



New South Wales

TREASURY

**INTERSTATE COMPARISON OF
GOVERNMENT FINANCES
2001-02**

Office of Financial Management

Research &
Information Paper

PREFACE

This publication, the *Interstate Comparison of Government Finances*, has been produced to consolidate Uniform Presentation Framework data for the General Government Sector of all the States and Territories.

The States and Territories publish current year and forward estimates of Uniform Presentation Framework data in their Budget Papers. With the discontinuation of the *National Fiscal Outlook* publication, such information was no longer brought together. The Australian Bureau of Statistics consolidates and publishes Uniform Presentation Framework data for the current Budget year only.

There is a need for a publication that provides up to date Budget information for all the States and Territories on a consistent and comparable basis.

The purpose of the *Interstate Comparison of Government Finances* is to present a comparison of commonly used criteria for assessing financial performance in a single document, from which the reader can make his or her own conclusions. The publication does not, however, attempt to provide an overall indicator that ranks the performance of the States or suggests a set of financial performance criteria, which would be a separate exercise. In any case, an overall assessment of financial performance would need to benchmark New South Wales not just against the other States but against sub-national governments in the United States, Canada, Germany and the like that have service delivery functions.

While interstate comparisons are useful, there are other benchmarks that should not be overlooked. In particular, the fiscal strategies that are set by each jurisdiction are outside the scope of this paper. In addition, it is acknowledged that individual States face different circumstances.

The *Interstate Comparison of Government Finances* is based on data available in States' and Territories' 2001-02 budget papers. Although some jurisdictions have since released actual budget results for 2000-01, to preserve consistency these results have not been incorporated.

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CONTENTS

	Page
Executive Summary	1
Introduction	2
Structural Differences Between the States	2
Size of the States	2
Differences in Government	4
General Government Finances	5
Trends in Expenses	5
Trends in Revenue	7
Measures of the Budget Result	13
Net Lending	13
Net Operating Balance	15
Cash Surplus/Deficit	17
Balance Sheet Measures	19
Net Debt	19
Net Interest Paid	21
Superannuation Liabilities	22
Net Financial Liabilities	24
Net Worth	25
Credit Ratings	26
Appendix	28
Glossary	29

EXECUTIVE SUMMARY

This paper consolidates and compares the General Government Sector finances of the States and Territories for the six-year period from 1999-00 to 2004-05, with particular attention to comparisons between New South Wales (NSW) and other States.

NSW is the largest State when measured by economic output and population, with 36% and 34% of the respective national totals in 1999-00. Gross State Product (GSP) per capita, at \$35,072 in NSW, was above the national average but was exceeded by Western Australia and the two Territories.

NSW General Government expenses, tax revenue and total revenue are expected to grow on average at rates below the average of the other States over the period 1999-00 to 2004-05.

Three measures of the budget result are presented – net lending, net operating balance and the cash surplus. On all measures NSW was above the average of the other States in 1999-00. This position is expected to be maintained in the five years to 2004-05, with the exception of the cash surplus.

Net debt and net financial liabilities have been reduced substantially in NSW since the mid-1990s. In 1999-00 they remained above the average of other States when measured as a percentage of GSP. Estimates to 2004-05 show further falls, with NSW narrowing the gap relative to other States.

Unfunded superannuation liabilities in NSW were well below all other States (relative to GSP) in 1999-00 and are estimated to remain so.

Total net worth of the NSW General Government sector was 39% of GSP in 1999-00, slightly below the average of other States. The net worth of both NSW and the average of other States are estimated to rise in dollar terms but edge down as a percentage of GSP over the period to 2004-05.

The generally strong financial position of the Australian States is reflected in the credit ratings assigned by Moody's Investors Service and Standard & Poor's. NSW, Victoria, Queensland, Western Australia and the ACT hold the highest domestic ratings from both agencies.

INTRODUCTION

This paper consolidates and compares the financial aggregates of the General Government Sector that are published by the States and Territories¹ in line with accrual accounting-based Government Finance Statistics (GFS) reporting and the Uniform Presentation Framework (UPF) format.

The comparisons in the paper cover the six-year period from 1999-00 to 2004-05. The figures for 1999-00 are final budget outcomes, while those for 2000-01 are the estimated outcomes from the States' 2001-02 Budgets. Similarly, the estimates for the year 2001-02 and the forward estimates for the years 2002-03 to 2004-05 are from the States' 2001-02 Budgets.

The budget indicators of all States are compared for the years 1999-00 to 2004-05. However, Tasmania and the Northern Territory are excluded from some comparisons, as they do not currently provide full estimates on an accrual GFS UPF basis. All State Governments have agreed to implement the accrual GFS UPF format by the 2002-03 Budget year.

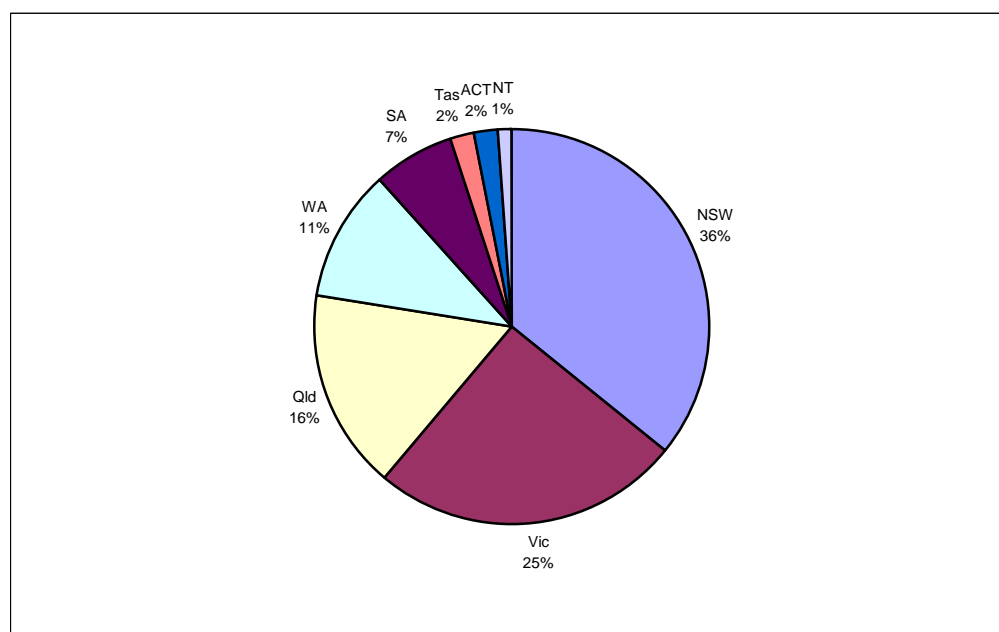
STRUCTURAL DIFFERENCES AMONG THE STATES

SIZE OF THE STATES

NSW comprises a larger part of the Australian economy than any other State. In 1999-00 NSW produced over one third of Australia's total economic output, as measured by Gross State Product (GSP). The economic output of Victoria in that year was the second largest of all the States, while that of the Northern Territory was the smallest.

¹ Hereafter known collectively as 'the States'.

