

NEW SOUTH WALES

BUDGET  
INFORMATION  
1991-92

BUDGET PAPER No. 2



## TABLE OF CONTENTS

	Page
<b>CHAPTER 1: SUMMARY AND OVERVIEW</b>	
1.1 Introduction .....	3
1.2 Financial Position Overview .....	5
1.3 The Financial Strategy .....	12
1.4 Budget Measures .....	27
1.5 Summary of Budget Results .....	41
<b>CHAPTER 2: THE ECONOMY</b>	
2.1 Overview .....	45
2.2 The National Economy .....	48
2.3 The NSW Economy .....	60
2.4 The Economy and the Budget .....	84
<b>CHAPTER 3: BUDGET RECEIPTS</b>	
3.1 Introduction .....	93
3.2 Consolidated Fund Receipts .....	94
3.3 Forward Estimates of Budget Receipts .....	122
<b>CHAPTER 4: RECURRENT BUDGET</b>	
4.1 Trends in Budget Payments .....	131
4.2 Financial Information by Policy Area and Policy Sector .....	134
Detailed Tables (Blue)-	
Financial Information by Policy Area, Policy Sector and Program	137
Financial Information by Minister, Organisation, Program Area	
and Program .....	148
4.3 Total Recurrent Payments by Functional Area .....	176
4.3.1 Law, Order and Public Safety .....	178
4.3.2 Education .....	188
4.3.3 Health .....	198
4.3.4 Welfare Services .....	208
4.3.5 Housing and Community Services .....	220
4.3.6 Recreation and Culture .....	224
4.3.7 Economic Services .....	232
4.3.8 General Administration .....	250
4.3.9 Other Purposes .....	257
4.3.10 Advance to the Treasurer .....	259
4.4 Consolidated Fund Recurrent Forward Estimates .....	260
<b>CHAPTER 5: CAPITAL PROGRAM</b>	
5.1 Introduction .....	273
5.2 Funding of Capital Program .....	277
5.3 Capital Payments by Functional Areas .....	281
5.3.1 Law, Order and Public Safety .....	285
5.3.2 Education .....	289
5.3.3 Health .....	294
5.3.4 Welfare Services .....	298
5.3.5 Housing and Community Services .....	302
5.3.6 Recreation and Culture .....	313
5.3.7 Economic Services .....	319
5.3.8 General Administration and Other .....	336

## TABLE OF CONTENTS

	Page
<b>CHAPTER 6: 1990-91 BUDGET AND CAPITAL PROGRAM RESULT</b>	
6.1 Introduction .....	353
6.2 Recurrent Payments - Variations from Budget .....	355
6.3 Recurrent Revenues - Variations from Budget .....	370
6.4 Capital Program - Variations from Projections .....	376
<b>CHAPTER 7: FINANCIAL ARRANGEMENTS BETWEEN THE COMMONWEALTH AND NEW SOUTH WALES</b>	
7.1 Introduction .....	395
7.2 Recent Developments in Intergovernmental Financial Relations ...	396
7.3 Overview of Commonwealth Payments and Loan Council Allocations	405
<b>CHAPTER 8: MICROECONOMIC AND PUBLIC SECTOR REFORM</b>	
8.1 Overview .....	425
8.2 Public Sector Reform 1990-91 .....	427
8.3 Public Sector Performance .....	430
8.4 Regulatory Reform 1990-91 .....	433
8.5 Special Premiers' Conference Reform Program .....	436
<b>CHAPTER 9: STATE PUBLIC SECTOR FINANCES AND EMPLOYMENT</b>	
9.1 Interstate Comparison of Public Sector Size and Growth	
9.1.1 Overview .....	443
9.1.2 Revenue, Taxation and Charges .....	448
9.1.3 Outlays .....	458
9.1.4 Employment .....	464
9.1.5 Deficits, Debt and Debt Costs .....	475
9.1.6 Credit Ratings .....	484
9.1.7 Overview of 1991-92 State Budgets .....	487
9.2 New South Wales Government Liabilities	
9.2.1 Debt and Debt Costs .....	496
9.2.2 Superannuation .....	505
<b>CHAPTER 10: SPECIAL FINANCIAL TOPICS</b>	
10.1 Changes in Budget Presentation .....	513
10.2 Asset Management .....	522
10.3 Common Law Third Party Liability .....	527
10.4 Treasury Insurance Scheme .....	532
10.5 Natural Disaster Assistance .....	535
10.6 Community Service Obligations and Concessions .....	538

# **CHAPTER 1: SUMMARY AND OVERVIEW**

**1.1 Introduction**

**1.2 Financial Position Overview**

**1.3 The Financial Strategy**

**1.4 Budget Measures**

**1.5 Summary of Budget Results**



## 1.1 INTRODUCTION

Budget Paper No. 2 presents the overview of the State Budget and State finances, including the Capital Program, as well as supporting information.

### Major Changes in Budget Presentation

The 1991-92 Budget is presented in a different format and coverage to earlier years.

The major changes in 1991-92 are -

- presentation of the Budget aggregates on a Government Finance Statistics basis rather than on the traditional Consolidated Fund approach;
- publication of forward estimates of the overall Budget position as well as detailed revenue and Consolidated Fund recurrent payments for the period 1991-92 to 1993-94;
- Parliamentary appropriation on a net basis, that is appropriation of revenue from taxes, fines and regulatory fees but not of user charges and other agency revenue which are now fully retained by agencies, although identified in the Budget; and
- phased implementation of accrual accounting and budgeting for the Budget Sector.

Details of these changes are provided in Section 10.1.

### Guide to Budget Paper No. 2

Chapter 1 presents the overall Budget Sector financial position as well as setting out the Government's financial strategy and budget measures.

In order to put the Budget position into a proper historic perspective, information is provided for the last five years on the revised presentation of the Budget, consistent with the 1991-92 presentation. In addition, the Chapter provides projections of the Budget position for the years, 1991-92 to 1993-94.

Chapter 2 places the Budget into its economic context and in Section 2.4 information is provided on the sensitivity of the Budget to various key economic parameters.

In Chapter 3 detailed information is provided on Budget receipts paid into the Consolidated Fund. Information on receipts retained by individual organisations is not provided, though this information is provided by program in Budget Paper No. 3. A feature of Chapter 3 is the provision, for the first time, of projections of receipts for the forward years.

Budget payments information is provided in Chapter 4. While the main focus is on payments for the Budget Sector, total capital payments information is also provided which includes the capital payments for the Non Budget Sector.

Information on total recurrent payments by functional area is provided in Section 4.3, including an outline of the strategy and key issues in each functional area, while Section 4.4 provides information on forward estimates of Consolidated Fund recurrent payments for the years 1991-92 to 1993-94.

Chapter 5 presents the overall Capital Program, covering both the Budget and Non Budget Sectors. Information is provided in Section 5.3 on capital payments by functional area, including an outline of the capital strategy and key capital initiatives in each functional area.

Chapter 6 provides a comparison of the actual relative to projected Budget position and Capital Program for 1990-91. This is presented on a Consolidated Fund basis.

Chapter 7 provides an overview of financial arrangements between the Commonwealth and New South Wales.

The States are dependent to a significant extent on Commonwealth payments and Loan Council allocations. In the past a separate Budget Paper provided information on these payments and allocations. Commonwealth Budget Paper No. 4 provides extensive detail on Commonwealth-State Financial relations. In order to avoid duplication of this material and instead focus on the key issues and recent developments, the information on financial relations between the Commonwealth and New South Wales has been incorporated into Chapter 7 and the separate Budget Paper deleted.

