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NEW SOUTH WALES

BUDGET SPEECH

1992-93

DELIVERED BY

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PREMIER AND TREASURER

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1. INTRODUCTION

Mr Speaker

Over the last couple of years, economic hardship has become a sad fact of life for too many people in New South Wales.

The national recession has taken a disastrous toll. Families have suffered falling living standards, bread winners have faced unemployment, school leavers have had to learn about being out of a job, before enjoying the benefits of having one.

The State Government is also under economic pressure. At this time when members of the public need most support, the State Government is itself under enormous financial strain.

The increased community need and the shrinking revenue base are the crushing pressures my Government faced in formulating a Budget for these difficult times.

In my first Budget as Premier and Treasurer I have endeavoured to balance the needs of the present with a commitment to building a future.

It is a Budget that will create real jobs for the unemployed, improve services to the community, and rekindle optimism in difficult times.

The first priority of this year's Budget strategy is to create genuine employment.

The central pillar of this year's Budget is a one-time boost to our already record capital program which will create jobs, provide services and flow-on to stimulate the State's whole economy.

In 1992-93 the State's total capital program will be boosted by $540 million to $5,894 million.

This represents a real increase after inflation of 10.1 per cent from last year.

This very substantial real growth in the capital program represents the biggest boost to capital works undertaken by any New South Wales Government since the mid 1980's.

It will greatly stimulate economic activity and lay the groundwork for New South Wales to emerge from the recession in better shape than any other State.

This boost to the State's capital program is estimated by Treasury to add over $1.7 billion to New South Wales Gross State Product and increase employment by 18,000 jobs once the direct and indirect multiplier effects are taken into account.

However, this kind of employment boost from capital works can only be achieved if we continue a tight rein on current spending .. .. that is the day-to-day costs of government.

I will not shrink from the tight management of the Government's day-to-day spending because to do so would undermine the very foundations we are building to guarantee our future economic security.

The alternative is to go further into debt and leave the next generation to pick-up the tab.

We must pay our own way.

The Government's second Budget priority is to continue the long term strategy of reducing the deficit and containing debt.

As a new Premier, without a majority in the Parliament, it would have been easy to abandon our long term strategy of financial responsibility, by artificially boosting employment for short term political gain.

But employment and wealth will only be created in the long run by our continued commitment to developing a strong, competitive State economy.

If the Government starts padding the public service, and clinging on to jobs that are better done by the private sector, then we will throw away our chance to develop an economically secure future for our children.

The third key objective of our Budget strategy is to provide better, more responsive services for the people of this State.

This commitment was outlined in the Guarantee of Service announced in March this year.

We are not talking about increased spending - increased spending is no guarantee of an increase in the quality of service or in results.

What we are talking about is a cultural change in the public sector.

Customers of Government businesses and agencies have the right to expect the same level of service they receive from the best private companies. Much more needs to be done.

Customer Councils have been established in our service agencies so that clients can give feedback on the services they are receiving.

This feedback will be gauged against service quality standards which will be published in order to have a benchmark for gauging performance.

In addition, where necessary, Government agencies will be expected to stay open longer.

Government employees dealing with the public will be required to wear name tags and to give their name clearly on the telephone.

Complaints handling mechanisms are being established in all service agencies to ensure that the public has a means of drawing to attention inadequate delivery of service or poor treatment.

We want to end the concept of the captive customer, while ensuring agencies monitor complaints so that they can pinpoint their weaknesses and remedy them.

Mr Speaker,

Before I turn to details of the Budget I would like to say a few words about Budget presentation.

As in 1991-92, the Budget aggregates are being presented broadly on a Government Finance Statistics or GFS basis.

That is, they are presented in accordance with the principles and concepts used by the Australian Bureau of Statistics for presenting statistics on outlays, receipts and financing transactions.

All Governments agreed at the May 1991 Special Premiers' Conference to publish their Budget aggregates on this basis for the "general government" sector, a wider coverage than the New South Wales Budget Sector.

Using the same format for the Budget Sector is fully consistent with, and a logical extension of, that agreement.