Chart 1: Breakdown of Economic Output by State and Territory 1999-00 (% GSP)



Source: Australian Bureau of Statistics (ABS) 5220.0, National Accounts: State Accounts, November 2000.

Table 1 indicates that in 1999-00 NSW had the largest population of the States, with about one-third of Australia's population living in NSW. Victoria had the second largest population, while the Northern Territory had the smallest.

Table 1: Population by State & Territory 1999-00

State/Territory	Population	Population Share (%)
NSW	6,436,681	33.8
Vic	4,736,885	24.9
Qld	3,534,016	18.6
WA	1,870,412	9.8
SA	1,495,164	7.8
Tas	470,412	2.5
ACT	310,311	1.6
NT	194,110	1.0
All States' Total	19,047,991	100.0

Source: ABS 3101.0, Australian Demographic Statistics: June Quarter 2000, December 2000.

Table 2 reveals that NSW had the fourth largest GSP per capita in 1999-00. The Australian Capital Territory (ACT) had the highest GSP per capita, while Tasmania had the lowest.

Table 2: GSP Per Capita by State 1999-00

<i>State/Territory</i>	<i>GSP Per Capita (\$)</i>
NSW	35,072
Vic	33,882
Qld	29,076
WA	36,972
SA	28,279
Tas	24,623
ACT	41,159
NT	36,201
All States' Average	33,158

Source: ABS 5220.0, November 2000; ABS 3101.0, December 2000.

DIFFERENCES IN GOVERNMENT

Snapshot of the General Government Sector

Key activities of the General Government Sector include education, health, transport, and police. In 1999-00 the expenses and revenue of the NSW General Government Sector, expressed as a proportion of GSP, were 13.2% and 14.1% respectively, compared with 18.3% and 18.4% for the average of other States. Similarly, NSW General Government employment, expressed per 1,000 of population, was at 48.5 lower than the other States' average.

The indicators in Table 3, on the following page, show a wide variation in the relative size of the General Government Sector among the States, with the General Government Sector in South Australia, Tasmania and the Northern Territory, in particular, being relatively larger than in the other States. This variation reflects a range of factors such as different costs of service delivery and different relative sizes of the private sector, as well as the policy choices of State governments.

Table 3: Key Indicators 1999-00

<i>State/Territory</i>	<i>Total Expenses % GSP</i>	<i>Total Expenses \$ per capita</i>	<i>Total Revenue % GSP</i>	<i>Total Revenue \$ per capita</i>	<i>Total General Government Employment Per 1,000 population</i>
NSW	13.2	4,639	14.1	4,956	48.5
Vic	12.7	4,290	13.7	4,650	46.0
Qld	16.3	4,754	17.4	5,054	56.7
WA	14.1	5,198	14.0	5,182	56.8
SA	18.9	5,333	18.1	5,112	56.4
Tas	21.3	5,236	22.6	5,570	64.8
ACT	14.4	5,923	15.0	6,187	52.5
NT	30.6	11,066	27.7	10,010	84.5
Other States' Average	18.3	5,971	18.4	5,966	59.7

Note: 'Other States' Average' is unweighted and excludes NSW. Employment data as at May 2000.

GENERAL GOVERNMENT FINANCES

TRENDS IN EXPENSES

Expenses Growth

Trends in the growth of expenses provide an insight into governments' abilities to maintain their fiscal positions. Table 4, on the following page, contains details about the actual growth of expenses in 1999-00, the estimated outcome for 2000-01, and estimates for 2001-02 and the years from 2002-03 to 2004-05.

In 1999-00 the growth of expenses in NSW was, at 2.8%, at the lower end of the States' range and below the other States' average of 4.8%.

The multi-year annual average percentage changes in Table 4 are more meaningful than the year-on-year changes because the year-on-year figures are often distorted by abnormal items². Annual average growth over a five-year period smooths the effect of these one off influences and allows a clearer picture of long term growth in expenses.

The annual average growth of expenses in NSW over the six-year period from 1999-00 to 2004-05 is expected to be 3.3%, which as in 1999-00 will be at the lower end of the range and slightly below the other States' average.

² Abnormal items are transactions that occur within the operations of general government but are abnormal due to their size or nature.

Table 4: Growth of Expenses

<i>State/Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>Annual Average 2002-03 to 2004-05</i>	<i>Annual Average 1999-00 to 2004-05</i>
	(%)	(%)	(%)	(%)	(%)
NSW	2.8	8.3	0.0	2.9	3.3
Vic	7.0	10.1	3.1	2.1	4.4
Qld	2.8	13.5	0.9	3.1	4.4
WA	6.6	5.7	3.8	2.0	3.7
SA	3.6	1.6	1.0	0.8	1.5
Tas	3.6	-1.8	N/A	N/A	N/A
ACT	4.2	6.5	5.4	1.8	3.6
NT	0.7	2.0	N/A	N/A	N/A
Other States' Average	4.8	7.5	2.8	2.0	3.5

Note: 'Other States' Average' is unweighted and excludes NSW. Due to unavailability of data beyond 2001-02, it also excludes Tasmania and the Northern Territory for all years to achieve consistency across years. Sources: ABS 5512.0, GFS 1999-00; Western Australia 1999-00 Government Financial Report; State & Territory Budgets 2001-02.

Table 5. Per Capita Real Growth of Expenses.

<i>State/Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>Annual Average 2002-03 to 2004-05</i>	<i>Annual Average 1999-00 to 2004-05</i>
	(%)	(%)	(%)	(%)	(%)
NSW	-0.6	3.8	-3.3	-0.5	-0.3
Vic	3.3	5.3	-0.4	-1.3	0.7
Qld	-1.2	8.1	-3.3	-1.1	0.1
WA	2.7	0.9	-0.2	-1.9	-0.4
SA	0.9	-1.9	-1.8	-2.0	-1.5
Tas	1.4	-4.8	N/A	N/A	N/A
ACT	1.1	2.4	2.1	-1.5	0.2
NT	-3.1	-2.5	N/A	N/A	N/A
Other States' Average	1.4	3.0	-0.7	-1.6	-0.2

Note: 'Other States' Average' as for Table 4.
Sources: As for Table 4.

The per capita real growth of the States' expenses from 1999-00 to 2004-05 in Table 5, on the previous page, is lower than the nominal growth of their expenses.

In 1999-00 Victoria had the highest per capita real growth of expenses, while the Northern Territory had the lowest. NSW was among the three States that recorded declines.

