The policy specifies that a project would be considered for this declaration if it involves expenditure of more than \$50 million. Where declared, the NSW Government would require a target of 50% of local content for the project.

The PBO estimates the budget impact is nil for this component, as this requires decision-makers to consider whether the project is "jobs significant".

New unit to assist small and medium sized enterprises

The policy proposes to establish a new unit within the Department of Industry to help NSW small and medium sized enterprises to participate in procurement opportunities. The policy specifies that the new unit would comprise 10 full-time equivalent staff (FTE), at a salary of \$120,000 each before on-costs. The policy specifies that half of the costs of this unit would be absorbed from within the Department's existing resourcing.

The PBO estimates the total additional cost is \$0.7 million per year or \$2.2 million over the forward estimates. This is based on salary costs of \$120,000 per FTE as specified by the policy, plus:

- the PBO's assumption of 20% for on-costs such as superannuation, payroll tax, long service leave and workers compensation etc.
- escalation of 2.5% per year, consistent with the Public Sector Wages Policy.

The PBO considers it feasible for the Departments to absorb around \$0.7 million per year. The total Industry Cluster budget for 2018-19 is \$4.6 billion for recurrent expenditure, including \$152.3 million for jobs and investment functions. This indicates scope for the Department to reprioritise resources from its existing programs to meet the cost of this policy.