Microeconomic reform, including reform of Commonwealth-State financial relations is an important issue facing the Australian community. The States play a vital role in this reform agenda. Chapter 8 outlines recent developments in microeconomic reform as well as providing updated summary performance information on New South Wales government trading enterprises. More detailed information on government trading enterprises performance is provided in a separate publication.

Chapter 9 provides comparative information, based largely on Australian Bureau of Statistics data, for the States and the Commonwealth. The comparisons cover the key areas of revenue, outlays, employment, debt and debt costs. Information is provided both at a total State sector level and for the general government sector.

In addition, information on New South Wales charges is provided in Section 9.1.2, while Section 9.2 presents information on New South Wales debt, debt costs and superannuation liabilities.

Finally, Chapter 10 outlines a number of financial issues that are considered topical. Issues covered include the changes to Budget presentation, details of asset sales, the origins and approach to funding the common law third party (motor vehicle) unfunded liability and budget funded concessions and obligations.

## 1.2 FINANCIAL POSITION OVERVIEW

### Budget Sector Financial Result

The financial result for the Budget Sector for 1990-91 and 1991-92 is set out in Table 1.1, while Table 1.2 provides a more detailed presentation.

**Table 1.1: Summary of Major Budget Aggregates**

	1990-91		1991-92		1992-93		1993-94	
	\$m	\$m	% change	\$m	% change	\$m	% change	
Total outlays(a)	17,299	18,390	6.3	18,744	1.9	19,610	4.6	
Total receipts	16,298	17,301	6.2	17,709	2.4	18,725	5.7	
Total Financial Result								
· unadjusted	(1,001)	661		(135)		(885)		
· adjusted for extraordinary items	(1,001)	(1,089)		(1,035)		(885)		
- Current Financial result	1,027	1,069		1,307		1,728		
- Capital Financial result(a)	(2,028)	(2,158)		(2,342)		(2,613)		

(a) excludes the impact of sale of business assets on capital outlays and capital financial result.

For 1990-91 the Budget result was a deficit of \$1,001 million, consisting of a recurrent surplus of \$1,027 million and a capital deficit of \$2,028 million.

The Consolidated Fund result was a deficit of \$158 million, compared to a budgeted surplus of \$34 million. The substantial difference between the Consolidated Fund result and the Budget Sector result reflects, in the main, the exclusion from the Consolidated Fund result of substantial capital outlays funded by off budget borrowings.

The 1991-92 Budget result is projected as a surplus of \$661 million. After excluding extraordinary item, namely the sale of business assets, the result is expected to be a deficit of \$1,089 million.

Receipts and outlays in 1991-92 are each projected to increase at broadly the same rate of between 2.5 per cent and 3.0 per cent above inflation. However over the two outyears, 1992-93 and 1993-94, budget receipts are projected to decline in real terms. Despite the pressure of a real decline in receipts, the Total Financial Result is projected to improve over the course of the three years to 1993-94, with the deficit projected at \$885 million in 1993-94.

### FINANCING TRANSACTIONS

For 1991-92 there will be a net level of debt retirement of \$661 million. The global borrowing allocation for 1991-92 is \$1,504 million of which \$318 million is required for the Non Budget Sector and local government.

In the event that the sale of business assets is not achieved within the financial year, the financing requirement of \$1,089 million would be funded by a combination of cash rundown and use of the global borrowing limit. The global borrowing limit is more than sufficient for this purpose.

Table 1.2: New South Wales Budget Sector Financial Result

	1990-91*	1991-92		1992-93		1993-94	
	\$m	\$m	% change	\$m	% change	\$m	% change
<b>CURRENT</b>							
<b>Current Outlays:</b>							
Interest payments	1,787	1,877	5.0	2,047	9.1	2,051	0.2
Superannuation	624	759	21.6	823	8.4	898	9.1
Subsidies to Non Budget Sector agencies -							
Redundancies	164	175	6.7	150	(-)14.3	167	11.3
Other	734	792	7.8	761	(-) 3.9	754	(-) 0.9
Departmental payments -							
Redundancies	4	189		...		...	
Other	11,867	12,315	3.8	12,377	0.5	12,801	3.4
Treasurer's Advance	...	100	n.a.	205	n.a.	315	n.a.
Total, Current Payments	15,180	16,207	6.8	16,363	1.0	16,986	3.8
less user charges	987	1,023	3.6	1,062	3.8	1,145	7.8
Total, Current Outlays	14,193	15,184	7.0	15,301	0.8	15,841	3.5
<b>Current Receipts:</b>							
Taxes, fees and fines	7,941	8,832	11.2	9,117	3.2	9,943	9.1
Income from Government Trading Enterprises	681	908	33.3	925	1.9	893	(-) 3.5
Grants from the Commonwealth	5,650	5,781	2.3	5,915	2.3	6,075	2.7
Other	948	732	(-)22.8	651	(-)11.1	658	1.1
Total, Current Receipts	15,220	16,253	6.8	16,608	2.2	17,569	5.8
<b>Current Financial Result</b>	<b>1,027</b>	<b>1,069</b>		<b>1,307</b>		<b>1,728</b>	
<b>CAPITAL</b>							
<b>Capital Outlays</b>							
Gross fixed capital payments -							
Olympic Games	...	60	n.a.	150	150.0	90	(-) 40.0
Other	3,025	2,902	(-) 4.1	2,960	2.0	3,176	7.3
Capital grants	541	620	14.6	651	5.0	683	4.9
Advances made	220	133	(-) 39.5	136	2.3	140	2.9
Total, Capital Payments	3,786	3,715	(-) 1.9	3,897	4.9	4,089	4.9
less advances repaid to Budget Sector	518	156	(-) 69.9	178	14.1	38	(-) 78.7
less asset sales	162	2,103	1,198.1	1,176	(-) 44.1	282	(-) 76.0
Total, Capital Outlays	3,106	1,456	(-) 53.1	2,543	74.7	3,769	48.2
<b>Capital Receipts</b>							
Commonwealth grants	1,078	1,048	(-) 2.8	1,101	5.1	1,156	5.0
<b>Capital Financial Result</b>	<b>(2,028)</b>	<b>(408)</b>		<b>(1,442)</b>		<b>(2,613)</b>	
<b>TOTAL</b>							
<b>Total Financial Result</b>	<b>(1,001)</b>	<b>661</b>		<b>(135)</b>		<b>(885)</b>	
Extraordinary Items	...	1,750		900		...	
<b>Total Financial Result excl. extraordinary items</b>	<b>(1,001)</b>	<b>(1,089)</b>		<b>(1,035)</b>		<b>(885)</b>	

## RECEIPTS

Over the past four to five years leading up to 1991-92 there has been a dramatic real decline in a number of major receipt items.

Property and share based revenue (consisting in the main of contracts and conveyancing duty, land tax, asset sales and share duty) has declined by \$519 million in real terms since 1988-89. The decline is due to the collapse of asset prices and the downturn in property market transactions.

Exacerbating the decline in own source revenue, the Commonwealth Financial Assistance Grant has been reduced by \$684 million in real terms since 1987-88.

In aggregate the real decline in property and share based revenue and Financial Assistance Grants is \$1.2 billion.

In 1991-92 net receipts are projected to increase by 6.2 per cent consisting of a 6.8 per cent increase in current receipts and a 2.8 per cent decline in capital receipts.

Taxes are projected to increase 11.1 per cent, due largely to improvement in contracts and conveyancing stamp duty receipts, reflecting improved conditions in the residential property market as well as the impact of the increase in the tobacco tax announced in the July Financial Statement.

The other major area of growth in receipts is contributions from government trading enterprises, which is projected to increase by 33 per cent in 1991-92.

Offsetting in part the strong growth in these areas is a projected decline in Commonwealth general revenue grants and specific purpose capital payments.

