

Key Aggregates

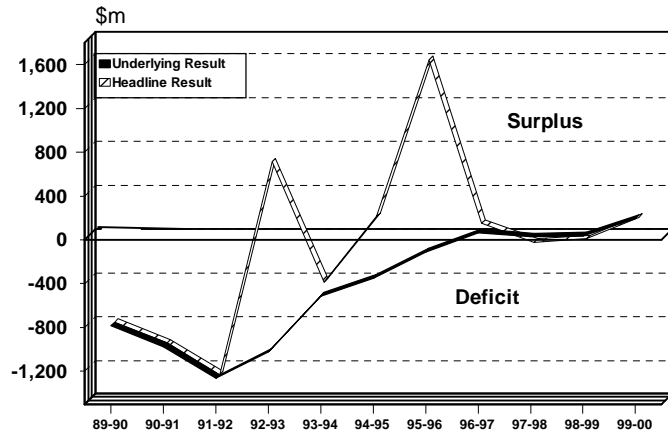
	1996-97	1997-98	1998-99	1999-2000
	\$m	\$m	\$m	\$m
<i>Current</i>				
Outlays	19,690	20,515	21,070	21,656
Receipts	<u>21,543</u>	<u>22,763</u>	<u>23,284</u>	<u>24,098</u>
Surplus	1,853	2,247	2,214	2,442
<i>Capital</i>				
Outlays	2,658	3,301	3,025	3,117
Receipts	<u>872</u>	<u>1,081</u>	<u>847</u>	<u>870</u>
(Deficit)	(1,786)	(2,220)	(2,178)	(2,247)
UNDERLYING RESULT	67	27	36	195
<i>(The financial result is presented on an underlying basis which excludes extraordinary items such as equity restructures and sale of government business enterprises.)</i>				

“The first consecutive surplus in the State’s history.”

- n The 1997-98 Budget forecasts an underlying surplus of \$27 million with forward year projections confirming an improving trend. The 1996-97 result will more than deliver on the Budget prediction of a modest surplus.
- n These results fully meet the Government’s commitment in its Debt Elimination Act to achieve sustainable Budget surpluses.
- n Forecast results include major expenditure on Olympics - with budget outlays of \$423 million in 1996-97, \$654 million in 1997-98, \$457 million in 1998-99 and \$188 million in 1999-2000.
- n Current outlays will increase by \$825 million in 1997-98 reflecting further substantial increases in funding for hospitals, schools and other priorities.
- n Responsible tax increases, based on a capacity to pay, to fund priority services without borrowing money.
- n Unfunded superannuation liabilities for the Budget Sector will decline by about \$3.1 billion in real terms by June 2006.
- n Budget Sector net debt as a percentage of GSP is projected to decline from a high of 10.1% in 1994 to 6.2% in June 2000.

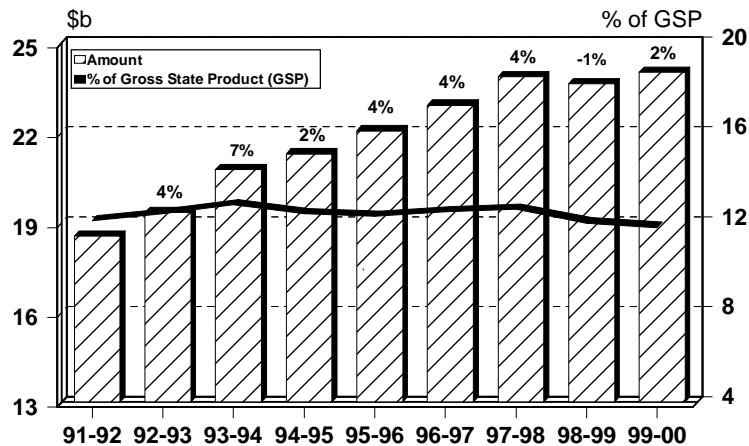
Trends in Budget Aggregates

**Budget Sector Financial Results
1989-90 to 1999-2000**

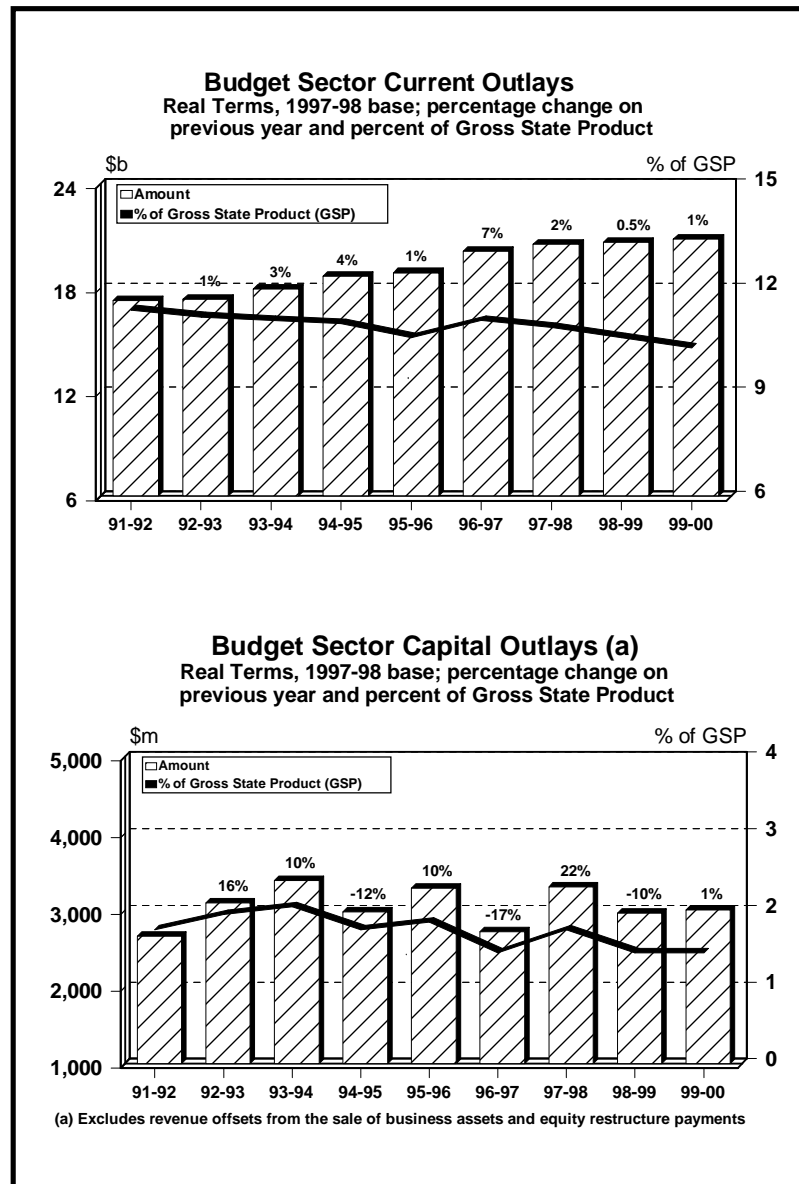


- n Debt will continue to decline as a result of sustainable surpluses.
- n Like last year's Budget, this Budget pays its way.
- n This is the first time consecutive surplus Budgets have been delivered, reflecting a commitment to responsible Budget management.
- n Budget receipts will increase by 5.7% in 1997-98, a real increase of 4.1%. This primarily reflects the impact of a range of tax measures which are designed to fund expenditures in key priority areas of health, education and transport.