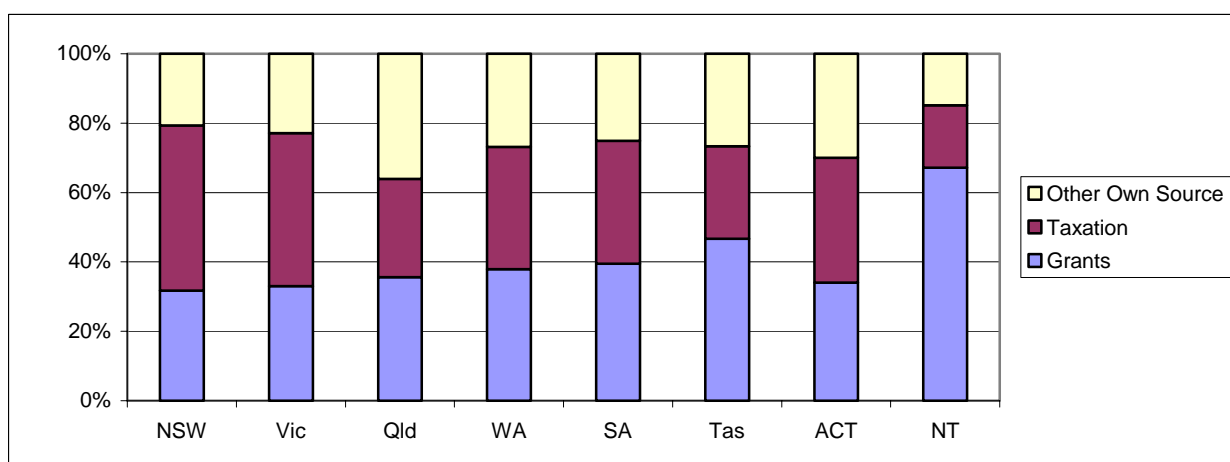
The annual average per capita real growth of expenses from 1999-00 to 2004-05 in NSW is expected to be -0.3%, with the other States ranging from 0.7% (Victoria) to -1.5% (South Australia), and averaging -0.2%.

TRENDS IN REVENUE

Sources of Revenue

The main sources of State revenue are taxes, grants from the Commonwealth, and other own-source revenue such as sales of goods and services, interest income, dividends and tax equivalent payments from public corporations, and royalty income.

Chart 2: Sources of Revenue 1999-00



Source: ABS 5512.0.

NSW and Victoria have broadly similar revenue structures, with low grant shares and high tax-revenue shares relative to the other States. These structural differences mainly reflect the different strengths of tax bases among the States and the method for distributing Commonwealth grants.

The distribution of Commonwealth grants among the States is based on recommendations made by the Commonwealth Grants Commission to the Commonwealth Treasurer. The Commission's recommendations are founded on the principle of 'horizontal fiscal equalisation' (HFE). The Commission applies the HFE principle in such a way that NSW, Victoria and Western Australia provide subsidies not only to financially weaker States such as South Australia, Tasmania, and the Northern Territory but also to the economically stronger States of Queensland and the ACT.

In 2001-02 NSW' share of general purpose funding from the Commonwealth will be approximately \$977m less than it would have been if this funding was distributed according to States' shares of the national population. Victoria will receive \$960m less than its population share, and Western Australia will receive \$229m less than its population share. All other States will receive more than their population shares.

The Governments of NSW, Victoria and Western Australia commissioned a major review of HFE in November 2001, with a view to identifying alternatives that provide a fairer and more efficient system of equalisation for all States. The Review Committee is due to report by the end of May 2002.

Total Revenue Growth

Total revenue includes taxation, other own-source revenue and Commonwealth grants. Table 6 provides details of total revenue growth for 1999-00 and estimates to 2004-05.

Table 6: Growth of Revenue

<i>State/Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>Annual Average 2002-03 to 2004-05</i>	<i>Annual Average 1999-00 to 2004-05</i>
	(%)	(%)	(%)	(%)	(%)
NSW	5.7	4.4	0.6	3.0	3.3
Vic	-2.1	6.1	0.4	2.1	1.8
Qld	8.3	2.2	5.5	3.2	4.3
WA	7.6	8.7	1.7	2.6	4.3
SA	3.2	3.1	3.3	1.3	2.3
Tas	8.9	-8.6	N/A	N/A	N/A
ACT	17.6	3.4	3.0	1.6	4.8
NT	2.3	3.1	N/A	N/A	N/A
Other States' Average	6.9	4.7	2.8	2.2	3.5

Note: 'Other States' Average' as for Table 4.

Sources: As for Table 4.

In 1999-00 the growth of revenue in NSW was 5.7%, compared with an average of 6.9% for the other States. The highest growth occurred in the ACT, while Victoria was the only State in which revenue declined.

The annual average growth of revenue in NSW from 1999-00 to 2004-05 is expected to be 3.3%, with other States ranging from 1.8% (Victoria) to 4.8% (the ACT), and averaging 3.5%. Grants will become increasingly significant as a revenue source for all the States over this period and this reflects the abolition of some State taxes in return for goods and services tax (GST) revenue grants provided by the Commonwealth.

Table 7. Per Capita Real Growth of Revenue.

<i>State/Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>Annual Average 2002-03 to 2004-05</i>	<i>Annual Average 1999-00 to 2004-05</i>
	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
NSW	2.1	0.1	-2.7	-0.4	-0.3
Vic	-5.4	1.5	-3.1	-1.3	-1.8
Qld	4.2	-2.7	1.2	-1.0	-0.1
WA	3.6	3.7	-2.1	-1.3	0.2
SA	0.4	-0.5	0.4	-1.5	-0.7
Tas	6.6	-11.5	N/A	N/A	N/A
ACT	14.2	-0.5	-0.2	-1.8	1.4
NT	-1.6	-1.4	N/A	N/A	N/A
Other States' Average	3.4	0.3	-0.7	-1.4	-0.2

Note: 'Other States' Average' as for Table 4.

Sources: As for Table 4.

As for the nominal growth of revenue, the ACT had the highest per capita real growth of revenue in 1999-00 while Victoria had the lowest. The per capita real growth of revenue in NSW was 2.1%, which was at the lower end of the States' range and below the average of 3.4%.

The annual average real per capita growth of revenue from 1999-00 to 2004-05 in NSW is expected to be -0.3%, a slightly larger fall than the average contraction of 0.2% for other States. Western Australia and the ACT are the only jurisdictions that are expected to experience positive growth in real per capita revenue over this period.

Tax Revenue Growth

Table 8 provides details of the tax revenue growth outcomes for 1999-00 and estimates to 2004-05.

Table 8. Growth of Tax Revenue.

<i>State/Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>Annual Average 2002-03 to 2004-05</i>	<i>Annual Average 1999-00 to 2004-05</i>
	(%)	(%)	(%)	(%)	(%)
NSW	7.6	-14.5	-7.0	3.7	-0.5
Vic	5.6	-12.8	-6.7	3.2	-0.7
Qld	6.8	-16.4	4.9	5.0	1.7
WA	4.6	-16.4	-3.0	6.9	1.0
SA	11.2	-19.8	-8.6	4.0	-0.9
Tas	5.4	-26.4	N/A	N/A	N/A
ACT	10.2	-15.4	-9.8	3.0	-1.0
NT	2.9	-35.2	N/A	N/A	N/A
Other States' Average	7.7	-16.2	-4.6	4.4	0.0

Note: 'Other States' Average' as for Table 4.
Sources: As for Table 4.

The growth of tax revenue in NSW in 1999-00 was below the other States' average at 7.6%. The other States ranged from 2.9% (the Northern Territory) to 11.2% (South Australia), and averaged 7.7%.

The tax revenues of all States contracted in 2000-01. This was due to the States abolishing or reducing some of their taxes on 1 July 2000, as part of the implementation of the national tax reform package.