The New South Wales Government has decided to amend the Public Finance and Audit Act to require the Budget to be presented on a basis consistent with GFS principles, with any deviations highlighted in the Budget Papers.

This legislative change will be part of a major rewrite of the Public Finance and Audit Act that will occur in 1993.

This demonstrates the Government's commitment to "truth in budgeting".

It will also ensure that any future Government could only depart from that practice in a transparent way.

Such departures may at times be warranted for good accounting reasons, but they should always be fully documented and available to public scrutiny.

We earned our reputation for financial responsibility by being a reformist Government before the recession forced other Governments to follow suit.

New South Wales has been rewarded with the highest level of consumer and business confidence, and the lowest level of unemployment.

New South Wales has retained its economic leadership, and must now lead Australia out of the recession.

2. PUBLIC SECTOR EMPLOYMENT

This economic leadership, of which we are rightly proud, has not come without cost.

My Government is very conscious of the subdued nature of the economy as a result of Prime Minister Keating's recession, and the desire of the community to be reassured and see greater certainty and sensitivity in Government policies.

Nowhere is there more community sensitivity than with employment.

Today's Budget is a confirmation of that commitment to employment in both the public and private sectors.

It is a commitment to the development of a climate of confidence and security for the New South Wales community at large.

Two months ago I foreshadowed a 12 month moratorium on retrenchments in the Government. I now affirm that policy.

As I said at the time, the moratorium will not apply to the program of reductions announced by the government in July last year.

Core government agencies will continue to pursue efficiencies through voluntary redundancy, and natural attrition and using redeployment linked with retraining.

At the same time, the core agencies of government, will pursue the provision of high quality service to the community in a competitive manner.

While the moratorium is in effect, and that is until the Budget next year, public sector managers must and will maintain the basic prerogative of exercising managerial responsibilities.

The moratorium will not prevent dismissal of employees on the grounds of non-performance or for disciplinary reasons.

The policy will not apply to Government Trading Enterprises which, by their very nature, are being required to perform like private companies paying taxes, proper dividends to their owners .. .. the taxpayers, and commercial services to their customers .. .. the public.

Within these parameters, the Government will continue to encourage contracting-out of services to the private sector. But it will not be a budget driven strategy.

The responsibility for contracting-out will rest with individual agencies which will retain 100 percent of the savings to further improve service to the community.

My Government's policy on public sector employment recognises the need to improve services while still pursuing fundamental reform.

We are committed to:

* ensuring services are of a high standard;

* increasing competition in the market and promoting freedom of choice for consumers by removing government monopolies;

* ensuring taxpayers receive value for money from the public sector; and

* being a responsible and understanding employer.

It has never been this Government's intention to "freeze jobs". This conflicts with one of our key objectives of improving competition and service delivery while lowering costs.

I am strongly committed to the reform of Government Trading Enterprises such as electricity, water, public transport and freight.

By improving their efficiency the community will benefit directly by the Government tapping their surpluses to fund schools, hospitals, policing and community support services .. .. in education, health, law enforcement and community services.

3. 1991-92 BUDGET AND CAPITAL PROGRAM OUTCOME

The 1991-92 Budget result was a deficit of $1,280 million.

This is $191 million higher than originally projected but $220 million lower than the revised estimate of $1,500 million at the start of the year which reflected the deteriorating national economy.

Due to our stringent control on spending New South Wales was able to contain the Budget blow-out far more successfully than other Governments.

It is an excellent achievement when you consider that Budget revenues fell $560 million short of last year's Budget projections.

The collapse in revenues was entirely beyond our control and was the result of the Federal Labor Government's high interest rate policy and the resulting recession being much deeper than expected.

The recession has been marked by a severe down-turn in the property market, especially offices and other commercial property.

This has had a devastating impact on stamp duty receipts.

Other receipts directly related to the level of economic activity have also been affected, including payroll tax, financial institutions duty and insurance duty.

4. 1992-93 BUDGET

BUDGET PRESSURES

The State Government continues to face a steady collapse in revenue as a result of the national recession.