Budget Receipts
Real terms, 1997-98 base; annual % change



Trends in Budget Aggregates (cont)



- n **Current outlays will increase by 4.2% in 1997-98, a real increase of 2%, with additional funding in the key areas of health, education and community services.**
- n **Capital outlays will increase by 24.2% in 1997-98, a real increase of 21.6%, reflecting the peak year expenditures on the Olympic and Homebush Bay projects and continuation of the major infrastructure renewal program for the State Rail Authority.**

Major Spending Initiatives

Police, Crime Prevention and Public Safety

- n **Police Integrity Commission established with budget of \$10.7 million to detect, investigate and prevent police corruption and other serious police misconduct.**
- n **\$2.9 million for improvements to court security.**
- n **\$3.8 million for road safety improvements, including breath testing devices.**
- n **\$1.9 million for a new Youth Justice Conferencing Scheme.**

Education

- n **\$55 million for a “Back to School Allowance” to assist mothers and children at the start of each school year.**
- n **An additional 250 teaching positions in schools. The Government has funded an additional 776 teaching positions since 1995.**
- n **Commence 15 new school education capital projects including 8 new schools.**
- n **Begin 8 major new capital developments at TAFE colleges across the State.**

Health

- n **An extra \$452 million for health services since the last Budget, including -**
 - n **Additional funding for growth areas of South Western and Western Sydney, Central Coast, North Coast, Hunter and Illawarra.**
 - n **\$7 million extra for mental health services.**
 - n **\$6.4 million for medical teaching and research.**
- n **\$471 million for capital works including major new hospital projects with an estimated total cost of \$258 million.**

Social and Community Services

- n **Home and Community Care program of \$254 million, including growth funding of \$8 million for new or expanded services.**
- n **\$4 million for improvements in substitute care services for children and young people in care.**
- n **\$6.4 million for joint projects involving Community Services, Health and Police to investigate serious cases of child abuse.**

Major Spending Initiatives (cont)

Transport

- n **\$348 million for rail infrastructure projects including -**
 - n **\$193 million for the New Southern Rail/ East Hills line.**
 - n **\$12.9 million for Flemington Junction for the Olympic and Showground site.**
 - n **\$8 million for the Richmond rail line.**
 - n **\$12 million for new suburban rail cars and \$18 million for access, security and upgrade of stations.**
- n **\$2,190 million for roads including -**
 - n **\$1,240 million for regional and rural roads.**
 - n **\$145 million a year for roads in the West and South West of Sydney.**
 - n **\$220 million (as part of a 10 year program) for the Pacific Highway.**
 - n **\$52 million for the M4/M5 Cashback Scheme.**
 - n **\$144 million for the M5 East project.**

Housing, Water and Sewerage and the Environment

- n **\$50 million for country sewerage projects.**
- n **\$30.6 million in 1997-98 for backlog sewerage projects in metropolitan fringe areas.**
- n **\$8.5 million for heritage conservation.**
- n **\$17.1 million to arrest environmental degradation in irrigation areas.**
- n **\$4.8 million for the Willandra Lakes World Heritage area.**
- n **\$0.6 million for the first stage of a \$4 million rehabilitation of wetlands on Kooragang Island.**

Recreation and Culture

- n **A record \$628 million in 1997-98 on Olympic and Paralympic facilities.**
- n **\$5.2 million for new parks and wilderness areas.**
- n **\$2.1 million to maintain additions to the National Parks and Wildlife Service estate.**

Major Spending Initiatives (cont)

- n **\$20 million for new national parks as part of a \$50 million 4 year program.**
- n **\$3 million to upgrade exhibits and public facilities at the Australian Museum.**

Agriculture, Forestry and Fishing

- n **\$32 million in 1997-98 for the Forestry Industry Structural Adjustment Package (a total of \$120 million over the period 1995-96 to 1999-2000).**
- n **\$47 million total package over three years for additional eucalypt hardwood plantations; \$21.4 million in 1997-98 to complete this program.**
- n **\$14.8 million for State's share of the Murray Darling Basin Agreement.**
- n **\$5 million for the Native Vegetation Management Fund (\$15 million to be provided over three years).**
- n **\$2.5 million to establish the Acid Soil Action Program (\$7 million over three years).**

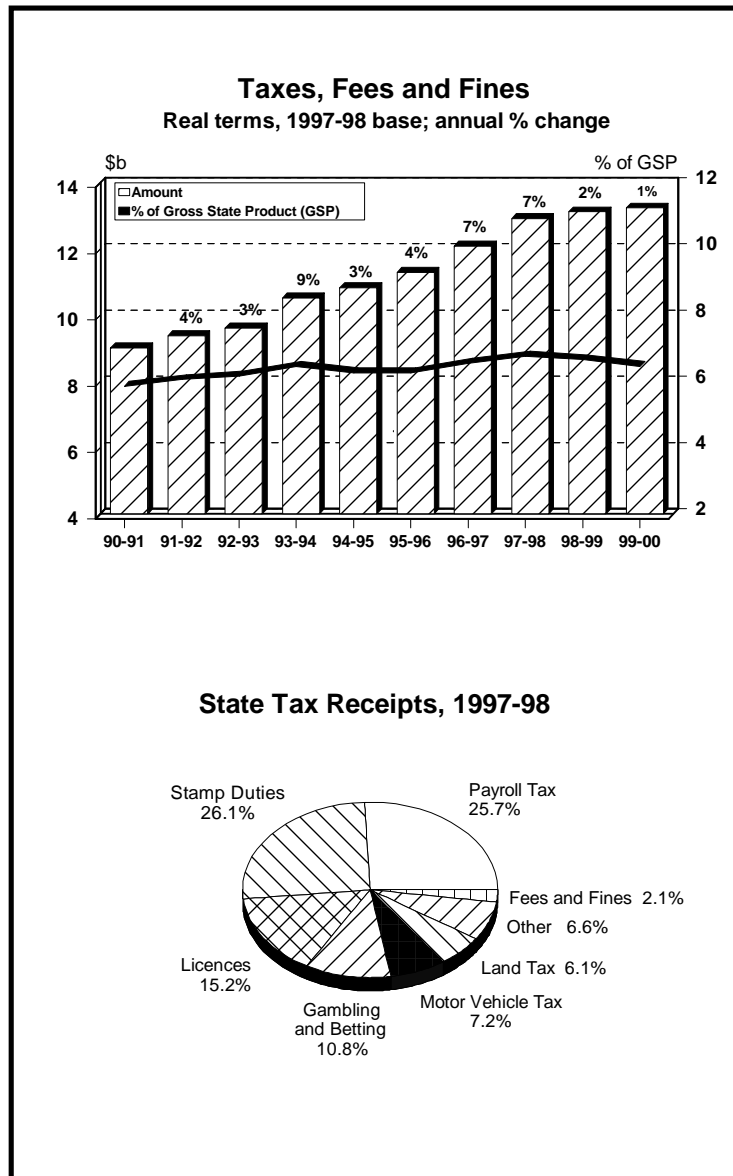
Mining, Energy and Construction

- n **\$52 million over 3 years (\$12 million in 1997-98) for the Sustainable Energy Development Authority for the development, promotion and use of sustainable energy technology.**
- n **Funding of \$2.9 million for various projects promoting research, development and reform in the electricity and gas industries.**