The annual average change in tax revenue in NSW from 1999-00 to 2004-05 is expected to be -0.5%, compared with no change on average for the other States. This partly reflects tax reductions implemented in NSW since 1999-00 (additional to national tax reform changes) with a full-year cost of over \$800 million.

The only States that expect the annual average growth of tax revenue to be positive over this period are Queensland and Western Australia. For Queensland, this reflects the fact that it was the only State that did not levy Financial Institutions Duty (FID) prior to 1 July 2000, when FID was abolished as part of the national tax reform package.

Table 9. Per Capita Real Growth of Tax Revenue.

<i>State/Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>Annual Average 2002-03 to 2004-05</i>	<i>Annual Average 1999-00 to 2004-05</i>
	(%)	(%)	(%)	(%)	(%)
NSW	3.9	-18.0	-10.0	0.3	-3.9
Vic	2.0	-16.6	-9.9	-0.2	-4.2
Qld	2.7	-20.4	0.6	0.6	-2.5
WA	0.8	-20.2	-6.7	2.9	-2.9
SA	8.2	-22.6	-11.2	1.1	-3.7
Tas	3.2	-28.6	N/A	N/A	N/A
ACT	7.0	-18.6	-12.6	-0.4	-4.2
NT	-0.9	-38.1	N/A	N/A	N/A
Other States' Average	4.1	-19.7	-7.9	0.8	-3.5

Note: 'Other States' Average' as for Table 4.

Sources: As for Table 4.

The per capita real growth of the States' tax revenue from 1999-00 to 2004-05 is also lower than the nominal growth of their tax revenue.

In 1999-00 South Australia had the highest per capita real growth of tax revenue, while the Northern Territory was the only jurisdiction that recorded a decline. The growth in NSW was, at 3.9%, slightly below the 4.1% average of other States.

The annual average per capita real growth of tax revenue from 1999-00 to 2004-05 in NSW is expected to be -3.9%, a larger fall than the other States' average. The growth of all the States over this period is expected to be negative, ranging from -2.5% (Queensland) to -4.2% (Victoria and the ACT), and averaging -3.5%.

Revenue and Tax Effort Indices

The ability of each State to raise total revenue and taxation revenue varies because of their different economic characteristics and circumstances. The Commonwealth Grants Commission produces indices of the relative total revenue raising effort and tax raising efforts of the States.

The revenue raising effort index consists of the total own-source taxation of the States plus their interest earnings, mining revenue, and contributions by Public Trading Enterprises. The index compares the actual level of revenue raised with the level of revenue that the Commission estimates each State could raise if it made the average effort to raise revenue.

Table 10: Revenue Raising Effort Index

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>National Average</i>
Annual Average (1995-96 to 1998-99)	99.90	107.02	95.50	86.75	112.33	93.60	92.98	98.03	100
1999-00	92.77	108.65	108.80	83.21	119.49	87.41	94.15	83.24	100

Source: CGC 2001 Update.

An index level above 100 indicates that a State is raising more revenue than the Commission believes it would if it had the average tax rates and earnings from other sources. Such a State is assessed as making an above average effort to collect revenue. Conversely, an index level below 100 indicates that a State is making a below average revenue effort.

Table 10 indicates that the revenue raising effort index for NSW in 1999-00 was lower than the average for the previous four years. This is due to per capita revenue in NSW in 1999-00 being just 14.6% above the average of the previous four years, compared with national revenue growth of 22.8% over the same period. Moreover, the NSW revenue effort index in 1999-00 was below 100 – i.e. NSW imposed a revenue burden on the State’s community that was below the national average. One of the main causes of NSW’ slower revenue growth was the fall in contributions by the Public Trading Enterprise sector, as a result of factors including the introduction of competition to the electricity-generating sector. The introduction of such competition reduced the wholesale price of electricity and thus the dividend to the NSW Government from that sector.

The tax raising effort index is narrower than the revenue raising effort index because it is based solely on the total own-source taxation of the States, which includes taxes, stamp duties, and registration and licensing fees. Similar to the revenue raising effort index, the tax raising effort index compares the actual level of tax revenue raised with the level of tax revenue that the Commission estimates each State could raise if it applied the average tax rates.

Table 11: Tax Raising Effort Index

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<i>National Average</i>
Annual Average (1995-96 to 1998-99)	104.36	105.54	88.70	88.51	101.20	99.94	101.21	95.56	100
1999-00	104.09	103.49	88.51	85.53	115.51	92.51	109.04	100.91	100

Source: CGC 2001 Update.

An index level above 100 indicates that a State is raising more tax revenue than the Commission believes it would if it had the average tax rates. This could be due to higher tax rates or greater compliance effort, or a combination of the two. Conversely, an index level below 100 indicates that a State is making a below average effort to collect taxes.

Table 11 indicates that the tax effort index value for NSW in 1999-00 of 104.36 was roughly unchanged compared to the average of the previous four years. This reflects NSW' per capita taxation increasing broadly in line with the national average over the period. NSW' per capita tax collections in 1999-00 were 14.8% above the average of the previous four years, compared with national growth of 14.6%. However, as noted earlier, since 1999-00 NSW has introduced tax reductions that are larger than those of other States.

MEASURES OF THE BUDGET RESULT

NET LENDING (FISCAL BALANCE)

The net lending result, which is also known as the fiscal balance, is the difference between the savings and investments of a government on a national accounts basis and thus represents the government's call on financial markets. A positive net lending result will generally correspond to a net reduction in government net financial liabilities, while a negative net lending result (ie. net borrowing) will generally correspond to a rise in net financial liabilities (excluding valuation effects). Net lending is equal to the net operating balance less a government's total net acquisition of non-financial assets. The indicator takes account of capital expenditure but excludes depreciation.

In 1999-00 NSW' net lending result of 0.6%, as a proportion of GSP, was at the higher end of the States' range and compares with an average balance for the other States. Tasmania had the highest net lending result, while the Northern Territory had the lowest. The Northern Territory, Queensland, Western Australia, and South Australia all had a net borrowing result.

Most States, including NSW, expected a decline in net lending in 2000-01. States reporting estimates beyond 2000-01 expected small negative net lending results, with the exception of NSW.

The annual average net lending result of the States from 1999-00 to 2004-05 is expected to range from 0.2% of GSP (NSW) to -0.5% (South Australia), and average -0.2% for the States other than NSW.