New South Wales share of Commonwealth general purpose funding has been cut in real terms by over $800 million since 1987-88.

The size of the pool of general funds provided by the Commonwealth has been cut, and on top of that, New South Wales share of that pool has also been cut.

The decline in share of funds reflects the continued shift of financial assistance grants from New South Wales to the smaller States and Territories.

This transfer from New South Wales is now of the order of $1.4 billion per year!

That is to say, the New South Wales public are being taxed an extra $1.4 billion by the Federal Government which is being distributed to the small States to help their Budgets!

We accept that some degree of financial assistance needs to be made to the smaller States.

But we reject the excessive level of this subsidy, its accelerating trend against New South Wales and the complex and distortionary way in which it is currently assessed.

The conclusion is inescapable. New South Wales is, in effect, being punished for managing the State economy better.

We will not continue to be a financial milking cow for the smaller and mismanaged States.

New South Wales and Victoria are undertaking a major joint review of this redistribution.

The results will be circulated to the community at large and form the basis of a public awareness campaign leading up to the 1993 Premiers' Conference.

We hope all sides of politics, in both New South Wales and Victoria, will join with us in attempting to correct this financial injustice.

The second area of the State's financial hardship flows directly from the Commonwealth's policy induced recession.

As I said, the recession has led to the collapse of the State Government's own revenue base.

In particular, property based revenue has declined in real terms by $840 million compared with the peak year of 1988-89.

In 1992-93 and the forward years, land tax revenue will decline by nearly $220 million in real terms. In the 1993 Land Tax year, land tax receipts will be only seventy per cent of what they were in 1992.

For most landlords, the fall in tax will average thirty per cent.

In real terms, total land tax assessments in 1993 will be no greater than they were in 1988, before the property boom impacted on land tax assessments.

The recession has also affected other State revenues including financial institutions duty, payroll tax and stamp duty on motor vehicles. This is estimated to have fallen by over $700 million in real terms since 1987-88.

Despite the squeeze on our revenues, we have been able to adhere to our financial strategy.

In part, this has been achieved by substantial productivity improvements in our Government Trading Enterprises which has enabled us to absorb broadly $2 billion per annum in real revenue cuts while maintaining services and avoiding taking on additional debt.

Mr Speaker, this is an achievement of which we can be rightly proud.

STRATEGIES AND TARGETS

Our key Budget target is to contain the Budget Sector debt to a level where there is no real growth.

We will be aiming for a Budget result in 1994-95 which will not add to the Budget Sector debt in real terms.

This result will be supplemented by the selective sale of Government assets with the proceeds going directly to debt reduction.

The need to contain debt is paramount.

Australians have witnessed the 'bank card boom' of the 1980's when business and government spent money they simply did not have.

The economic boom which resulted was destined to collapse as soon as the bills had to be paid.

With this Budget, New South Wales is paying its way.

Thanks to the public sale of the GIO we will not need to borrow to pay for this year's Budget deficit.

In addition, we will be retiring $430 million of Commonwealth debt raised on behalf of the State.

Taken together this represents a total debt containment initiative in 1992-93 of over $1.6 billion.

I have already written to the Federal Treasurer informing him of this as our contribution to stabilising the Australian dollar and thereby holding down interest rates.

By contrast, the Commonwealth Government will be notching up new borrowings of almost $15 billion while other States also continue their increased borrowing spree.

We have adopted five strategies to achieve our debt target.

First, the restraint on current spending will continue.

Over the three years to 1994-95 current outlays will decline 1.8 per cent per annum in real terms, through the achievement of greater efficiencies in the way we provide services.

This will not require Budget cuts above those already announced. The real decline in current outlays will be achieved by:

* continuing the 1.5 per cent productivity dividends, subject to exemptions in the key areas of health, police and teaching;

* implementing the program of portfolio savings set out in last year's Budget which were to be phased in over a multi-year period; and

* encouraging agencies to contract-out both corporate support and core services and allowing them to keep all the savings they generate. Savings from down-sizing corporate head offices may also be kept where they exceed portfolio savings already earmarked.