Savings Measures

- n **Total savings of \$146 million in a full year to be achieved by more efficient and effective service delivery and review of low priority activities.**

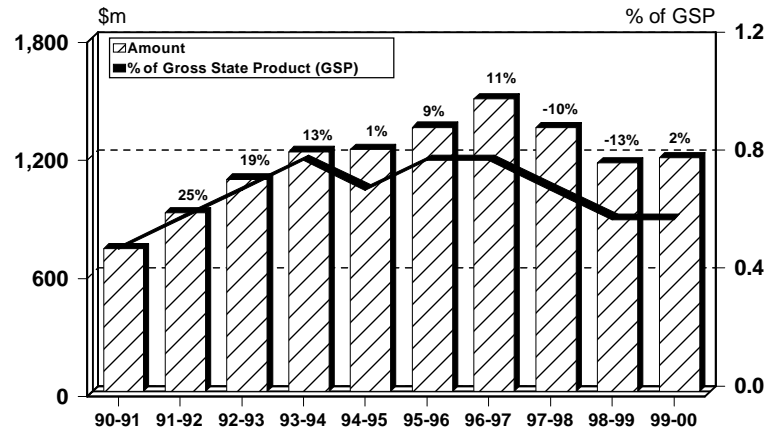
Budget Receipts



- n Budget receipts will increase by 5.7% in 1997-98, an increase in real terms of 4.1%. As a percentage of GSP, receipts are expected to decline from 12.7% in 1996-97 to 12% in 1999-2000.
- n Receipts from taxes, fees and fines are projected to increase by 9.2% (6.9% in real terms) partly as a result of tax initiatives in this Budget and partly because of strong on-going activity in the property market.
- n The range of tax measures to be introduced in 1997-98 includes -
 - n Introduction of an Electricity Distributors' Levy (yield of \$100 million).
 - n Land tax rate to increase from 1.65% to 1.85% and extended coverage to high valued owner-occupied properties (yield \$109 million).
 - n Introduction of a CBD accommodation duty (yield \$48 million).
 - n Increasing club gaming device duty (yield \$56 million).
 - n Increasing concessional rate of duty on general insurance (yield \$51 million).

Budget Receipts (cont)

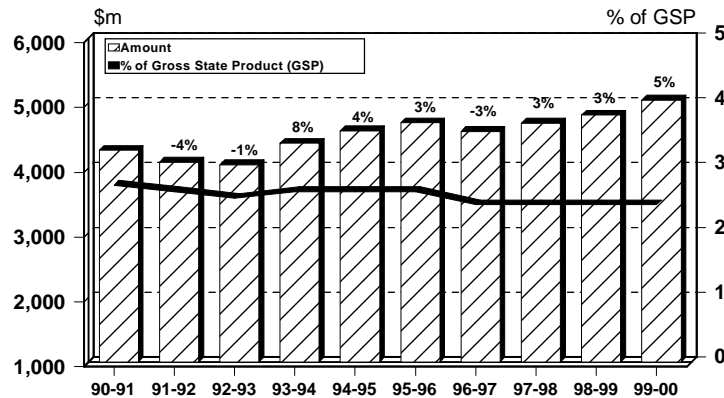
Income from Non Budget Sector Agencies
Real terms, 1997-98 base; annual % change



n Income from Non Budget Sector agencies will decrease by 9.8% in real terms (reflects one-off inclusions in 1996-97). The decline is expected to continue beyond 1997-98 as electricity prices continue to fall.

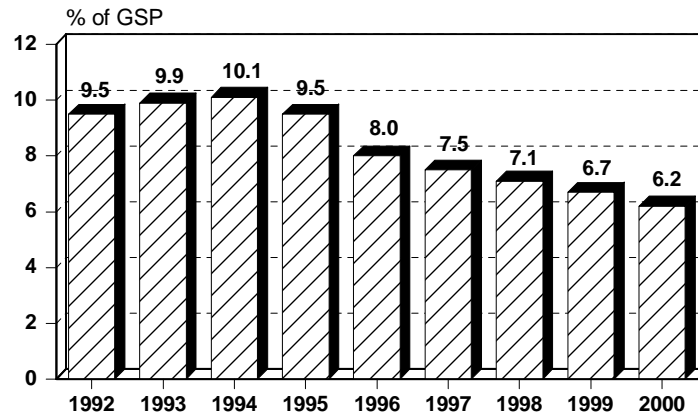
n States are required to make a Fiscal Contribution to reducing the Federal deficit over three years from 1996-97. Net of the Fiscal Contribution, Commonwealth general purpose grants are expected to increase in real terms over the next three years. These figures assume the Commonwealth will make payments to the State under the National Competition Policy Agreement, due to begin with \$73 million in 1997-98.