Chart 3: Net Lending 1999-00 to 2004-05 (% GSP)

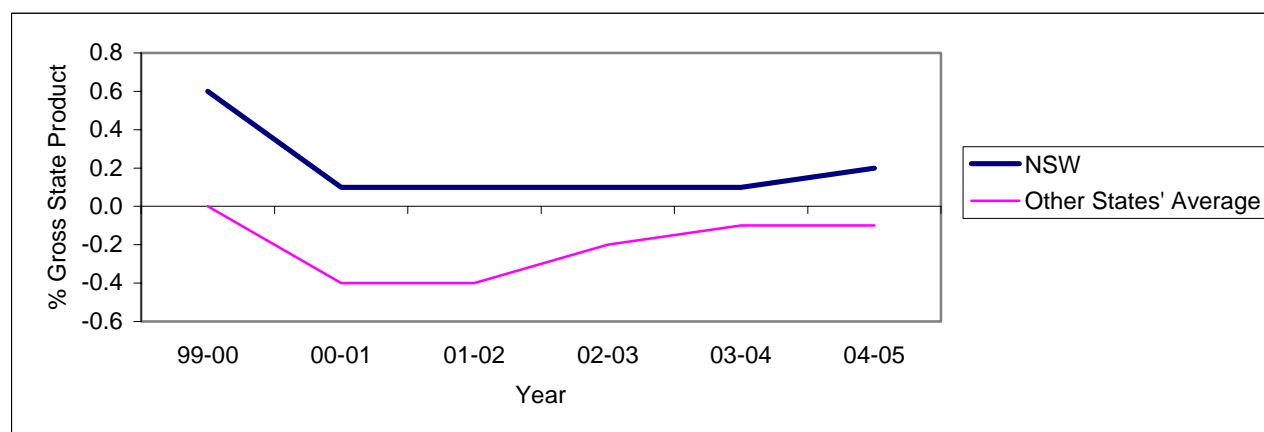


Table 12: Net Lending

State/Territory	1999-00 Outcome	2000-01 Est. Outcome	2001-02 Budget Est.	Annual Average 2002-03 to 2004-05	Annual Average 1999-00 to 2004-05
	\$B	\$B	\$B	\$B	\$B
NSW	1.3	0.2	0.4	0.4	0.5
Vic	1.3	0.6	-0.4	-0.5	0.0
Qld	-0.1	-1.7	-0.5	0.0	-0.4
WA	-0.3	-0.3	-0.4	0.0	-0.1
SA	-0.5	-0.4	-0.1	-0.1	-0.2
Tas	0.2	0.0	N/A	N/A	N/A
ACT	0.1	0.3	-0.1	0.0	0.0
NT	-0.2	0.2	N/A	N/A	N/A
	(% GSP)	(% GSP)	(% GSP)	(% GSP)	(% GSP)
NSW	0.6	0.1	0.1	0.1	0.2
Vic	0.8	0.4	-0.2	-0.3	0.0
Qld	-0.1	-1.5	-0.4	0.0	-0.3
WA	-0.4	-0.4	-0.5	0.0	-0.2
SA	-1.1	-0.8	-0.4	-0.2	-0.5
Tas	1.7	-0.3	N/A	N/A	N/A
ACT	0.6	0.2	-0.5	-0.3	-0.1
NT	-2.5	-2.0	N/A	N/A	N/A
Other States' Average	0.0	-0.4	-0.4	-0.1	-0.2

Note: 'Other States' Average' as for Table 4.

Sources: As for Table 4.

NET OPERATING BALANCE

The net operating balance is the difference between revenue and expenses, with a positive balance indicating that government revenue is greater than expenses and the budget is in surplus on an accrual basis. The net operating balance provides an indication of the sustainability of the fiscal position of a government over time, and its ability to continue providing the existing level of services without increasing taxation. The indicator takes account of depreciation and accrued superannuation entitlements.

The net operating balances of the States in 1999-00, as a proportion of GSP, ranged from 1.1% (Victoria) to -2.9% (the Northern Territory). At 1%, NSW' net operating balance was at the higher end of the range.

As with net lending, most States including NSW expected declines in their net operating results in 2000-01. For the States reporting estimates beyond 2000-01, NSW is at the top of the range at about 0.5% of GSP, while the other States average close to balance.

NSW is expected to have the highest annual average net operating balance, as a proportion of GSP, between 1999-00 and 2004-05. South Australia is anticipated to have the lowest over this period.

Chart 4: Net Operating Balance 1999-00 to 2004-05 (% GSP)

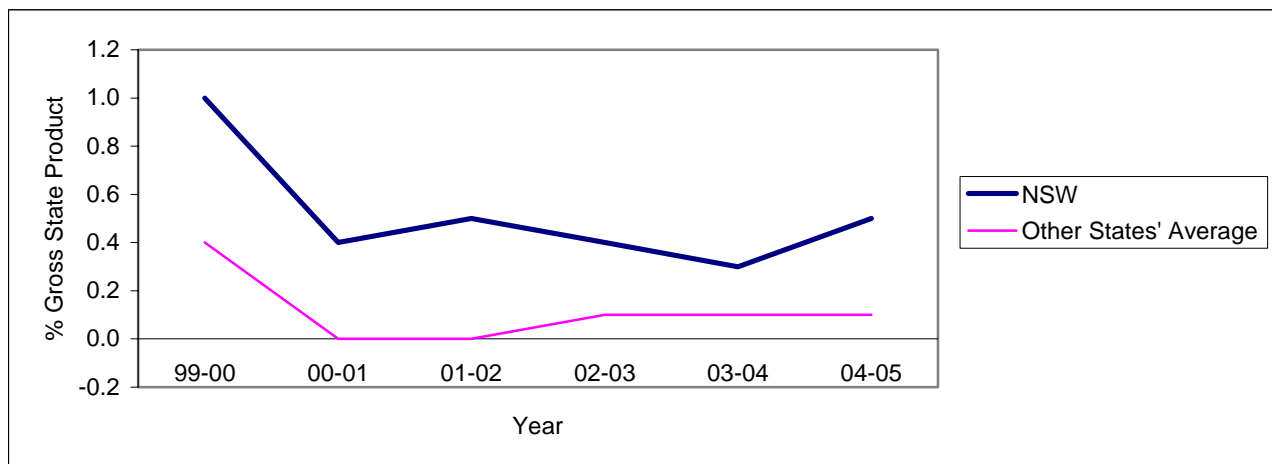


Table 13: Net Operating Balance

<i>State/ Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>Annual Average 2002-03 to 2004-05</i>	<i>Annual Average 1999-00 to 2004-05</i>
	<i>\$B</i>	<i>\$B</i>	<i>\$B</i>	<i>\$B</i>	<i>\$B</i>
NSW	1.1	2.0	1.0	1.1	1.3
Vic	3.5	1.7	1.0	0.4	0.7
Qld	0.1	1.1	-0.8	0.1	0.1
WA	-0.1	0.3	0.0	0.2	0.2
SA	-0.3	-0.3	-0.2	0.0	0.0
Tas	0.0	0.2	0.0	N/A	N/A
ACT	-0.1	0.1	0.0	0.0	0.0
NT	-0.2	-0.2	-0.2	N/A	N/A
	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>
NSW	1.0	0.4	0.5	0.4	0.5
Vic	1.1	0.6	0.2	0.2	0.4
Qld	1.0	-0.7	0.0	0.0	0.1
WA	0.0	0.3	0.1	0.2	0.2
SA	-0.8	-0.5	-0.1	0.1	-0.2
Tas	1.3	-0.2	N/A	N/A	N/A
ACT	0.6	0.2	-0.1	-0.2	0.0
NT	-2.9	-2.2	N/A	N/A	N/A
Other States' Average	0.4	0.0	0.0	0.1	0.1

Note: 'Other States' Average' as for Table 4.