The Minister for Finance and Assistant Treasurer will chair a high level Steering Group drawn from key agencies to monitor and encourage the process of contracting out in the Budget Sector.

Second, this year's one-off boost to capital works spending and job creation, will be contained in the following years to reflect a 'no growth'strategy.

This will ensure that we get the benefits of job creation at this time when we need it most without increasing our requirement for further borrowings in future years.

Third, there has been selective recourse to taxes to finance the Budget in the face of collapsing revenue.

The tax increases announced following the disappointing June 1992 Premiers' Conference have been targeted to avoid increased costs for the business sector which would jeopardise jobs.

Fourth, we will continue to move to a commercial approach to the dividend and taxation payments by our Government Trading Enterprises.

In the period 1987-88 to 1992-93, contributions from the Non Budget Sector will increase from $129 million to $980 million.

This has been achieved while keeping overall Government charges below the estimated inflation rate over this period.

Between 1987-88 and 1992-93 it is estimated that Government charges will in fact have declined by 0.8 per cent in real terms.

This process has been consolidated in 1992-93 by the adoption of a formal distribution policy between the Government and its trading enterprises for determining dividends, tax equivalent payments and debt guarantee fees on a basis akin to that which applies to private enterprise.

New South Wales leads Australia and the States on this major policy reform, the results of which so significantly underpin the Budget.

The objective of the policy is to improve the economic efficiency of Government Trading Enterprises by subjecting them to commercial disciplines similar to those faced in the private sector.

Only by moving towards normal investment returns on the Government's commercial assets can we avoid putting up taxes or going into debt to fund essential community services such as education, welfare, health and police.

The Government's businesses should help underpin the Government's social responsibilities, not be a drain on them.

The policy will establish for each GTE, an appropriate mix of debt and equity, a target return on total assets and owner's equity, and a minimum distribution from profits of dividends and tax equivalent payments to the Government.

The policy will be implemented by way of a Statement of Financial Performance executed annually between the Shareholding Ministers and the Boards of the Government Trading Enterprises.

Proper recognition will be given to community service obligations of GTEs.

Community Service Obligations will be properly costed and, over time, transparently funded from the Budget so that they are exposed to full scrutiny by the public and Parliament.

Such a level of public accountability for Community Service Obligations has never existed before.

We intend to maintain a highly responsible and commercial approach to our Government Trading Enterprises.

At the same time we will recognise and separately fund the desirable elements of their non-commercial services through explicit and enforceable Community Service Obligations contracts.

This will give protection and a surety of service to disadvantaged clients in a way which does not exist at present.

Fifth, it is intended to continue to reduce net Budget Sector debt and contingent liabilities by undertaking privatisation where appropriate and applying the proceeds of sale to reduce debt.

Only this way can we reduce the Budget Sector's interest bill which will exceed $1.9 billion in 1992-93 .. .. over 12 per cent of total current outlays.

Our approach to privatisation is not budget driven as it is in some States.

Rather, it is based on achieving improved economic efficiencies, encouraging competition, reducing the State's financial exposure and focusing our efforts on the core role of Government.

The privatisation of the State Bank is provisionally planned for the second half of 1993-94.

However, prior to a commitment to this course of action, a full commercial assessment of the Bank, its financial position and the approach to sale will be undertaken.

Containing financial debt is not sufficient in itself.

It is also necessary to contain the growth of other liabilities, particularly public service superannuation.

To this end, we recently announced the closure of the State Authorities Superannuation Scheme.

This was forced on us by the Commonwealth's new superannuation legislation which makes it compulsory for employers to provide a universal superannuation scheme for all employees.

If we had extended SASS to cover all State employees, the additional cost to the State would have been unbearable and the only alternative would have been sweeping job cuts across the public sector.

Instead, we decided to comply with the Commonwealth legislation and meet its requirements fully .. .. no more no less.

At the same time, we have preserved existing defined retirement benefits for existing members of SASS and previous schemes.

The net result is that those public servants in the existing schemes will be no worse off.