Beyond 1991-92 the receipt outlook is subdued, with little or no prospect of any recovery in the commercial property market, the phased abolition of share transfer duty, a severe decline in land tax revenue, as the decline in residential property values feeds into reduced revenue, and continued real declines in Commonwealth payments.

Details of receipts are provided in Chapter 3.

## CURRENT OUTLAYS

Overall, current outlays are projected to increase by 7.0 per cent in 1991-92. Factors contributing to the real growth include redundancy payments, interest costs and a large increase in superannuation payments, reflecting demographic trends and increasing coverage of the scheme.

Departmental current payments, which exclude redundancies, interest costs, superannuation and the Treasurer's Advance, are projected to increase by only 3.8 per cent in 1991-92, broadly in line with the rate of inflation.

The Government's budget strategy involves a three year phased implementation of expenditure savings, with only a partial impact in 1991-92. Savings in 1991-92 total \$230 million but build to over \$900 million by 1993-94.

In 1992-93, the impact of the savings strategies is projected to result in growth in departmental payments of only 0.5 per cent, while in 1993-94 the growth is only 3.4 per cent.

Over the three years to 1993-94 departmental current payments are projected to decline by 5 per cent in real terms.

While the overall situation is one of real decline in departmental current payments, there are a number of areas which will experience significant real growth.

In the Community Services area payments are expected to increase in real terms by nearly 9 per cent. This reflects substantial underexpenditure in 1990-91 and a carry forward of savings into future years, a budget initiative to address those most affected by the recession and growth in Commonwealth funding.

Other areas experiencing real growth in current payments include -

- the TAFE Commission, with real growth of nearly 6 per cent (excluding redundancy payments) largely due to the impact of the recent teachers award, and increased fee for service activities.
- Corrective Services, with real growth of over 9 per cent due to the opening of new prison facilities and the impact of increased prisoner numbers.
- Department of Industrial Relations, Employment, Training and Further Education, with real growth of over 6.0 per cent due to the Job Assist Scheme, directed at retraining of surplus public sector employees.
- Health, with real growth of over 1 per cent.

Redundancy payments are estimated to total \$364 million in 1991-92, up from \$168 million in 1990-91. The transport authorities will continue their downsizing program, with redundancy funding of \$134 million for the SRA and \$41 million for the STA.

For the Budget Sector, redundancy payments have been provided to a number of agencies, including Health, Department of Conservation and Land Management, Public Works Department, Department of School Education, Roads and Traffic Authority and the Department of Community Services.

Interest costs declined by 5.5 per cent in 1990-91 but are projected to increase by 5.0 per cent in 1991-92 and 9.1 per cent the following year. This turnaround is due to the impact of the funding of the common law third party liability of \$1.4 billion and the projected firming of interest rates as the economy recovers.

Details of recurrent payments are provided in Chapter 4.

## **CAPITAL OUTLAYS**

Capital outlays in 1991-92 are projected to decline by 52 per cent. This is in large part due to the impact of the sale of business assets, which are netted against capital payments to obtain outlays. Adjusting for the sale of business assets, capital outlays are projected to increase 3.2 per cent, broadly in line with inflation. However, the 1991-92 program includes the first year of capital funding for the Olympic Games. When this factor is excluded, capital outlays are projected to decline by 2 per cent in real terms.

Beyond 1991-92 the Budget projections assume that capital payments are capped in real terms, in accord with the Government's Financial strategy.

Details of capital payments are provided in Chapter 5.

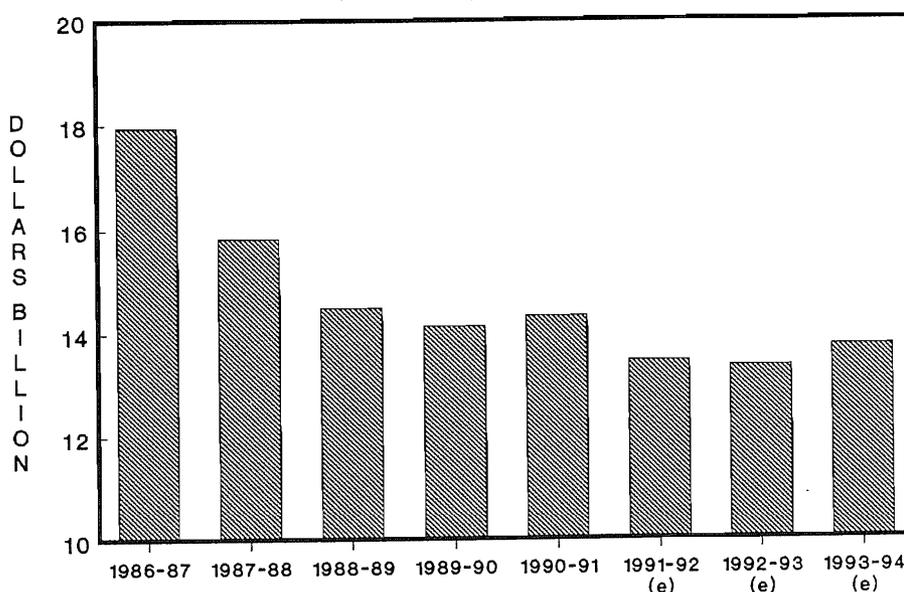
## FORWARD BUDGET POSITION AND NET DEBT

Beyond 1991-92, the forward two years demonstrate that the financial strategy is expected to avoid any further deterioration in the Budget position, despite the relatively weak revenue outlook. When combined with the privatisation proposals, the result will be a significant real decline in the Budget Sector net debt position.

Projecting forward net debt, after taking account of the Budget result for the next three years and including the funding for the common law third party unfunded liabilities, net debt in June 1994 is projected to be over \$600 million less in real terms than in June 1991.

**Figure 1.1**

### NET DEBT OF THE BUDGET SECTOR (Real terms, 1991-92 base)



## GENERAL GOVERNMENT AND TOTAL STATE SECTOR FINANCIAL RESULTS

While the Government Finance Statistics presentation of the Budget Sector is the appropriate focus of the budget strategy, it is desirable to also provide information on the basis of the Australian Bureau of Statistics (ABS) classification of State agencies. The ABS classification divides agencies not on the basis of their relationship to the Budget, but on the basis of their purpose. The two classifications are general government, which consists of agencies that in the main do not charge for the goods and services they provide, and government trading enterprises, which charge for goods and services. This alternative presentation fulfils two important purposes -

- first, it enables intergovernmental comparisons to be made based on consistent concepts and definitions.

While the Budget Sector presentation covers largely the same agencies and transactions as the general government sector, and is based on the same statistical conventions, there are certain differences of coverage of organisations. In particular, there are a number of organisations that are not in the Budget Sector as they are not funded substantially from the Consolidated Fund, but nevertheless have similar characteristics to Budget Sector organisations and are thus included in the general government sector. Examples of these are the Valuer-General's Department, the Auditor-General's Office and the Property Services Group.

- second, it provides a presentation of the financial position of the government trading enterprises sector and the overall State sector.

While in the past there were dramatic differences between the Budget, as based on the Consolidated Fund, and the ABS presentation of the general government sector, the two presentations now give very similar results.

Details of the ABS presentation of general government, government trading enterprises and total state sector is provided in Budget Paper No 6.

## PUBLIC SECTOR EMPLOYMENT

In the period June 1988 to June 1991 public sector employment has declined by 6 per cent or 19,600, whereas the overall New South Wales labour force increased by 4.5 per cent over the same period.

The decline in employment has been concentrated in the Non Budget Sector where employment has declined by 22,000 or 23 per cent, reflecting the increased efficiency achieved in a range of government trading enterprises. In contrast the Budget sector employment has marginally increased over the period by 1,800 or 0.8 per cent.