Commonwealth General Purpose Payments
Real terms, 1997-98 base; annual % change

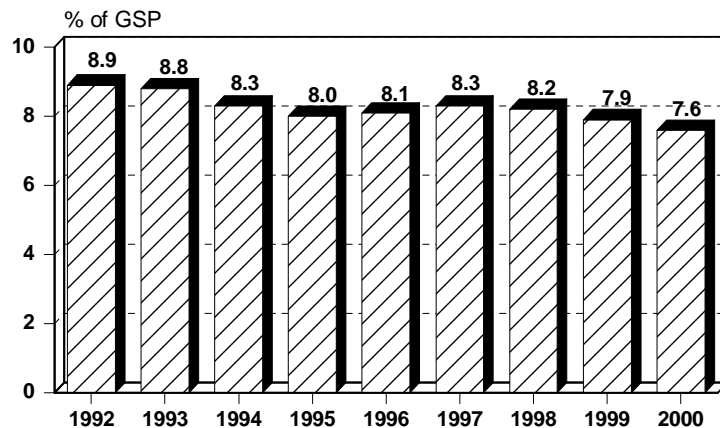


Debt and Other Liabilities

Budget Sector Net Debt
Per cent of Gross State Product

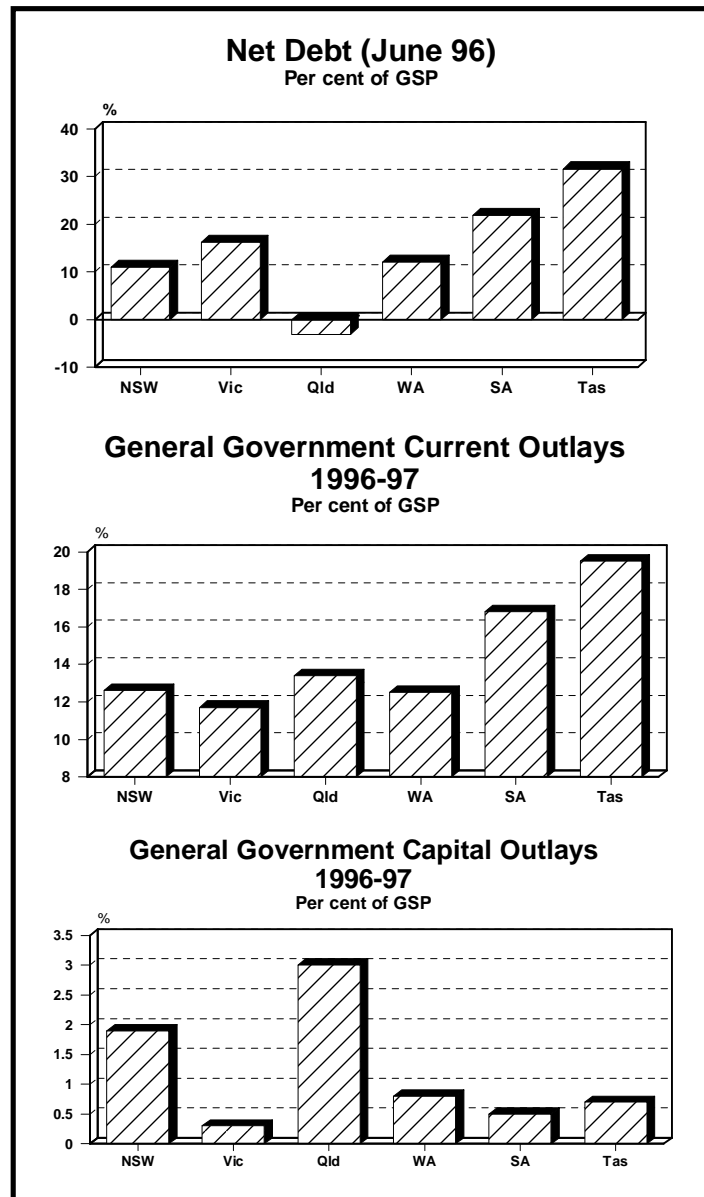


Budget Sector Unfunded Superannuation Liabilities
Per cent of Gross State Product



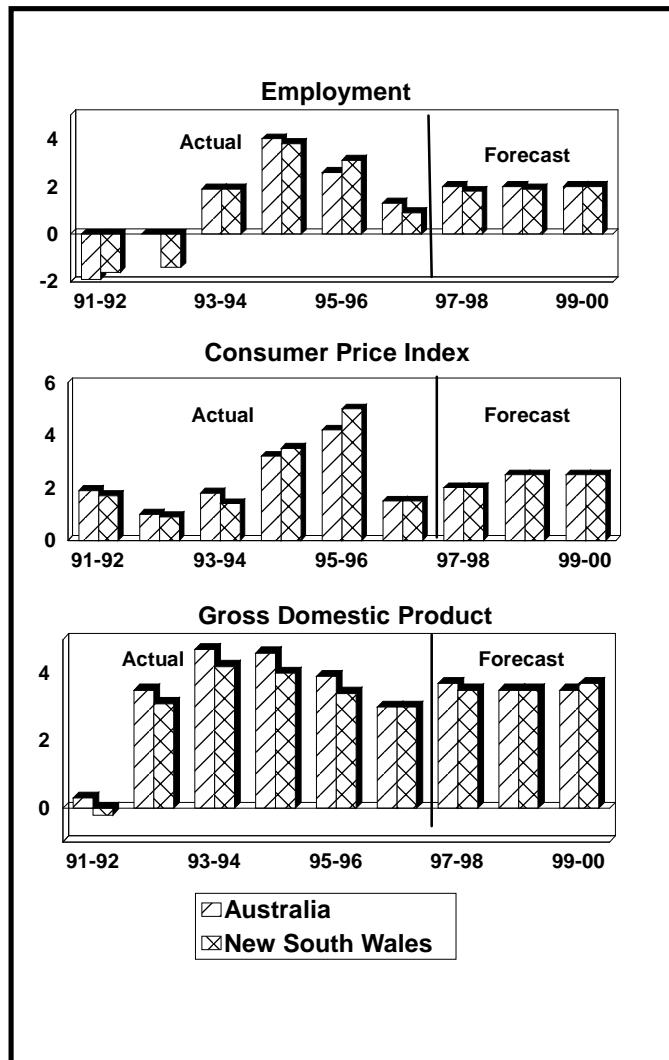
- n The General Government Debt Elimination Act, 1995, sets the Government's debt and liability management strategies.
- n Standard & Poor's and Moody's recently confirmed NSW's AAA rating for long term local currency debt. This reflects continuing prudent management of financial resources and the diversified economic base of NSW.
- n The long term target is to eliminate general government net debt by the year 2020 by achieving sustainable Budget surpluses.
- n Budget Sector net debt levels as a percentage of GSP are expected to decline from a high of 10.1% in 1994 to 6.2% in 2000.
- n Projections indicate that the annual accruing superannuation liability will be fully funded by 2020, while the unfunded liability will be eliminated by 2045.
- n Following corporatisation of State Rail and Pacific Power, the Budget has assumed superannuation liabilities for these authorities. Excluding these items, the underlying Budget Sector unfunded superannuation liabilities will continue to decline as a percentage of GSP.

Interstate Comparisons



- n **Standard & Poor's and Moody's credit ratings for NSW are the highest possible.**
- n **NSW has the second lowest level of net debt of all States. Total public sector debt in NSW has fallen by 10% in real terms in the last four years.**
- n **As NSW is required to cross-subsidise smaller States and Territories by \$1.3 billion a year, it is forced to rely more on its own source revenue than other jurisdictions.**
- n **The cross-subsidy also severely constrains NSW's ability to fund services and means the Government has to contain its outlays.**
- n **Current outlays represent 12.6% of GSP, below the national average.**
- n **Capital outlays, at 1.9% of GSP are higher than the national average, reflecting spending on infrastructure in the priority areas of transport, health and Olympic facilities.**