The new scheme, the First State Super Scheme which will cover all employees not already in Government schemes, will be a fully funded accumulation scheme so as to avoid adding further to the State's huge superannuation liability.

Had no changes been made, the Commonwealth's action would have increased this liability by an additional $2.4 billion by the year 2002.

Complementary to the specific Budget strategies, we are also committed to more fundamental reform of intergovernmental financial relations.

We continue to be committed to addressing the imbalance between the tax capacity and expenditure responsibilities of the States and the Commonwealth.

My Government supports the proposal of all States for a national personal income tax sharing scheme as an alternative to the continued "beggar status" we currently suffer with the Commonwealth.

In the meantime, until this fundamental reform can be addressed, we will pursue second best reform of the existing system of intergovernmental grants.

This includes a longer term commitment by the Commonwealth to the level and method of paying general revenue funds, and a switch from tied to untied financial assistance.

As already mentioned, we are also committed to reform of the current system of fiscal equalisation to address the inordinate financial burden borne by New South Wales and Victoria.

There is an overall economic cost and injustice inflicted on the nation by the current system of cross-subsidising less populated States and Territories.

1992-93 BUDGET RESULT

The projected Budget result for 1992-93 is a deficit of $1,225 million, responsibly lower in a recession, than the deficit in 1991-92.

This consists of a current surplus of $1,067 million and a capital deficit of $2,292 million.

The overall deficit is 0.9 per cent of Gross State Product.

This compares with a deficit of 1.1 per cent in 1986-87, the last time the economy was in recession, albeit a much milder one than at present.

After account is taken of the sale of the GIO, the Budget result is a surplus of $465 million.

However, in order to avoid distorting the Budget result this is shown as an extraordinary item.

The Budget is based on a three year rolling forward strategy so the 1992-93 result should be seen in the context of the following two years.

The Budget deficit is projected to decline significantly in each of those years to 1994-95 reaching $782 million by 1994-95.

Budget Sector net debt is projected to decrease by $100 million in real terms by June 1995, relative to June 1992, despite an additional $945 million funding for the Third Party Common Law scheme, which will substantially meet all outstanding claims. Excluding this factor, Budget Sector net debt will decline by over $900 million in real terms over this period.

Beyond 1994-95, the Budget deficit will be at a level that will sustain a real decline in debt.

This will be a remarkable outcome but will only be possible if we maintain strict financial discipline.

CURRENT OUTLAYS

Current outlays are projected to increase by only 2.0 per cent in 1992-93 and decline by 1.8 per cent per annum in real terms over the three years to 1994-95.

Despite the overall restraint on current outlays, the Budget contains a number of initiatives to improve service quality in priority areas and to address the social cost of the current recession.

Some of these initiatives are funded by additional Budget support but many reflect the reallocation of priorities and resources to meet emerging needs.

I now turn to the key Budget initiatives on the outlays side.

Health

Health current payments will increase 0.9 per cent in real terms in 1992-93 while capital payments will increase by a significant 17.6 per cent in real terms.

There have been two consistent themes in the health area in recent years which will be continued in 1992-93.

First, it is essential to continue to reallocate resources from areas of static and declining needs, such as the older and more established Sydney suburbs, to areas of growing needs, including the West, South-West and North Coast.

Second, it is important that we achieve high and improving quality of services but in more efficient and effective ways.

Everyone is familiar with the trends of a growing population, ageing of the population, technological change and the shift out of private insurance that have placed increased pressures on our public hospital system.

Offsetting these trends is a reduced length of stay and a much greater use of day only facilities.

Overall, these trends do not indicate the need for more hospital beds.

Indeed, the clear evidence from the National Health review and other studies is that Australia has an over-supply of hospital beds.

It is not an issue of <u>beds</u> .. .. it is about providing hospital services.

What is required is a more balanced use of existing public and private hospital facilities so that admission delays can be minimised.

This will also require more effective use of health facilities, better quality, better located hospitals.

Services can also be significantly improved through better management of the linkage at all levels of care, from acute hospital care through to community nursing and support.

This is precisely the thrust of the Government's health strategy.