**Table 1.3: NSW Public Sector Employment, 1987 to 1992 (a)**

Sector	June 1988		June 1989		June 1990		June 1991		June 1992	
	No. (000)	% change								
Budget	216.8	1.3	215.7	(-)0.5	215.8	0.0	218.6	1.3	215.3	(-)1.5
Non Budget	95.7	(-)5.2	88.7	7.3	80.8	(-)8.9	73.7	(-)8.8	70.4	(-)4.5
Financial	9.1	1.2	9.3	2.2	9.8	5.2	9.7	(-)0.6	9.2	(-)5.2
Total	321.6	(-)0.7	313.7	(-) 2.5	306.4	(-)2.3	302.0	(-)1.4	294.9	(-)2.4
Total NSW Labour Force	2,705.5	3.0	2,751.5	1.7	2,804.4	1.9	2,827.3	0.8	-	-

(a) Table shows effective full time positions. Data for earlier years have been refined to make them comparable to the structure of Government administration in 1991-92 and are therefore not comparable with the data appearing in the corresponding table in earlier Budget Papers.

Source: NSW Treasury; Australian Bureau of Statistics Catalogue No. 6203.0.

While considerable caution is required in projecting staff numbers, the broad outlook is for further decline in staff numbers in the coming year. Unlike the past trend, the decline should occur across all sectors as pressure for improved efficiency and focus on core functions leads to shedding of staff.

Between June 1991 and June 1992, staff numbers are projected to decline by 2.4 per cent or 7,100.

In the Budget Sector staff numbers are projected to decline by 1.5 per cent or 3,300 across a wide range of agencies including the Roads and Traffic Authority, Department of Agriculture, cultural institutions, Department of Conservation and Land Management, Department of Community Services, the Natural Resource portfolio, the Office of Education and Youth Affairs and the head office of the Department of School Education and a number of other agencies.

For the Non Budget Sector, staff numbers are projected to decline by 4.5 per cent or by 3,300 also. The reduction in the Non Budget Sector reflects further productivity improvement in a number of agencies, the principal ones being Electricity Commission, State Rail Authority, State Transit Authority, Water Board and the Maritime Services Board.

## CAPITAL PROGRAM

The Capital Program covers both the Budget and Non Budget Sectors and is presented below on a payments rather than outlays basis.

The 1991-92 Capital Program is projected at \$5,517 million, a real increase of 3.2 per cent over 1990-91.

**Table 1.4: Capital Program and Source of Funding**

	1990-91	1991-92	
	\$m	\$m	% change
<u>Capital Payments</u>			
Budget Sector -			
Olympic Games	...	60	...
other	3,605	3,521	(-) 2.3
Non Budget Sector	1,565	1,936	23.7
Total	5,170	5,517	6.7
Financed by:			
Commonwealth Payments	1,078	1,048	(-) 4.3
Current Budget Support	1,683	1,908	18.7
State Capital Receipts	844	625	(-) 32.8
Government Trading Enterprises:			
Revenue	697	768	10.3
Reserves	564	850	50.7
Borrowings	304	318	4.3
Total	5,170	5,517	6.7

The overall real increase, in the Capital Program involves a real decline in the Budget Sector, due to the difficult financial position faced by the State, and a 23.7 per cent increase in the Non Budget Sector, mainly in the areas of electricity and water supply.

## 1.3 THE FINANCIAL STRATEGY

### Objectives

Financial strategies and targets are not objectives in themselves, but are means to an end. In order to understand the rationale for the financial strategy it is necessary to set out the ultimate objectives that are to be achieved.

There are three key objectives, which were first set out in the July Financial Statement.

#### **MAINTAINING CONFIDENCE AND IMPROVING LIVING STANDARDS**

First and foremost, it is vital to maintain confidence in the State's financial management and hence protect and further improve living standards. The importance of confidence is illustrated by the example of other States such as Victoria, Western Australia and South Australia where the loss of consumer and business confidence has exacerbated the impact of the economic recession. This loss of confidence affects investor and consumer attitudes and behaviour and ultimately decisions on spending and, hence, employment.

A reduction in confidence of the business sector, domestic and overseas investors and ratings agencies would have an impact first through the State's credit rating. At present, New South Wales enjoys, together with Queensland, a AAA credit rating. A downgrading would have a direct impact on the Budget through higher costs of funding which would in turn crowd out beneficial social expenditure. This is highlighted by the fact that Victoria has to pay an extra one quarter of one per cent for its borrowings relative to New South Wales.

Second, and more importantly, a reduction in confidence would have an impact on consumer and business investment decisions, leading to further deterioration in economic activity and employment. These direct impacts would also have indirect effects on the Budget through reduced revenue collections.

#### **BETTER, MORE RESPONSIVE SERVICES**

Secondly, it is desired to provide better, more consumer-responsive services.

The Commonwealth's responsibilities are broadly confined to economic management, external relations, setting of national objectives, income support and security and funding other levels of Government.

In contrast, the States provide the full range of both general government services such as education, health, community services, law and order, natural resources and land management, as well as the provision of public infrastructure such as roads, public transport, power, water supply and ports.

Citizens expect responsive, high quality public services. Achieving this requires service providers to be more accountable to consumers. It also means encouraging competition in service provision so as to give consumers more choice. Producers, whether in the public or private sectors, become unresponsive when their clients cannot turn to alternative sources of supply.

The Government's program of management reforms has as its focus the need to create a service culture for organisations, while at the same time improving efficiency in the provision of services.

## **FLEXIBILITY FOR THE FUTURE**

Thirdly, it is desired to contain the State's debt and debt costs so as to avoid in the future the crowding out of high priority social expenditure by debt costs and maintain the financial flexibility to respond to future needs and adverse developments.

Debt has been successfully contained for the State public sector over recent years. However, the financial deterioration due to the collapse of revenue has the potential to increase Budget Sector debt and debt servicing costs quite dramatically unless corrective action is taken.

## **Review of Medium Term Financial Strategy**

In the 1988 Economic Statement and the subsequent 1988-89 Budget, the Government set out a five year financial strategy for the State.

This was the first time that a comprehensive, multi year financial strategy had been articulated in New South Wales.

The strategy involved -

- containing debt;
- improving Government efficiency by freezing current expenditure in real terms, with growth in priority areas such as health and law and order to come from productivity savings;
- renewal of infrastructure in high priority areas such as roads, hospitals, courts and prisons, financed increasingly from productivity savings and strategic asset sales and leases rather than through debt; and
- transforming New South Wales from a high tax to a low tax State.

To a substantial degree the objectives set out in the strategy have been achieved, particularly in the areas of debt containment, restraint in taxes and charges and renewal of infrastructure. This strategy has placed New South Wales in a strong position to weather adverse economic circumstances. However, a series of external factors has put the Budget under severe pressure in the last two years and the poor revenue outlook will continue to place severe pressure on the Budget in the future.

While the main focus of the strategy was the Budget Sector, elements were also applicable to the government trading enterprises in the Non Budget Sector. Success in improved performance of the government trading enterprises assists the Budget strategy by increasing revenue from dividends and taxes.

Table 1.5 summarises the overall results achieved against the Government's medium term financial strategy.