Sources: As for Table 4.

CASH SURPLUS/DEFICIT

In 1999-00 NSW produced a cash surplus, as a proportion of GSP, of 0.4%, compared with an average of 0.3% for the other States. Tasmania had the largest surplus of 1.8%, while the Northern Territory had the largest deficit of -1.3%.

NSW was expecting smaller cash surpluses in 2000-01 and subsequent years to 2004-05, while the other States on average were expecting a sharper decline into deficit in 2001-02, followed by a recovery.

The annual average cash surplus of the States from 1999-00 to 2004-05 is expected, as a proportion of GSP, to range from a surplus of 1.1% (Tasmania) to a deficit of -0.7% (the Northern Territory). NSW is expected to be in surplus at the lower end of the States' range but equivalent to the average of other States.

Chart 5: Cash Surplus/Deficit 1999-00 to 2004-05 (% GSP)

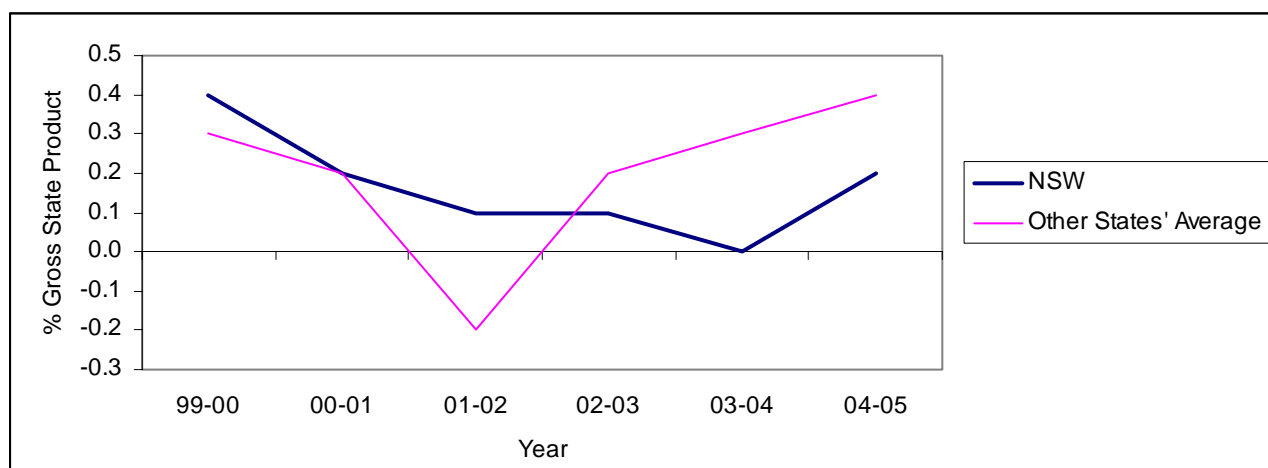


Table 14: Cash Surplus/Deficit

<i>State/Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>Annual Average 2002-03 to 2004-05</i>	<i>Annual Average 1999-00 to 2004-05</i>
	<i>\$B</i>	<i>\$B</i>	<i>\$B</i>	<i>\$B</i>	<i>\$B</i>
NSW	0.9	0.5	0.3	0.3	0.4
Vic	1.9	1.2	-0.0	-0.2	0.4
Qld	-0.2	0.5	0.3	1.2	0.7
WA	-0.4	-0.2	-0.4	0.0	-0.2
SA	-0.2	-0.1	-0.1	-0.1	0.0
Tas	0.2	0.1	0.1	0.1	0.1
ACT	0.2	0.1	0.0	0.1	0.0
NT	-0.1	-0.1	-0.1	0.0	0.0
	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>
NSW	0.4	0.2	0.1	0.1	0.2
Vic	1.2	0.7	0.0	-0.1	0.3
Qld	-0.2	0.4	0.2	0.9	0.5
WA	-0.6	-0.2	-0.5	0.0	-0.2
SA	-0.6	-0.2	-0.1	-0.1	-0.2
Tas	1.8	0.9	0.7	1.0	1.1
ACT	1.5	1.0	0.2	0.4	0.6
NT	-1.3	-1.4	-1.5	0.0	-0.7
Other States' Average	0.3	0.2	-0.2	0.3	0.2

Note: 'Other States' Average' excludes NSW only. The NSW data for 1990-00 to 2001-02 has been adjusted for the prepayment of superannuation. The Queensland data for 1999-00 is net of a \$1.1 billion transfer of funds to the employees' superannuation funds, which is treated as payments for goods and services.

Sources: As for Table 4.

BALANCE SHEET MEASURES

The following section presents a range of balance sheet measures, in particular, net debt, net interest paid, superannuation liabilities, net financial liabilities, and net worth.

While net debt is the balance sheet measure that receives the most attention, it is a narrow fiscal indicator because it only takes into account the difference between certain financial assets and borrowings. Net debt overlooks accrued employee liabilities such as unfunded superannuation or outstanding claims associated with insurance type activities, which can be substantial.

Net financial liabilities is a broader fiscal indicator because it measures total liabilities (primarily borrowings, superannuation and outstanding insurance claims) less the liquid financial assets available to meet these obligations (mainly cash, deposits and investments). Increasingly, movements in net financial liabilities are being regarded as a key fiscal indicator.

The net worth measure provides the most comprehensive picture of a government's finances. The measure is equal to the difference between total assets and total liabilities and thus encapsulates all financial and non-financial assets, including physical assets and equity holdings. However, net worth suffers as an indicator of a government's fiscal position because not all assets are realisable. As an example, physical assets such as national parks cannot be realised.

NET DEBT

Net debt represents the accumulation of borrowing to fund past deficits and provides an indication of the overall strength of a government's fiscal position. High levels of net debt impose a call on future revenue flows to service that debt, and can limit flexibility to increase expenditure to meet changing demands for services. The measure does not indicate whether the debt has been incurred to finance fixed asset accumulation or current expenditure.

The net debt of NSW in 1999-00, as a proportion of GSP, was 5%, compared with an average of 2.7% for the other States. The other States net debt ranged from 14.5% (the Northern Territory) to -9.9% (Queensland). Both Queensland and the ACT had negative net debt, which means that their stock of financial assets exceeded their gross debts.

Over the period to 2004-05 NSW' net debt as a proportion of GSP is expected to decline relative to the other States, to a level of 1.6%. The Northern Territory and Queensland are expected to continue to have the largest net debt and negative net debt respectively.

Most States have now reduced their net debt to low absolute levels, as reflected in the achievement of the highest possible credit rating (AAA) by five jurisdictions, including NSW.