Economic Overview

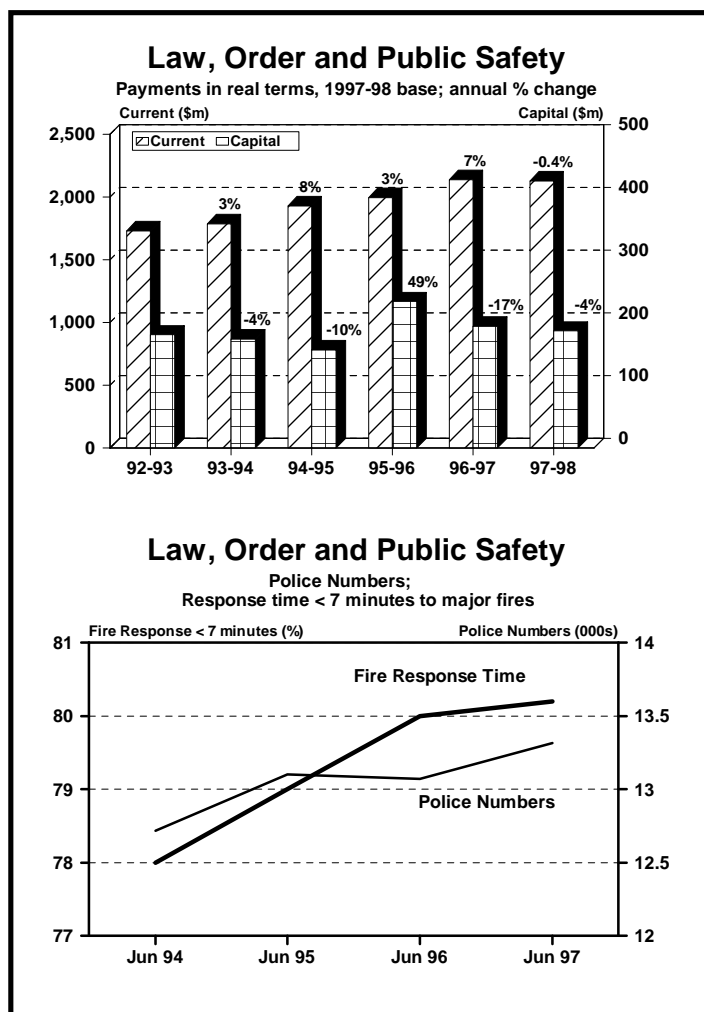


- n National economic growth slowed from almost 4% in 1995-96 to an estimated 3% in 1996-97 due to slower growth in private consumption and a much smaller contribution to GDP from net exports.
- n Economic growth in NSW is expected to be around 3% in 1996-97, similar to the national level.
- n Forecasts for 1997-98 are for some acceleration in growth attributable to an upswing in dwelling construction and stockbuilding. This more than offsets a fall in the net trade balance.
- n The medium term outlook for both Australia and NSW is for steady growth at about 3 ½% in 1998-99 and 1999-2000.
- n Employment in 1997-98 is forecast to grow by 1¾ % in NSW.
- n A modest acceleration in world growth is expected in 1997-98. A slightly stronger performance in Europe and Japan will offset slower growth in the USA.

Key Economic Assumptions

- n **Nationally, private consumption is expected to grow at about 2¾%, while growth of public expenditure is forecast to rise to 1½%.**
- n **Dwelling investment in NSW is forecast to rise by 10%.**
- n **Business investment growth is expected to be about 7% in NSW, representing a slight decline on 1996-97.**
- n **Both short and long term interest rates are forecast to rise by 0.5% in the course of 1997-98.**
- n **The headline rate of inflation is forecast to rise to 2% for 1997-98, with the underlying rate expected to remain steady at that rate.**
- n **Wages growth in 1997-98 is expected to be around 3¾% in NSW and nationally.**
- n **National employment growth is forecast to rise to 2% after a weak performance in 1996-97. Employment growth in NSW is expected to mirror the national trend.**
- n **Budget forecasts are sensitive to assumptions about the outlook for the economy -**
 - n **a significant wage blow-out across the economy could lead to a deterioration in the Budget outcome of up to \$250 million.**
 - n **however, significantly stronger economic growth than forecast could add over \$160 million to the Budget outcome.**
 - n **a 1 per cent increase in public sector wages would lead to a deterioration in the Budget outcome of around \$90 million. Public Sector wages growth will be restrained to 3% with productivity offsets required for wage increases above this level.**

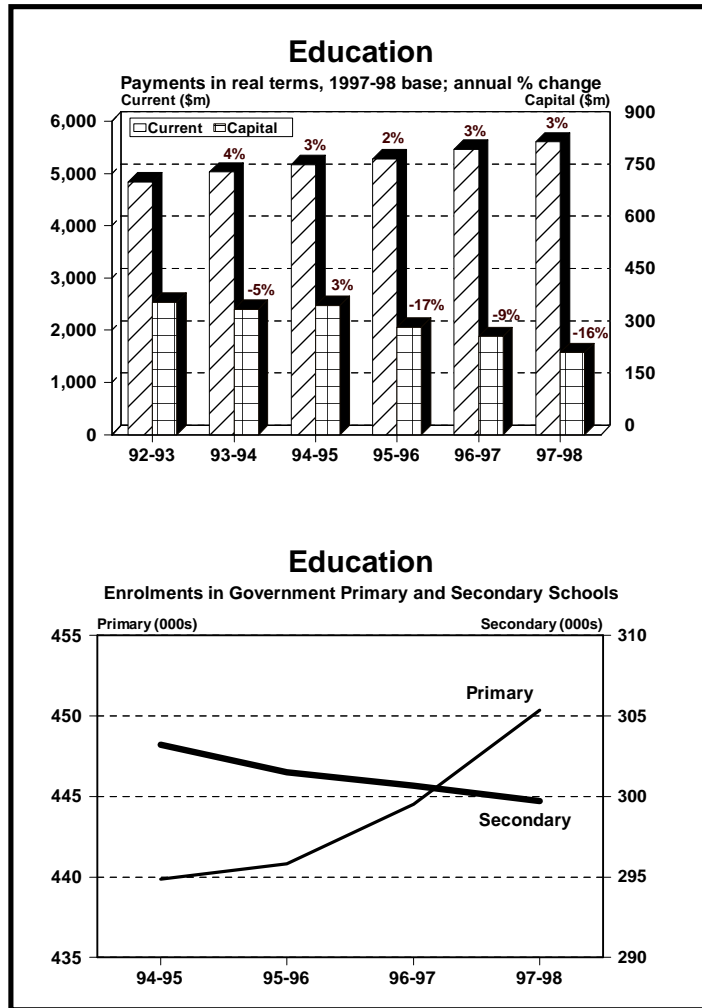
Police, Crime Prevention and Public Safety



“More police on operational duty and safer streets.”

- n Total current payments in this area will be \$2,127 million in 1997-98 - up \$36 million on last year. The capital allocation is \$186 million.
- n \$1,062 million for the NSW Police Service. Major structural reforms will put large numbers of police back into operational duties.
- n \$10.7 million for the Police Integrity Commission to prevent police corruption and misconduct.
- n \$4.5 million for the first 3,500 of 13,000 modern self-loading pistols.
- n \$3.8 million for road safety improvement.
- n Work to commence on redevelopment of the Long Bay Correctional Facility and the Mulawa Women's Correctional Facility.
- n \$263.5 million for the NSW Fire Brigades for fire fighting and prevention. 12 new fire stations in major urban growth areas.
- n Continued reduction in court backlogs through appointment of Acting Judges and other reforms.
- n \$2.9 million to improve court security.
- n \$1.9 million (\$6.1 million over three years) for a new Youth Justice Conferencing Scheme.

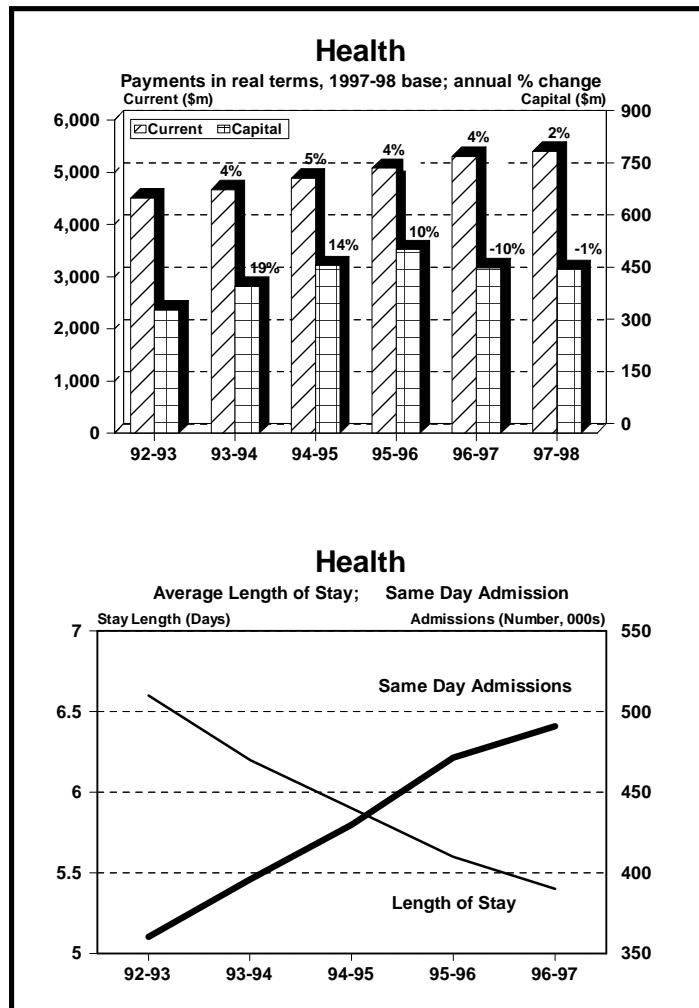
Education



“Good schools - secured with an extra \$399 million since 1995-96.”