**Table 1.5: Summary of Results Achieved Against Medium Term Financial Strategy**

Strategy	Performance			
	1987-88	1988-89	1989-90	1990-91
<b>Constrain Debt</b>				
. Budget Sector net debt/GSP (%)	11.9	10.3	10.1	10.4
. overall State sector net debt/GSP (%)	19.2	15.7	15.1	15.0
. debt servicing costs				
- % change	14.2	7.1	7.7	(-) 5.5
- % of Budget outlays	12.5	12.1	11.4	10.4
. Budget Sector financial result (\$m)	(329)	173	(728)	(1,001)
. Government Trading Enterprises payments to the Budget (\$m)	129.0	261.0	344.0	590.1
<b>Improve Efficiency</b>				
. freeze recurrent payments in real terms				
- annual % change	3.6	1.0	(-) 0.3	2.4
- cumulative % change since 1987-88		1.0	(-) 0.7	1.0
. contain public sector employment ('000)				
- Budget Sector	217	216	216	219
- Non Budget and other	105	98	91	83
- total	322	314	306	302
. GTE operating surplus (\$m)	410	317	810	798
<b>Renew Infrastructure</b>				
. real change in Budget Sector capital expenditure (% change)	(-) 11.6	4.4	16.0	5.1
. Budget Sector asset sales (\$m)	54	433	248	162
<b>Reduce Relative Tax Burden</b>				
. NSW Tax Severity Index (Index = 100)	104.6	103.3	100.2	n.a

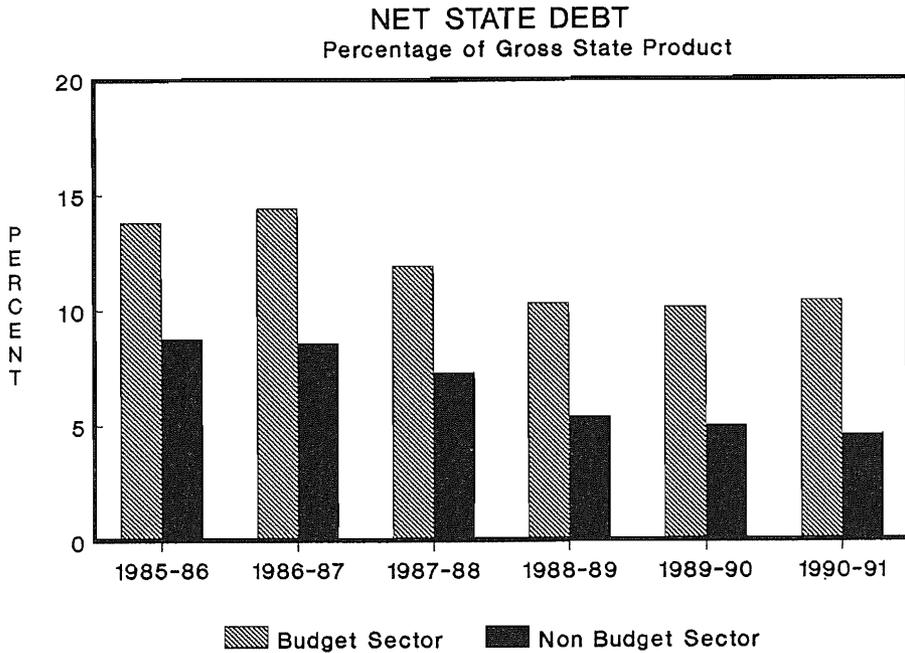
## Containing Debt

Debt as a proportion of Gross State Product has been reduced consistently over each of the last four years for the Budget and Non Budget Sectors.

The most appropriate measure of debt is net debt, that is gross debt less financial assets.

On this measure, expressed as a proportion of Gross State Product, there has been a consistent downward trend.

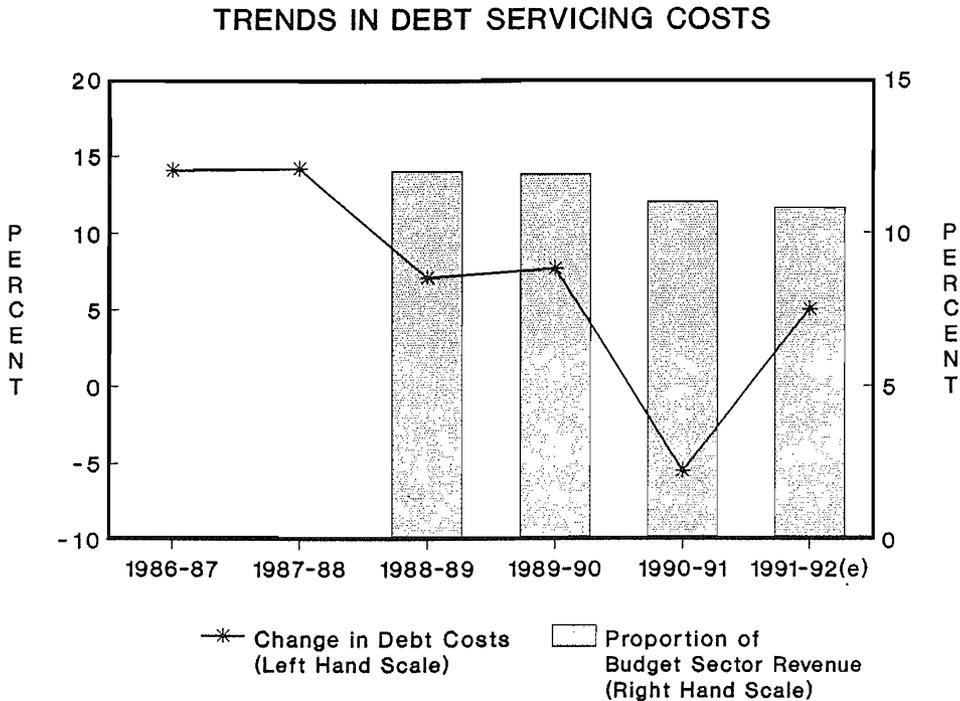
**Figure 1.2**



The restraint in Budget Sector debt has curtailed the previous strong growth in Budget Sector debt costs.

In the five years to 1987-88, debt servicing costs for the Budget Sector increased at an annual average rate of almost 20 per cent. Since that time, the growth rate has slowed to less than the inflation rate. As a proportion of Budget outlays, debt servicing costs have declined from 12.5 per cent to 10.3 per cent over the same period.

Figure 1.3

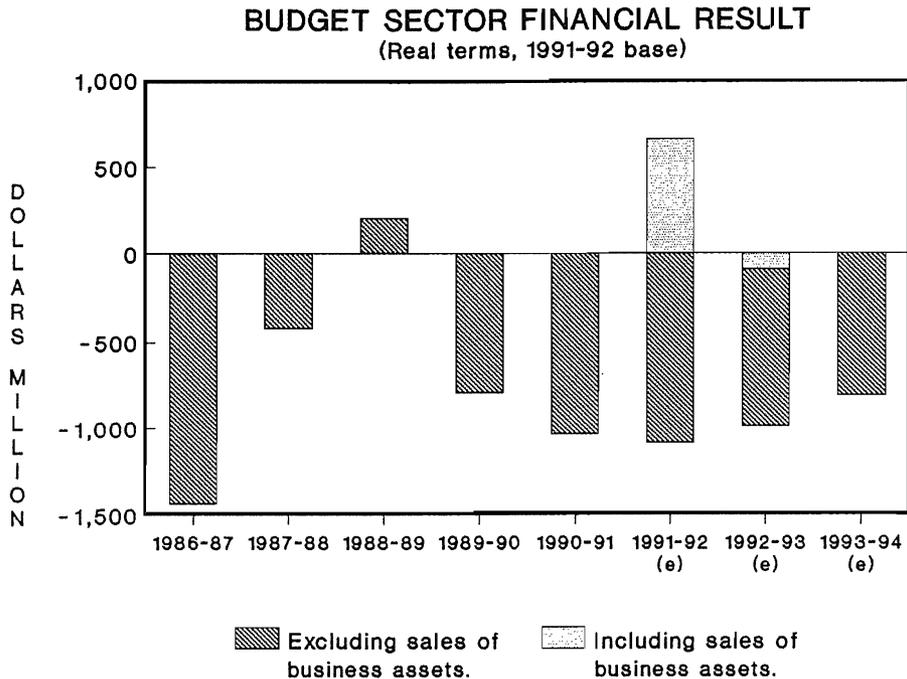


The original target of balancing the budget was expressed in terms of the Consolidated Fund, which is a very partial measure of the financial position of the Budget Sector. The Consolidated Fund excludes substantial capital payments in the health and public transport sectors and hence understates the financing requirement. In addition, the Consolidated Fund is not governed by set accounting or statistical standards so the coverage of transactions and organisations can change over time, providing no basis for comparison with other Governments. Finally, the Consolidated Fund can reflect both economic transactions and the transfer of funds and so cannot be utilised to assess the economic impact of the Budget.