In order to assist in addressing the transitional costs in implementing the health reform strategy, the Budget provides a special additional funding of $20 million in 1992-93.

In addition, the health budget is being increased by over $30 million to offset the department's fall-off in revenue as patients opt out of private health insurance.

It is regrettable that the Federal Government continues to encourage patients to abandon private health insurance as this increases the burden on the State taxpayer adding significant pressure to the public hospital system.

Employment and Training

In 1992-93, Employment and Training Programs will have an allocation of $47 million which will be directed at providing the opportunity for longer term unemployed to upgrade their skills and, hence, enhance the opportunity for employment.

It is particularly important that school leavers are provided with the opportunity to enter the work force.

The First Chance Program, introduced last December, is aimed at providing school leavers with training that assists their employment prospects.

The scheme will be continued in 1992-93 to the extent of $5 million in funding and will be reviewed at the end of this period.

New South Wales will continue to co-operate with the Commonwealth Government on the implementation of the Australian National Training Authority which will co-ordinate at a national level the provision of vocational educational training services.

Community Services

Family Support Package

A major initiative of the Budget is a $10 million Family Support Package to assist people and families particularly hard hit by the recession.

The package includes:

* family support initiatives;
* rental and mortgage relief;
* financial counselling and training of financial counsellors;
* rural counselling services; and
* enhancements of the Community Services Grants Program to continue last year's initiative.

The package is aimed at helping people through what we hope is the last year of this disastrous national recession. It will be co-ordinated by the Department of Community Services, but will involve several other Departments and major non-government and charity organisations which have provided valuable guidance in developing this package.

Rural Welfare Assistance

The rural sector has been hit hard by the recession, depressed markets and drought.

In such difficult circumstances, the Government is committed to assisting the rural community.

In 1992-93, $5 million will be provided for drought relief in order to help meet the cost of transport subsidies for the movement of livestock, fodder and water.

This will bring the total cost of such relief since the drought started early last year to $23 million.

An additional $5 million has been made available as the State's contribution towards the cost of providing assistance under Part "B" of the Rural Adjustment Scheme to primary producers affected by the drought and or rural crisis.

Total payments under the Rural Adjustment Scheme are expected to be $50 million.

The Commonwealth is also proposing to amend the existing Scheme which will involve a revised funding basis between the Commonwealth and the States.

Other significant initiatives included in the 1992-93 Budget include:

* the Legal Aid Commission has been allocated an additional $1.8 million to meet the increased demand as Courts address the backlog of cases;

* funding of $1.6 million for the Casino Control Authority to ensure the integrity of future casino operations in this State; and

* a $500,000 grant for the establishment of a Film/TV Production Investment Fund for strategic production investment in the local film industry which, because of Sydney'sclimatic advantages, has enormous job potential.

CAPITAL OUTLAYS

As I mentioned earlier, Budget Sector capital outlays will receive a once-off boost as a means of stimulating the economy and boosting employment.

Let me emphasise, the jobs created will be real jobs.

We are not inventing short-term positions which take people off the dole and put them back on three or six months later.

These jobs will boost proper training, apprenticeships and hopefully secure employment in the future.

As the economy improves, the Budget Sector's capital program will be capped in real terms so that the deficit can be reduced further.

Nevertheless, capital spending overall will remain high since Non Budget Sector capital works are expected to grow strongly after 1992-93, especially in water and sewerage and commercial rail services.

In addition to providing jobs, these capital projects will provide badly needed services to the community.

Roads

Expenditure on roads construction and maintenance throughout New South Wales, the largest spending area under the State's capital program, will amount to a record $1,499 million this year, an increase of more than $285 million or nearly 21 per cent in real terms.

This will fund a large number of road improvements and maintenance projects spread across the State. It includes major works to eliminate some of our worst traffic 'black spots' at Rydalmere and Smithfield, and the continued upgrading of Sydney's ring-road system. Funding allocations for the extended 3x3 Roads Program will include $8.8 million for the Bangalow Road by-pass on the Pacific Highway, $4.7 million for continuation of work on the Newcastle by-pass, and $11 million for upgrading the Princes Highway. An allocation of $14 million is also being provided within the total program to enhance the Great Western Highway between Lithgow and Bathurst.