- n Total current payments in this area will be \$5,605 million in 1997-98 - up \$259 million on last year. The capital allocation in this area will be \$236 million.
- n \$55 million for a “Back to School Allowance” to all mothers with school-age children to help meet the costs of equipping children for school each year.
- n An additional 250 teaching positions in schools for literacy, technology and small schools. An additional 776 teaching positions have been funded since 1995.
- n Commence 15 new school education building projects including 8 new schools. Work will continue on 45 other projects.
- n \$65 million for the schools technology program, bringing its cost over four years to \$185 million.
- n Begin 8 major capital projects at TAFE facilities.
- n \$977 million for recurrent expenditure at TAFE Colleges to meet training needs.
- n \$55 million over three years (\$5 million in 1997-98) for redevelopment of the Sydney Conservatorium of Music and the Conservatorium High School.

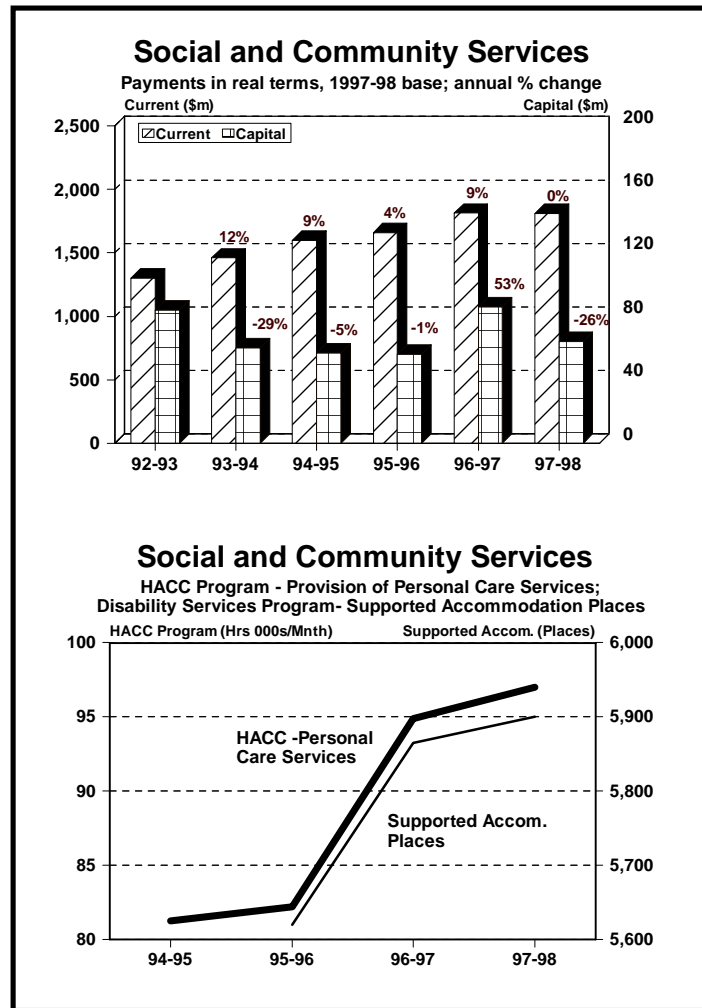
Health



“Good hospitals - secured with an extra \$914 million since 1995-96.”

- n **Total current payments in the health policy area will be \$5,401 million - up \$464 million on last year’s Budget. A further \$196 million is included in the Social and Community Services policy area giving a total for the Health portfolio of \$5,597 million.**
- n **All health services to benefit from the increased expenditure, but especially the population growth areas of South Western Sydney and outer Western Sydney, the Central Coast and the North Coast.**
- n **Mental health services are supported with an additional \$7 million.**
- n **Medical teaching and research activities are boosted with a further \$6.4 million.**
- n **The Government places a high priority on Community Health with total spending of \$380 million. Extra community health nurses will be engaged at a cost of \$1.5 million.**
- n **\$471 million will be spent on capital projects including Women and Children’s Health facilities at Nepean Hospital (\$59 million), substantial upgrading of Campbelltown Hospital and other works in the Macarthur area (\$79 million) and upgrading of a number of State Government Nursing Homes (\$75 million).**

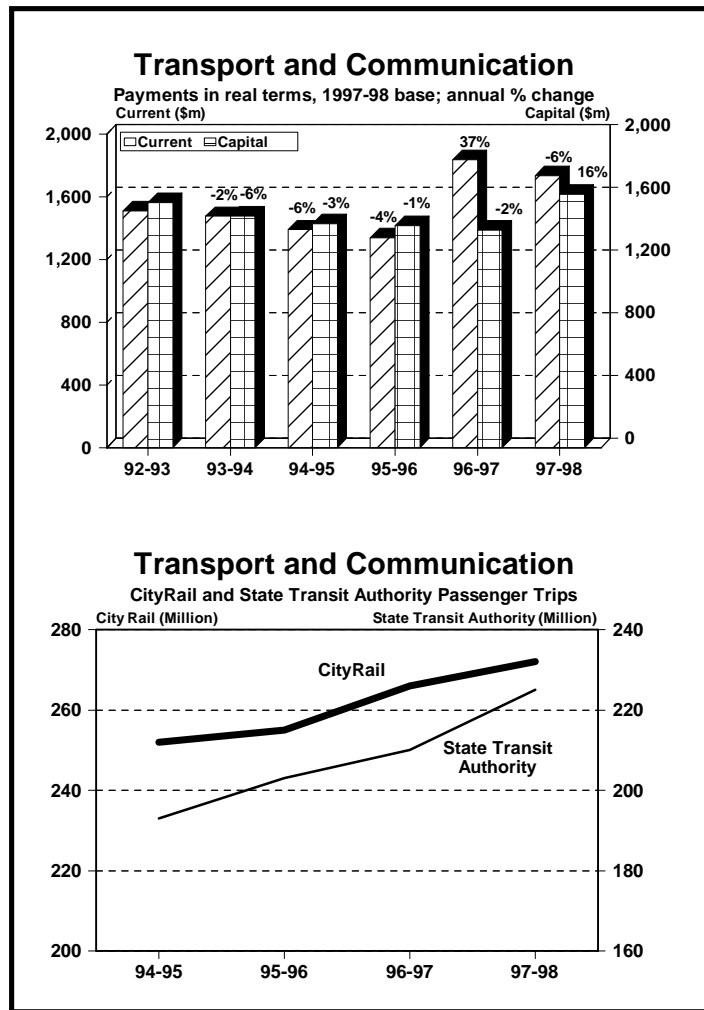
Social and Community Services



“Good care for the frail aged and people with disabilities.”