In view of these deficiencies, a comprehensive measure of the Budget Sector's financial position has been adopted to replace the Consolidated Fund presentation. The new presentation is based on the Australian Bureau of Statistics Government Finance Statistics format, terminology and definitions as applied to the Budget Sector.

In 1988-89, a surplus of \$173 million was achieved, reflecting the combined impact of the last boom year in property revenue and constrained Government payments.

Figure 1.4



Since that time the Budget position has deteriorated largely as a result of the deteriorating revenue position due both to the collapse of the property market and values and the cutback in Commonwealth payments to New South Wales.

The unchanged policy projections of the budget result for the years 1991-92 to 1993-94 were for a deficit of the order of \$1.75 billion to \$2.0 billion per annum due to the continued impact of the revenue slowdown.

If this had not been addressed, it would have fed into the net debt position, reversing the previous downward trend and increasing the debt cost burden.

Recurrent expenditure for the Budget Sector has been constrained broadly to zero real growth over the period 1988-89 to 1990-91, in contrast to the previous three years to 1987-88, when current expenditure increased on average by nearly 3 per cent per annum in real terms.

Public sector employment for the Budget Sector has been kept broadly constant over the four year period, while employment in the Non Budget Sector has declined by 23 per cent or 22,000 since June 1988. Associated with the decline in employment for the government trading enterprises sector has been increased output and hence significant increase in productivity. Details on these developments are provided in Chapter 8.

The government trading enterprises sector has also achieved an improved operating surplus position, due to reduced cost and improved efficiency rather than increased real prices. In 1987-88, the government trading enterprises sector recorded an operating surplus of \$410 million. This is estimated to increase to over \$940 million in 1991-92. This trend reflects both the cutbacks in State Rail Authority and State Transit Authority operating losses, as well as improved profitability for the commercial government trading enterprises, particularly the electricity sector.

## **Renewal of Infrastructure**

The budget sector capital program has experienced strong real growth since 1987-88 in areas such as roads, hospitals, court facilities and prisons.

This strong growth reflects a number of factors -

- acceleration in the asset sales program for the Budget Sector which increased from \$54 million in 1987-88 to \$433 million in 1988-89, before falling back to \$162 million in 1990-91;
- hypothecation of roads revenue and the 3 x 3 petroleum franchise levy which has substantially boosted, in real terms, expenditure on the State's roads; and
- increased Budget support for the capital program.

While the strong growth of the last three years has assisted in addressing the backlog in the State's infrastructure, it will not be possible to sustain this level of spending in the future due to the deteriorating Budget position and the decline in asset sales.

## **Reduction in the Relative Taxation Burden**

Despite the fact that the economic climate and revenue position have not been conducive to reducing taxation, the tax burden in New South Wales has declined relative to other States.

It is true that tax revenue per capita in New South Wales and Victoria is higher than other States. This has been the case throughout the entire post war period and will continue to be so until there is significant Commonwealth-State financial reform.

This largely reflects the impact of the subsidy provided by the taxpayers of New South Wales and Victoria to those in other States. In 1991-92, the level of subsidy is \$2,361 million, the details of which are provided in Chapter 7. This subsidy necessitates New South Wales and Victoria relying more on their own revenue sources than the smaller States.

Using Commonwealth Grants Commission data it is possible to calculate a tax severity index that takes account of the level of taxation relative to the State's tax base. On this measure, the severity of taxes was 4.6 per cent higher than other States in 1987-88, but by 1989-90, the latest years for which information is available, the index is nearly on a par with the rest of Australia and is expected to be lower again in 1990-91.

**Figure 1.5**

**NEW SOUTH WALES TAX SEVERITY INDEX**  
(Average of other States: 100.0)



As a result of the tax changes announced in the 1990-91 State budgets, New South Wales has shifted from being a State with relatively high tax rates to one with relatively low tax rates in most cases.

At present, tax rates in New South Wales are among the lowest for stamp duties, land tax and gambling taxes and in the middle range for payroll tax and business franchise licences (other than motor spirit). With motoring taxes, where New South Wales has the highest rates, it is one of the few States to dedicate the majority of these taxes to road construction, maintenance and safety.

From 1988-89 to 1990-91, it is estimated that New South Wales non tax charges have declined 1.8 per cent in real terms.

Details of both relative tax burden and increases in charges are provided in Chapter 9.

Despite the real decline in State charges, government trading enterprises have substantially increased the level of payments to the Budget from \$129 million in 1987-88 to \$590 million in 1990-91. This increase was due to productivity improvements and the growth in demand for services.

## **FINANCIAL PRESSURES**

There are a series of factors that are placing severe pressure on State finances. Most of the factors are external and beyond the direct control and influence of the Government, though a few can be influenced by policy changes.

## Property Market Downturn

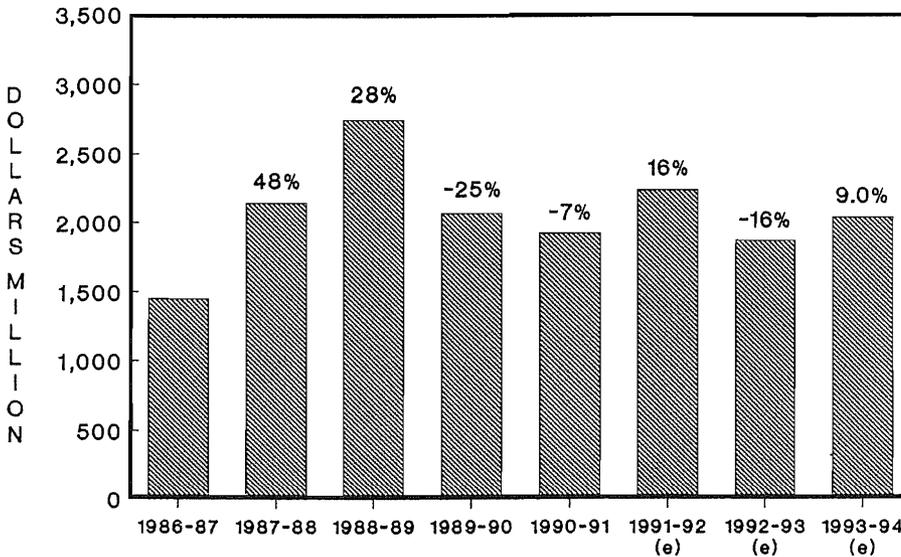
State revenue is particularly sensitive to the property market cycle, though it is also influenced by the separate but related economic cycle.

Property revenue consists of broadly 18 per cent of State revenue, though at its peak in 1988-89 it constituted 27 per cent. The major elements of property revenue are contracts and conveyancing duty, land tax, share transfer duty and asset sales.

Between 1988-89 and 1990-91, property revenue has declined by \$830 million in real terms.