Chart 6: Net Debt 1999-00 to 2004-05 (% GSP)

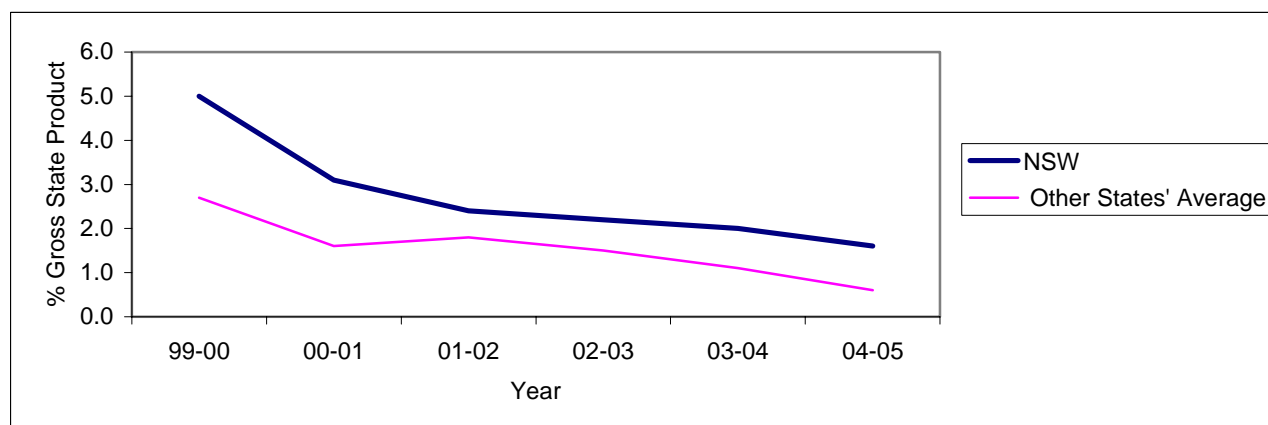


Table 15: Net Debt

State/ Territory	1999-00	2000-01	2001-02	2004-05
	Outcome	Est. Outcome	Budget Est.	Forward Est.
	\$B	\$B	\$B	\$B
NSW	11.2	7.5	6.2	4.8
Vic	3.0	1.8	1.8	2.4
Qld	-10.1	-10.5	-10.4	-14.4
WA	0.7	0.5	0.9	1.2
SA	1.9	1.3	1.3	1.4
Tas	1.1	0.8	0.8	0.3
ACT	-0.4	-0.5	-0.5	-0.6
NT	1.0	1.1	1.3	1.3
	(% GSP)	(% GSP)	(% GSP)	(% GSP)
NSW	5.0	3.1	2.4	1.6
Vic	1.9	1.0	1.0	1.1
Qld	-9.9	-9.4	-8.8	-10.2
WA	1.0	0.6	1.1	1.2
SA	4.5	2.8	2.7	2.6
Tas	9.8	6.9	5.9	2.4
ACT	-2.8	-4.1	-3.4	-3.8
NT	14.5	13.3	14.0	11.1
Other States' Average	2.7	1.6	1.8	0.6

Note: 'Other States' Average' excludes NSW only.

Sources: As for Table 4.

NET INTEREST PAID

Debt costs are an indication of the recurrent burden created by past borrowing. The proportion of a government's revenue that must be applied to interest costs is a measure of the limitations that debt imposes on budgetary flexibility. One of the measures of the cost to a government of servicing its net debt is net interest paid. Net interest paid comprises the sum of the nominal superannuation interest expense and other interest expenses, less interest income.

In 1999-00 NSW' net interest paid as a proportion of total revenue (with interest income being excluded from total revenue) was 4.1%, above the other States' average of 2.6%. The other States ranged from 9.2% (the Northern Territory) to -4.8% (Queensland). The Northern Territory paid the most net interest relative to total revenue as a result of having the largest net debt as a proportion of GSP (see previous section).

Over the period to 2004-05, consistent with trends in net debt, NSW' net interest paid as a proportion of total revenue is projected to decline relative to the other States to a level of 2.3%. The other States are expected to range from 4.6% (Victoria) to -1.6% (the ACT), and to average 1.9%.

Table 16: Net Interest Paid Relative to Total Revenue (Excluding Interest Income)

<i>State/Territory</i>	<i>1999-00 Outcome</i>	<i>2000-01 Est. Outcome</i>	<i>2001-02 Budget Est.</i>	<i>2004-05 Forward Est.</i>
	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
NSW	4.1	2.7	2.9	2.3
Vic	4.9	4.9	4.8	4.6
Qld	-4.8	-0.6	-2.0	-1.5
WA	4.3	4.0	3.7	3.6
SA	8.9	5.7	4.8	4.4
Tas	7.2	8.3	N/A	N/A
ACT	-0.3	-1.2	-1.0	-1.6
NT	9.2	9.9	N/A	N/A
Other States' Average	2.6	2.6	2.1	1.9

Note: 'Other States' Average' as for Table 4.
Sources: As for Table 4.

SUPERANNUATION LIABILITIES

Information about superannuation liabilities can be used, in conjunction with other measures such as net debt, to help gauge the overall strength of a government's fiscal position and the sustainability of fiscal policy. Two measures of the impact of superannuation liabilities are unfunded superannuation liabilities and the proportion of gross superannuation liabilities covered by assets.

Unfunded Superannuation Liabilities

The unfunded superannuation liability of a government is equal to the difference between the gross superannuation liability, which is the present value of liabilities accrued in respect of past service, and the market value of financial assets that are held in defined benefit superannuation funds.

In 1999-00 the unfunded superannuation liabilities of NSW were 2.5% of GSP compared with an average of 8.1% of GSP for the other States.

NSW' unfunded superannuation liabilities are expected to rise to 3.3% of GSP in 2000-01 but will remain the lowest of all States. This pattern is expected to continue in 2001-02 and the forward estimates period to 2004-05.

Table 17: Unfunded Superannuation Liabilities

<i>State/Territory</i>	<i>1999-00 Outcome \$B</i>	<i>2000-01 Est. Outcome \$B</i>	<i>2001-02 Budget Est. \$B</i>	<i>2004-05 Forward Est. \$B</i>
NSW	5.7	7.9	9.0	9.8
Vic	12.3	12.4	12.5	12.8
Qld	6.9	8.1	9.3	14.0
WA	5.1	5.2	5.2	5.2
SA	3.5	3.3	3.4	3.6
Tas	1.9	N/A	N/A	N/A
ACT	1.4	1.5	1.6	2.0
NT	1.3	N/A	N/A	N/A
	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>
NSW	2.5	3.3	3.5	3.3
Vic	7.7	7.2	6.9	5.9
Qld	6.7	7.3	7.9	9.9
WA	7.3	6.8	6.4	5.2
SA	8.2	7.4	7.3	6.7
Tas	16.4	N/A	N/A	N/A
ACT	10.7	11.0	11.3	12.2
NT	18.4	N/A	N/A	N/A
Other States' Average	8.1	7.9	7.9	8.0

Note: 'Other States' Average' excludes NSW. For consistency across years, Tasmania and the Northern Territory are excluded from the other States' average in all years.

Sources: As for Table 4.

Gross Superannuation Liability Covered by Assets

Consistent with NSW' relatively low unfunded superannuation liabilities, the proportion of gross superannuation liabilities covered by superannuation-related assets was above that of all other States in 1999-00. The figure for NSW was 78.8%, compared with an average of 48.7% for the other States. Estimates for other years are currently not available for the majority of the States.