- n Total current payments of \$1,808 million in 1997-98 - \$34 million more than 1996-97. The capital allocation for this area will be \$64 million.
- n \$254 million for the Home and Community Care Program to assist frail aged and people with disabilities (includes growth funding of \$8.4 million for new and expanded services).
- n \$4 million to improve substitute care services for children and young people in care (\$20 million over three years).
- n \$6.4 million for the joint project involving Departments of Community Services, Health and the Police Service to investigate serious cases of child abuse.
- n \$65 million for other programs to protect children from abuse and neglect.
- n \$5 million to assist in the establishment of additional child care places including new places in rural NSW.
- n Enhanced rural child protection services with an additional \$300,000 per annum for additional casework specialists in western NSW.

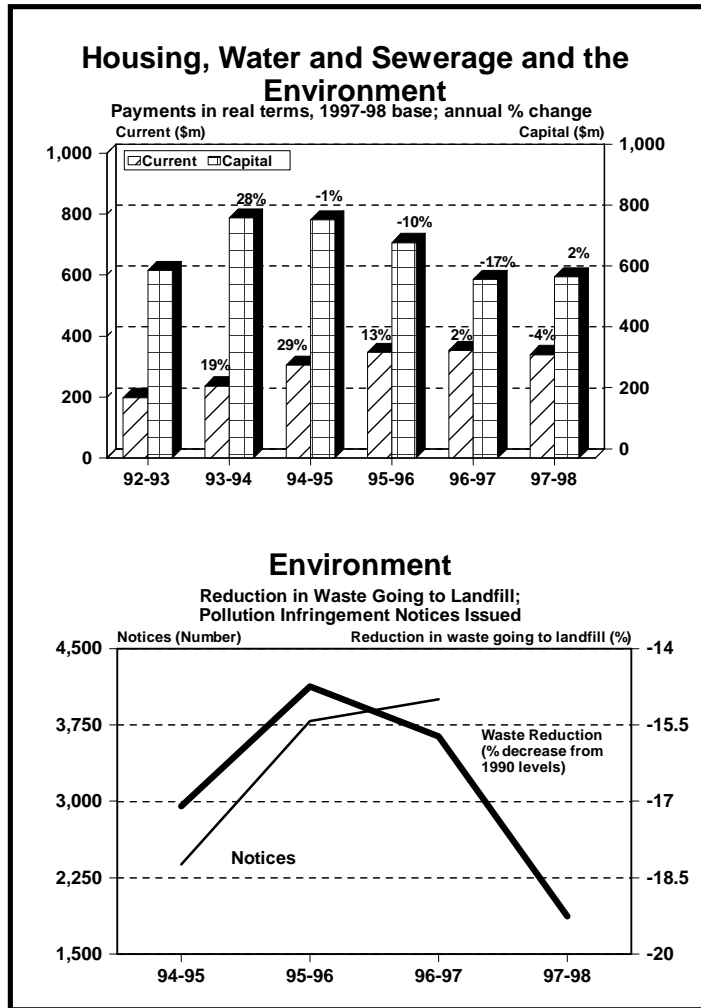
Transport and Communication



“Good public transport and good roads.”

- n **Total current payments of \$1,734 million in 1997-98. The capital allocation in this area will be \$1,616 million, an increase of \$257 million.**
- n **\$35 million more for public transport - a total increase of \$244 million since 1995-96.**
- n **\$348 million for rail projects including -**
 - n **\$193 million for the New Southern Rail/ East Hills line.**
 - n **\$12.9 million for Flemington Junction for the Olympic and Showground site.**
 - n **\$8 million for the Richmond rail line.**
 - n **\$12 million for new suburban rail cars and \$18 million for access, security and upgrade of stations.**
- n **\$1,240 million for regional and rural roads.**
- n **\$145 million a year for roads in the West and South West of Sydney.**
- n **\$220 million for the Pacific Highway.**
- n **\$52 million for the M4/M5 Cashback Scheme.**
- n **\$144 million for the M5 East project.**

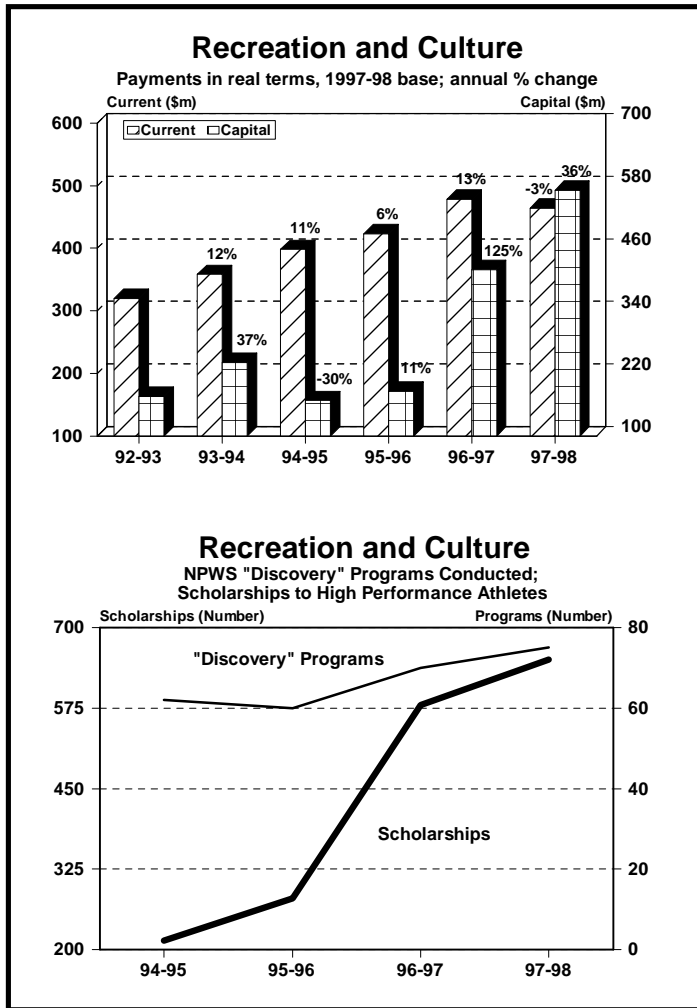
Housing, Water and Sewerage and the Environment



- n Total current payments in this area will be \$339 million in 1997-98. The capital allocation in this area will be \$596 million.
- n \$5 million on-going funding for the Total Catchment Management Program.
- n \$4.8 million for the Willandra Lakes World Heritage listing package.
- n \$17.1 million to arrest environmental degradation in irrigation areas.
- n \$30.6 million for backlog sewerage projects in metropolitan fringe areas.
- n \$16.3 million for Regional Waste Boards to reduce waste.
- n \$6 million for upgrading of the Perisher Waste Treatment Plant.
- n \$8.5 million for heritage conservation.
- n \$27.7 million on new Aboriginal housing and \$3 million to upgrade existing stock.
- n \$0.6 million for the first stage of the \$4 million rehabilitation of Kooragang Island wetlands.

“A good living environment.”