Figure 1.6

### REAL LEVEL OF STATE PROPERTY AND EQUITY REVENUE



The major component of the fall was stamp duty on contracts and conveyancing, with the fall reflecting the severe downturn in commercial property values as well as residential dwellings. Moderate growth is projected for the forward years, although as can be seen from Figure 1.6 this will not recover to any significant degree the loss in revenue from the peak level of 1988-89. The recovery is due to a projected improved turnover in residential properties, with little or no recovery projected for the commercial property market.

Land tax revenue increased substantially in the period from 1987-88 to 1990-91, but is projected to fall in real terms by 34 per cent or \$280 million between 1990-91 and 1993-94 as the impact of reduced land values flows through to land tax assessments.

Share transfer duty, which has been severely affected until recently by the downturn in the equity markets will be phased out over the coming years in response to the foreshadowed abolition of similar duty on the competing London Stock Exchange. Duty has already been abolished in New Zealand.

Asset sale proceeds of the Budget Sector peaked at \$433 million in 1988-89 and declined to \$162 million in 1990-91. While there is projected to be some improvement in 1991-92, this simply reflects the sale of certain major assets deferred from 1990-91. Overall, for the period to 1993-94 and beyond, there is not expected to be an improvement in the commercial property market and hence in the State's asset sales program.

### Economic Recession

State Budgets are less sensitive to the economic cycle than the Commonwealth Budget, particularly on the expenditure side due to responsibilities of the Commonwealth for social security and unemployment benefits.

However, compounding the impact of the property market slowdown on State revenue, the economic recession has impacted on a range of revenue sources, the most significant one being payroll tax.

For the forward period there will be a moderate improvement as the economy recovers, though by past standards, the economic recovery is expected to be relatively subdued due to expected continuing tight monetary and fiscal policy directed at restraining national spending so as to correct the balance of payments deficit and reduce inflation.

### Commonwealth Payments and Allocations

Commonwealth payments in 1991-92 will again be cut in real terms, continuing a longer term trend.

**Table 1.6: Commonwealth Payments to New South Wales**

	1990-91	1991-92	Real Change		Year of Peak Real Level	Real Change from Peak Level
	\$m	\$m	\$m	%		
Financial Assistance						
Grants	3,702	3,623	(-) 125	(-) 3.3	1986-87	(-) 685
General Capital						
Payments	80	99	16	19.6	1975-76	(-) 1,375
Recurrent Specific						
Purpose Payments (a)	1,940	2,190	182	9.1	1991-92	...
Capital Specific						
Purpose Payments (a)	1,054	993	(-) 98	(-) 9.0	1983-84	(-) 130
Total Gross Payments (b)	6,776	6,909	(-) 20	(-) 0.3	1984-85	(-) 1,252
Total Net Payments (c)	6,262	6,001	(-) 7	(-) 0.1	1984-85	(-) 1,151

- (a) Excludes "letter box" payments (i.e. those for higher education, local government non-Government schools, and coal industry long service leave for which New South Wales acts only as paying agent for the Commonwealth).
- (b) Includes special revenue assistance; excludes "letter box" payments.
- (c) Repayments of Commonwealth loans and advances are deducted from total gross payments.
- (d) Real changes take account of the transfer of different taxing powers to the States (e.g. debits tax), and the increased loan repayments resulting from the Loan Council decision on the takeover by the States of Commonwealth debt raised on their behalf.

Relative to their real peak level, total Commonwealth net payments are \$1,151 million less in real terms in 1991-92.

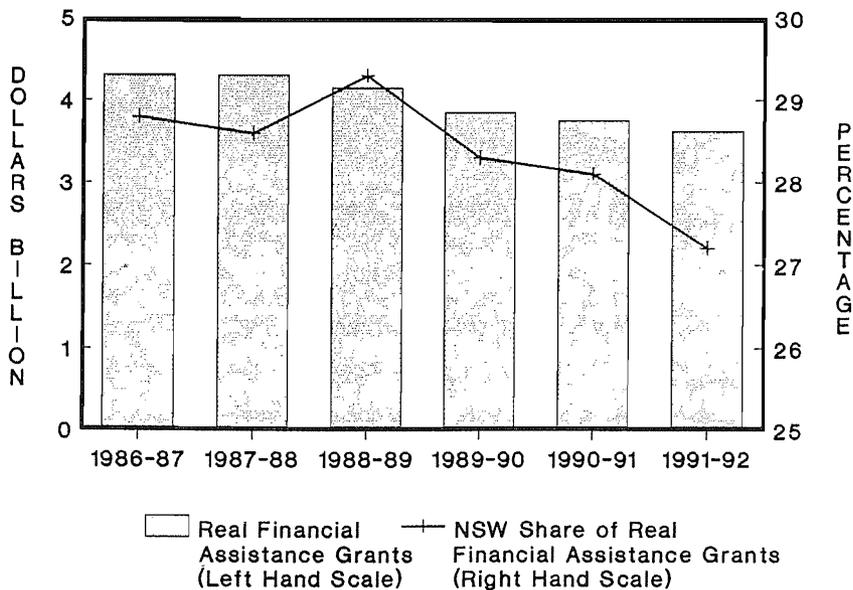
Over the period since 1987-88 Commonwealth payments have declined by \$589 million in real terms, with \$685 million of the decline in untied financial assistance grants.

For the forward period it is unlikely that there will be any improvement in the funding position due to -

- the continuing pressure on all Governments to maintain fiscal restraint, curtailing the ability of the Commonwealth to fund the States;
- the process of fiscal equalisation, whereby New South Wales and Victoria subsidise the smaller States and Territories to the extent of broadly \$2.3 billion per annum. It is likely that New South Wales will continue to experience a deteriorating share of financial assistance grants as the constraint on the overall level of Commonwealth payments to the States means that the relative proportion of such payments required for fiscal equalisation of the smaller States increases.

Figure 1.7

COMMONWEALTH FINANCIAL ASSISTANCE GRANTS  
(Real terms: 1991-92 base)



## Common Law Third Party and Workers Compensation Funding

In 1984 the then State Government adopted a policy of pay-as-you-go funding for the Common Law Third Party (CTP) motor vehicle scheme.

In July 1989 a new private sector fully funded scheme was introduced. This meant that the premium income was no longer available to fund the past accumulated unfunded claims, which totalled \$1.4 billion as at December 1990.

By the December quarter of 1991, the Third Party fund will be exhausted of liquid assets and will require additional funding for the claims as they are finalised. This will mean that the Budget Sector will progressively assume responsibility for a \$1.4 billion unfunded liability.

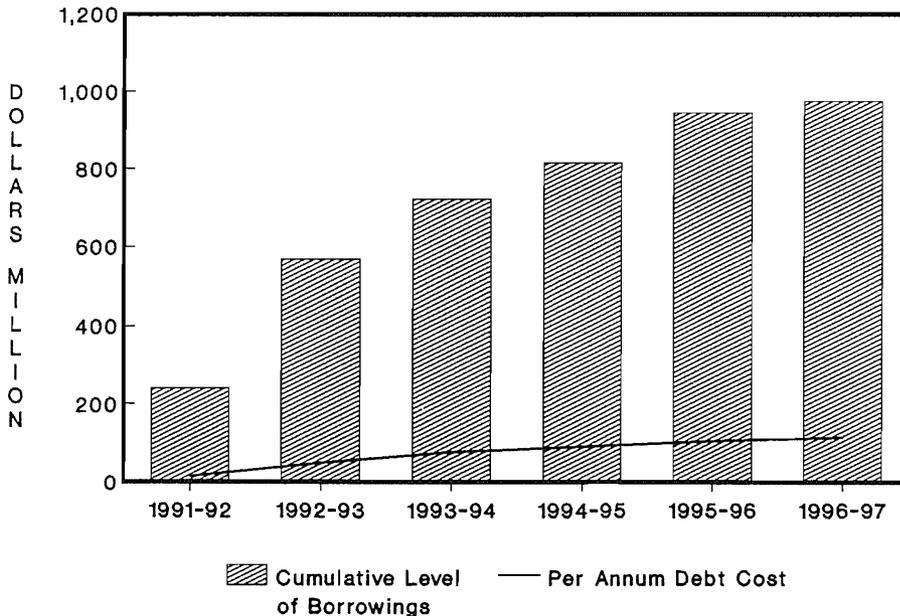
At the same time there is a smaller, unfunded liability for governmental workers' compensation.