Public Transport

Public transport has been allocated capital funding of $785 million in 1992-93, also a record sum, roundly $215 million extra on last year, a real increase of 35 per cent.

This growth is centred on rail transport and is aimed at continuing improvements in safety and reliability in CityRail and CountryLink and the efficiency of commercial rail freight services.

Hospitals

Public hospitals and other health services will receive $322 million in 1992-93 for capital projects, an increase of $54 million on last year or 17.5 per cent in real terms.

Major new projects include a new hospital at Albury, the Sydney Hospital and Sydney Eye Hospital redevelopment, and Bateman's Bay and Moruya hospitals upgrading.

Sport

Construction of the new athletics stadium and aquatic centre at Homebush Bay will cost $85 million in 1992-93 compared with expenditure of $28 million last year.

These much needed major sporting facilities, which have an end-cost of $300 million and will be completed by 1994, are the central focus of Sydney's bid to host the Olympic Games in the year 2000.

Water Board

Water and sewerage services have been allocated $724 million this year, an increase of $33 million or 2.5 per cent in real terms.

This expenditure will continue State-wide improvements in environmental protection, water quality and system reliability.

REVENUES

Turning now to revenues.

Following yet another disappointing Premiers' Conference earlier this year, the New South Wales Government was forced to increase a range of taxes.

These measures will raise nearly $240 million for this year's Budget.

The measures we selected will have a minimal impact on business so that the costs of employment are not increased, and, hence, jobs are not jeopardised.

Overall, the revenue position in 1992-93 and the forward years remains very subdued, despite the previously announced tax increases.

In this Budget, total revenues this year will total $17.7 billion, up $940 million on last year.

As already mentioned, the one major area of growth in revenue has been contributions from the Non Budget Sector.

This growth reflects the increased productivity of Government Trading Enterprises which have been able to reduce costs and increase profits.

The major contributor to Government Trading Enterprises payments is Pacific Power.

Pacific Power's total unit costs and debt levels have fallen whilst at the same time dividends paid to the Government have been steadily rising. Pacific Power paid a dividend of $305 million, in respect of its financial results for the year ended June 1991.

From 1 July 1992, Pacific Power entered the Government's notional tax regime and began paying the equivalent of Commonwealth income tax to the State Government.

Dividend payments in respect of trading performance for the year ended June 1992 will be $256 million with tax equivalent payments of $220 million.

All of this has been achieved with falling real prices, improved staff productivity and achievement of world class performance of our power stations.

In essence, Pacific Power has been internally restructured and placed on a full commercial footing to enable it to compete as electricity markets within eastern and southern Australia are developed on competitive lines.

This gives the opportunity for improving the competitiveness of electricity production and distribution in New South Wales to the benefit of taxpayers, industry, and consumers more generally.

Another area of focus for the New South Wales Government is the promotion of Sydney as an international financial centre.

We are currently examining ways of furthering this goal.

In order to boost employment in the finance sector, we are examining tax concessions for offshore transactions by approved Offshore Banking Units as well as tax concessions for treasury products.

An announcement will be made on these concessions at the Asia Pacific Business and Investment Congress to be held in Sydney next month.

Land tax has been an issue to which the Government has devoted careful consideration.

Last year a White Paper was completed and issued.

I am pleased to announce that most of the recommendations contained in the White Paper will be implemented for the 1993 Land Tax year.

The most significant reform is the abolition of the equalisation factor system introduced by the Labor Government.

From 1993, all taxable properties will be revalued each year, and there will be a reduction in the time lag between the date of valuations and the tax year, from 18 months to six months.

As a result, landowners will be able to object against unrealistic valuations each and every year.

The reforms together with the slump in the property market mean that there will be an average 30 per cent reduction in land tax in 1993.

This will mean a fall in revenue from $759 million in the 1992 land tax year to $528 million in 1993.

