



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 12/03/2019

Proposal No: B421
Date Published: 18/03/2019

Proposal Title: Regional Jobs Fund

Cluster: NSW Treasury

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	37,500	112,500	75,000	225,000
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	(37,500)	(112,500)	(75,000)	(225,000)

Capital Expenditure	-	12,500	37,500	25,000	75,000
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	12,500	37,500	25,000	75,000

Net Lending/(Borrowing):	-	(50,000)	(150,000)	(100,000)	(300,000)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(50,000)	(150,000)	(100,000)	(300,000)
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Notes and costing assumptions

The policy is to allocate the remaining proceeds from the Snowy Hydro sale, to a Regional Jobs Fund. The fund may only be spent on policies consistent with the 'Chifley Principles':

- The creation of jobs and growth of industry in rural and regional NSW
- The decentralisation of population
- The generation of new and renewable energy supplies.

The policy states that initial allocations would be directed to support regional water infrastructure initiatives. The policy specifies that the mix of expenditure is to be 75 per cent recurrent and 25 per cent capital, for the following allocations:

- \$50 million in 2019-20
- \$150 million in 2020-21
- \$100 million in 2021-22
- \$200 million in 2022-23.

For the 2019-20 allocation, the policy specifies that \$5 million in recurrent expenditure would be for:

- a Commission of Inquiry into the circumstances surrounding the Water Sharing Plan of 2012
- an inquiry into the circumstances surrounding the \$500 million Wentworth to Broken Hill water pipeline.

The PBO estimates that the cost of the policy is \$300 million over the forward estimates, and \$500 million by 2022-23.

Notes and costing assumptions

The PBO has not estimated depreciation for the capital component. This is because the type, mix and construction timeframe for building capital works is not yet known. As such, it is not feasible to estimate the useful life and depreciation expenses for the assets. For instance, the ATO's 2018 Taxation Ruling shows the useful life of water supply assets range from around 7 years (e.g. meters), to 100 years (e.g. dams and weirs).

Subsequent funds would be allocated for expenditure and appropriated from the Regional Jobs Fund using standard Budget processes. Funds would remain in the Consolidated Fund until a policy decision is made to approve the expenditure. Once a policy decision is made, the funds would need to be appropriated and at that time the Net Operating Balance and/or Net Lending would be expected to increase.

Treasury has advised that there are about \$4.067 billion in unspent proceeds from the Snowy Hydro sale. The PBO assumes the current Snowy Hydro Legacy Fund would be discontinued. The PBO notes that the potential cost of the policy could be up to that amount, with the spending profile dependent on the timing of policy decisions.