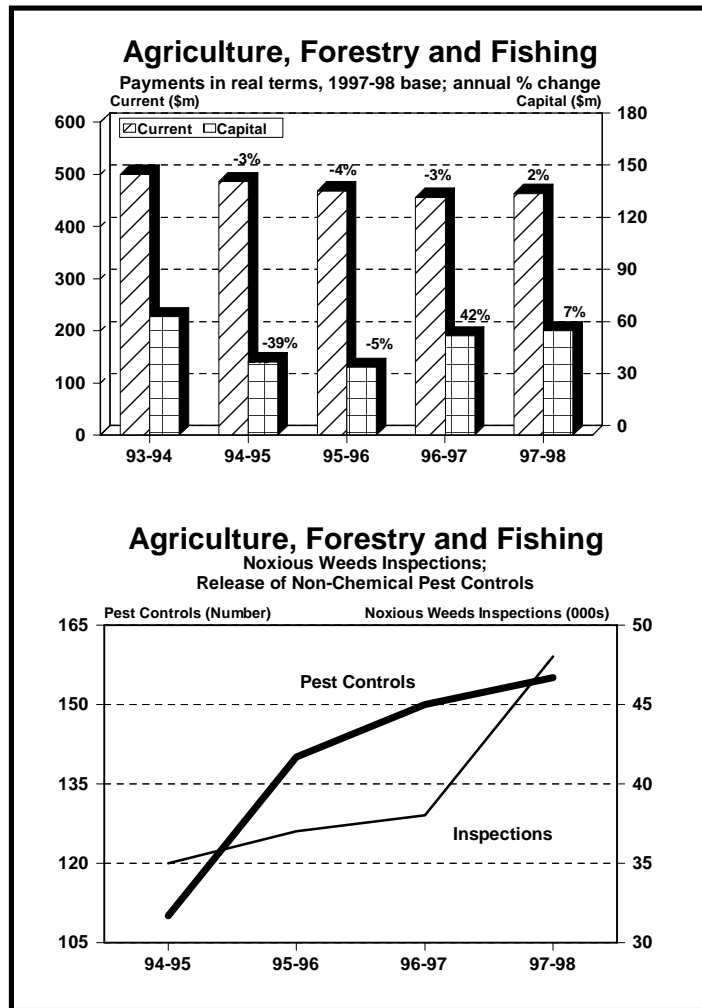
Recreation and Culture



“The best Olympics the world has seen - while providing better health services to NSW.”

- n **Total current payments in this area will be \$464 million in 1997-98. The capital allocation will be \$571 million.**
- n **A record \$628 million (includes payments from other policy areas) for Olympic and Paralympic projects including -**
 - n **\$179 million for completion of the Royal Agricultural Society Showground site at Homebush Bay.**
 - n **\$215 million on facilities and venues including \$35 million on the Olympic Stadium and \$53 million on remediation of the Athletes' Village site.**
 - n **\$23 million for completion of the rail link to service the Olympic and Showground sites.**
- n **Continuation of the \$50 million 4 year program for new national parks and wilderness areas; works will continue on two new urban parks in Western Sydney at a total cost of \$14 million.**
- n **\$3 million to commence upgrade of exhibitions and public facilities at the Australian Museum.**
- n **\$3 million for the NSW Institute of Sport and \$5.5 million for regional sports facilities.**

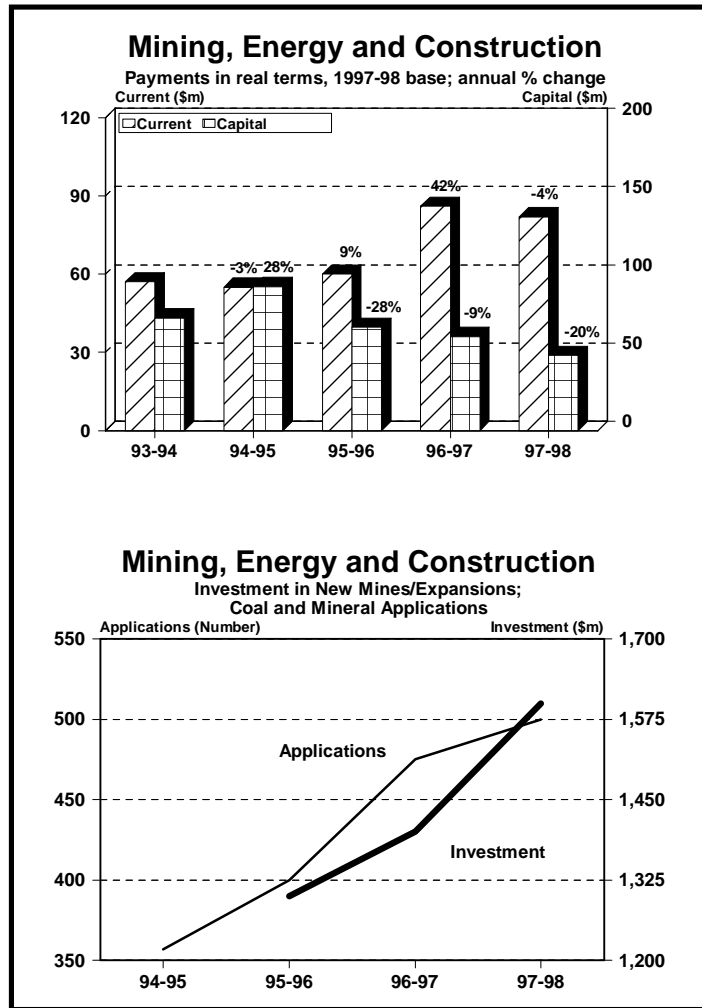
Agriculture, Forestry and Fishing



“A good future for farmers, foresters and fishermen.”

- n Total current payments in this area will be \$463 million in 1997-98 - an increase of \$18 million on last year. The capital allocation in this area will be \$60 million.
- n \$32 million in 1997-98 for the Forestry Industry Structural Adjustment Package (a total of \$120 million over the period 1995-96 to 1999-2000, funded dollar for dollar with the Commonwealth).
- n \$47 million total package over three years for additional eucalypt hardwood plantations; \$21.4 million in 1997-98 to finish the program.
- n \$14.8 million for the State's share of the Murray Darling Basin Agreement.
- n \$5 million for the Native Vegetation Management Fund (\$15 million to be provided over three years).
- n \$25.1 million for NSW Fisheries for conservation of the State's fisheries resources.
- n \$2.5 million to establish the Acid Soil Action Program (\$7 million over three years).
- n \$6 million to minimise problems associated with noxious weeds (a further \$6 million is provided by local government).

Mining, Energy and Construction



- n Total current payments in this area will be \$82 million in 1997-98. The capital allocation in this area will be \$48 million.
- n \$52 million over 3 years (\$12 million in 1997-98) for the Sustainable Energy Development Authority for the development, promotion and use of sustainable energy technology.
- n \$2.9 million for various projects promoting research, development and reform in the electricity and gas industries.
- n \$1 million for the Gretley Judicial Inquiry.
- n \$2.6 million for the Discovery 2000 project to continue mapping and collecting geophysical and geological data for the State.
- n \$1.6 million (over two years) to build extensions to the Department of Mineral Resources core sample library.
- n \$9.4 million to provide assistance for rural electricity distributors.

“A good balance between jobs and the environment.”