In many suburbs where land taxpayers have suffered the brunt of excessive values, falls will be even higher ranging between 30 per cent and 60 per cent.

In addition, more than 3,000 small taxpayers will cease to be liable for tax because the value of their landholdings would fall below the $160,000 threshold at which tax becomes payable.

While we cannot afford tax concessions in this Budget, when our revenues significantly improve the Government will undertake a staged expansion of land tax concessions to other forms of low income rental accommodation, besides boarding homes.

Of course, it would be desirable to abolish land tax on all rental dwellings so that they are put on par with owner occupied housing.

However, this is not financially possible as long as we have such a narrow tax base.

5. CONCLUSION

This Budget will achieve two things - a boost to jobs by a temporary expansion to the capital program and a containment of the deficit and debt by bearing down on current spending, particularly in non essential areas.

The New South Wales Government's financial strategy has been proven to be the right one for this State.

The zig-zag financial adventures of other States have led to troubled, demoralised economies.

Our strategy is the only way of reducing debt, maintaining the confidence of the people, businesses, investors and the independent credit rating agencies who have given New South Wales its triple A status for our financial management.

Our policies are right for the long term financial and economic security of the people of New South Wales.

It requires an on-going commitment to financial integrity, public accountability and discipline; not short-sighted and politically motivated spending sprees which provide no lasting improvement.

The short term focus of Governments and businesses is one reason this country is in trouble.

Sticking to our long range goals will provide the only permanent solution to this nation's problems.

The credibility of Governments will be increasingly judged by lasting achievements, not empty promises or quick fixes.

It is the only way of creating real jobs for the people of New South Wales and ensuring a secure future for the next generation.

As I said at the outset, we have three priorities in this Budget:

* to help revive the New South Wales economy with a one time boost to necessary capital works;

* to bear down on State debt and superannuation liabilities so as not to get sucked into the economic quagmire of our southern and western neighbours; and finally

* to make the New South Wales public sector a model of excellence which truly serves the public.

Mr Speaker,

You do not have to be an economic or financial expert to understand these goals.

They are simply commonsense, if we want to get this nation back on its feet and help those most in need, the unemployed.

For unless the largest State shows the lead, the rest of the nation may falter.

I commend this Budget to the House as well as the cognate Bills of Business Franchise Licences (Petroleum Products) Amendment Bill 1992, the Motor Vehicles Taxation (Amendment) Bill 1992 and the Road Improvement (Special Funding) Amendment Bill 1992 which involve the indexing of tax rates for the movement in the consumer price index and which are an integral part of this year's Budget.

Summary of Major Budget Aggregates

	1991-92 $m	1992-93 $m	% Change	1993-94 $m	% Change	1994-95 $m	% Change
CURRENT							
Current Outlays	15,059	15,355	2.0	15,343	- 0.1	15,603	1.7
Current Receipts	15,707	16,422	4.5	17,025	3.7	17,584	3.3
Current Financial Result	**648**	**1,067**		**1,682**		**1,981**	
CAPITAL							
Capital Payments	3,455	4,033	16.7	3,969	- 1.6	4,024	1.4
less advances repaid to Budget Sector	342	293	- 14.4	76	- 74.0	80	5.6
less asset sales	130	168	29.0	118	- 29.8	125	6.2
Capital Outlays	2,983	3,572	19.7	3,775	5.7	3,819	1.2
Capital Receipts	1,055	1,280	21.4	1,110	- 13.4	1,056	- 4.8
Capital Financial Result	**(1,928)**	**(2,292)**		**(2,665)**		**(2,763)**	
TOTAL	(1,280)	(1,225)		(983)		(782)	
Outlays	18,042	18,927	4.9	19,118	1.0	19,422	1.6
Receipts	16,762	17,702	5.6	18,135	2.4	18,640	2.8
BUDGET RESULT	**(1,280)**	**(1,225)**		**(983)**	**(782)**		
Sale of Major Business assets (a)	....	1,690		....	900		
Adjusted Budget Result	(1,280)	465		(983)	118		

(a) for details see Budget Paper 2.