Table 18: Superannuation Assets as a Proportion of Liabilities

<i>State/Territory</i>	<i>1999-00 Outcome (%)</i>
NSW	78.8
Vic	47.0
Qld	57.4
WA	N/A
SA	52.2
Tas	32.7
ACT	54.4
NT	N/A
Other States' Average	48.7

Note: Other States' Average excludes NSW, Western Australia, and the Northern Territory. Queensland data is for the Total State Sector as General Government data is unavailable.

Sources: NSW 2001-02 Budget, Victorian Treasury, Queensland 1999-00 Consolidated Financial Report, South Australia 2001-02 Budget, Tasmanian Treasury, and ACT 2001-02 Budget.

NET FINANCIAL LIABILITIES

Net financial liabilities reflect the financial obligations of a government.

The net financial liabilities of NSW in 1999-00 were 10.4% of GSP, compared with the other States' average of 8.7%. Other States ranged from 33.8% (the Northern Territory) to net financial assets of 2.9% of GSP (Queensland).

In 2000-01 NSW' net financial liabilities and the other States' average are both expected to fall by 1% of GSP.

Beyond 2000-01, the net financial liabilities of NSW are expected to fall more steeply than other States, resulting in NSW being equal to the other States' average at a little over 7% of GSP in 2004-05.

Table 19: Net Financial Liabilities

<i>State/Territory</i>	<i>1999-00 Outcome \$B</i>	<i>2000-01 Est. Outcome \$B</i>	<i>2001-02 Budget Est. \$B</i>	<i>2004-05 Forward Est. \$B</i>
NSW	23.5	22.6	22.4	21.7
Vic	17.9	17.1	17.4	18.6
Qld	-2.9	-1.7	-1.8	-2.1
WA	6.5	6.4	7.0	7.2
SA	6.9	6.0	6.2	6.7
Tas	3.1	N/A	N/A	N/A
ACT	1.2	1.1	1.2	1.5
NT	2.4	N/A	N/A	N/A
	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>
NSW	10.4	9.4	8.8	7.3
Vic	11.2	10.0	9.6	8.5
Qld	-2.8	-1.6	-1.5	-1.5
WA	9.4	8.4	8.5	7.2
SA	16.4	13.4	13.2	12.3
Tas	26.4	N/A	N/A	N/A
ACT	9.2	7.9	8.8	9.3
NT	33.8	N/A	N/A	N/A
Other States' Average	8.7	7.6	7.7	7.2

Note: 'Other States' Average' as for Table 17.

Sources: As for Table 4.

NET WORTH

Although net worth is not the best measure of a government's fiscal position, it shows the impact of the acquisition and sales of assets over time.

In 1999-00 the net worth of NSW was 39% of GSP, just below the other States' average of 42.3%. Other States ranged from 25.1% (Victoria) to 56.1% (Queensland).

NSW' net worth was estimated to fall slightly as a proportion of GSP in 2000-01, as was the other States' average.

Beyond 2000-01, the net worth of NSW and all other States is estimated to edge down as percentages of GSP, to 32.0% and 33.9% respectively.

Table 20: Net Worth

<i>State/Territory</i>	<i>1999-00 Outcome \$B</i>	<i>2000-01 Est. Outcome \$B</i>	<i>2001-02 Budget Est. \$B</i>	<i>2004-05 Forward Est. \$B</i>
NSW	88.1	89.6	92.2	95.5
Vic	40.4	42.3	43.4	44.9
Qld	57.7	58.5	59.3	61.9
WA	31.7	33.0	33.6	35.7
SA	12.5	13.3	13.4	13.7
Tas	6.0	N/A	N/A	N/A
ACT	7.0	7.2	7.2	7.3
NT	3.5	N/A	N/A	N/A
	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>	<i>(% GSP)</i>
NSW	39.0	37.3	36.4	32.0
Vic	25.1	24.7	23.9	20.6
Qld	56.1	52.9	50.0	43.6
WA	45.8	43.4	41.2	35.6
SA	29.5	29.6	28.3	25.4
Tas	52.1	N/A	N/A	N/A
ACT	55.1	53.6	51.2	44.4
NT	50.3	N/A	N/A	N/A
Other States' Average	42.3	40.8	38.9	33.9

Note: 'Other States' Average' as for Table 17.

Sources: As for Table 4.

CREDIT RATINGS

Moody's Investors Service and Standard & Poor's Rating Group are the major credit rating agencies that rate the domestic debt of the States. Both of the agencies conduct an annual review of State credit ratings.

The States have become increasingly attuned to the need to maintain high credit ratings as a means of minimising borrowing costs, ensuring continued access to international capital markets and demonstrating the effectiveness of their financial management.

Table 22 outlines the current rating profiles of the States. NSW, Victoria, Queensland, Western Australia, and the ACT have the highest ratings from both agencies.

Table 21: State and Territory Domestic Currency Ratings

<i>State/Territory</i>	<i>Moody's Investors Service (Long-term)</i>	<i>Standard & Poor's Ratings Group (Long-term)</i>
NSW	Aaa	AAA
Vic	Aaa	AAA
Qld	Aaa	AAA
WA	Aaa	AAA
SA	Aa2	AA+
Tas	Aa2	AA
ACT	Aaa	AAA
NT	Aa2	No rating assigned

Note: Moody's as at March 2001, Standard & Poor's as at October 2001.

APPENDIX

ABS 5220.0, National Accounts: State Accounts, November 2000

ABS 3101.0, Australian Demographic Statistics: June Quarter 2000, December 2000

ABS 5512.0, Government Financial Statistics 1999-00, November 2000

ABS 6248.0, Wages and Salary Earners, June Quarter 2000, October 2000

Western Australia, 1999-00 Government Financial Results Report, September 2000

Queensland, 1999-00 Consolidated Financial Report, December 2000

Commonwealth Grants Commission, Report on State Revenue Sharing Relativities, 2001 Update, February 2001

New South Wales Budget 2001-02

Victorian Budget 2001-02

Queensland Budget 2001-02

Western Australian Budget 2001-02

South Australian Budget 2001-02

Tasmanian Budget 2001-02

Australian Capital Territory Budget 2001-02

Northern Territory Budget 2001-02

GLOSSARY

Indicator	Definition
Cash Surplus/Deficit	Comprises net cash received from operating activities, net cash inflows from sales and purchases of non-financial assets, less distributions paid (Public Non-Financial Corporations and Public Financial Corporations) less increase in liability from finance leases.
Net Debt	Equals the stock of selected gross financial liabilities less financial assets.
Net Financial Liabilities	Equals total financial assets (excluding equity investments in Public Financial and Trading Enterprise Sectors) less total liabilities.
Net Interest Paid	Equals nominal superannuation interest expense plus other interest expenses, less interest income.
Net Lending (Fiscal Balance)	Calculated as the net operating balance less the total net acquisition of non-financial assets. The indicator includes capital expenditure but excludes depreciation.
Net Operating Balance	Equals total revenue minus total expenses. The indicator includes depreciation and accrued superannuation entitlements.
Net Worth	Equals total assets (financial and non-financial) less total liabilities.
Unfunded Superannuation Liabilities	Equal to the difference between the gross superannuation liability and the market value of financial assets that are held in defined benefit superannuation funds.