It is intended to fund the additional liability for both the common law third party scheme and workers' compensation in the first instance from available surplus borrowing capacity. While this will not increase the gross level of debt, it will increase the net level of debt over the next four to five years as funds previously borrowed and invested are drawn down to meet emerging third party claims.

The cost of the claims has been excluded from the Budget Sector financial result as an extraordinary item, but it does impact through increased debt costs which are estimated to be increased by \$131 million per annum by 1997.

**Figure 1.8**

### COMMON LAW THIRD PARTY MOTOR VEHICLE FUNDING

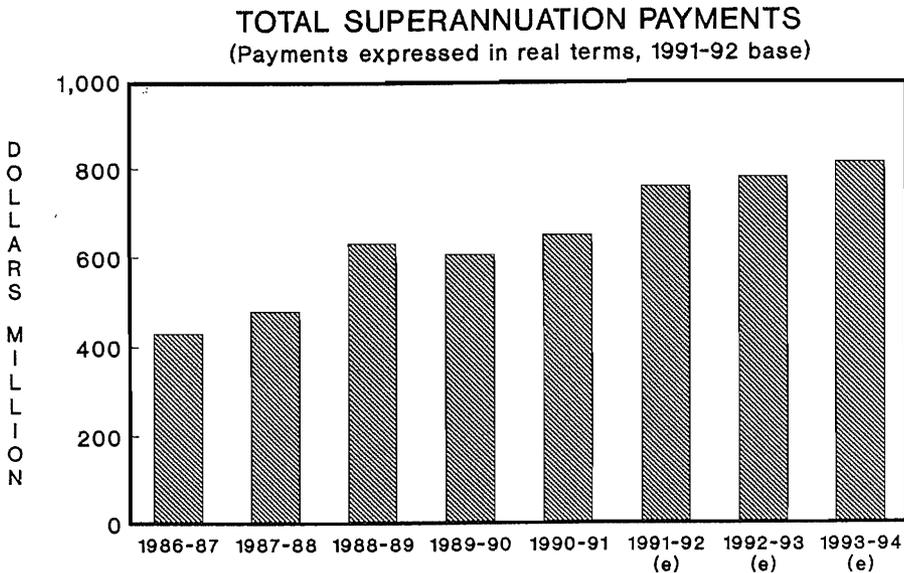


Details on this matter are set out in Section 10.3.

## Superannuation Funding

Employer superannuation costs have only been partly funded in the past, with funding largely provided as cash costs emerge. Superannuation costs are projected to increase significantly in the coming years due to the impact of retirements and redundancies. Also, in the case of the State Authorities Superannuation Scheme, the increasing coverage of employees is projected to increase costs.

**Figure 1.9**



## Microeconomic Reform

The strategy of downsizing and improving the efficiency of Government has significant benefits in terms of the cost of Government. However, the short to medium term impact involves significant financial cost as redundancy payments are funded and superannuation costs of those made redundant are paid out.

In the last three years the major area of redundancy funding for the Budget Sector has been in the public transport area as the State Rail Authority has downsized from approximately 37,000 employees to under 27,000 by June 1991.

This process will continue in 1991-92 and beyond and will be extended to a number of other agencies. In 1991-92, redundancy funding will total \$364 million compared to \$168 million in 1990-91. Increased redundancy payments not only reflect the Government's policy of achieving improved efficiency, but also the reduced opportunities for using normal staff attrition to reduce employment.

In addition, the community service obligations arrangements with the State Transit Authority have been restructured to facilitate the move to a fully commercial model for the State Transit Authority (STA) and possible future corporatisation. In the past, the community service obligations payments to the STA for non commercial services have understated the actual cost for two reasons. The first is that the cost was expressed in cash terms not accrual terms. Secondly, there was a significant degree of cross subsidy from profitable to non profitable routes.

These factors have been adjusted for and, with the addition of certain other community service obligations, have increased the cost to the Budget on the payments side by \$91 million per annum, with an offset on the revenue side of \$58 million.

**Table 1.7: Redundancy Costs**

	1988-89 \$m	1989-91 \$m	1990-91 \$m	1991-92 \$m
Budget Sector agencies	12.5	18.4	6.9	189.0
Subsidies to Non Budget Sector agencies -				
SRA/STA	10.9	159.0	163.6	174.7
Other	...	10.6	...	...
Total	23.4	188.0	170.5	363.7

### **Demand Driven Programs**

There are a large number of programs in the Budget Sector, such as health and education, that are demand driven in part or whole.

Some of these demand driven programs offer little discretion to manage the level of demand without a policy change and are exhibiting strong increases in cost.

The major program in this category is the School Student Transport Scheme which has increased rapidly in cost over the years. With the impact of de-zoning and the shift to private schools, the costs are projected to further increase substantially in real terms in the future.

### **1991-92 Budget Strategy**

The medium term Budget Strategy remains an appropriate framework for budget policy.

However, in 1991-92 and the two forward years, New South Wales is faced with severe revenue pressures due to the impact of the economic recession, the collapse of the property market and continued real cuts in Commonwealth funding.

Under such circumstances, it is necessary to de-emphasise, over the coming three years, the strategy of renewing infrastructure and achieving further reductions in tax burden and place prime emphasis on containing debt.

Accordingly the 1991-92 Budget strategy has as its prime objective the containment of Budget Sector net debt by -

- ***targetted reduction in current outlays***

Ministers were provided with portfolio savings targets and asked to advise on options to achieve these. The Expenditure Review Committee evaluated all options and strategies.

Prime emphasis was placed on achieving savings through contracting out, increased application of user charges and corporate support downsizing and rationalisation of activities. Certain lower priority programs were also reduced.

- ***minimisation of taxation increases***

Consistent with the medium term budget strategy and with the need to avoid adding to inflationary pressures or exacerbate the impact of the recession on the community, no further significant taxation initiatives are contained in the Budget other than those announced in the July Financial Statement.

- ***reduction in Budget Sector capital program***

After several years of strong growth, particularly in the law and order, health and roads areas, the capital program has been cut in real terms in 1991-92 and will be capped at this level in real terms for the forward years, despite the impact of the Olympic Games funding requirements. Indeed when the impact of the Olympic Games funding is excluded, the Budget Sector capital program will decline by 5.7 per cent in real terms in 1991-92.

- ***sale of Business Assets***

As announced in the July Financial Statement, the Government is proceeding with the sale of the GIO in 1991-92 and plans to sell the State Bank in the next two years. The proceeds of the sales will be fully applied to debt retirement.

Other business asset sales that are in train include the sale of the Grain Corporation and the sale of Elcom's collieries.

## **1.4 BUDGET MEASURES**

### **Budget Initiatives**

In the context of the difficult budgetary outlook, it is not possible or appropriate to fund major new initiatives.

However, in view of the difficult economic environment faced by the community, select initiatives have been undertaken to assist those on low incomes, the unemployed and the disadvantaged.

In addition, improvements in efficiency and in the approach to service delivery and organisations will provide improved performance in key areas of law and order and health.

### **EMPLOYMENT AND TRAINING SCHEMES**

Various strategies have been put into place by the Government to combat unemployment. Employment and training programs of the Department of Industrial Relations, Employment, Training and Further Education are geared to developing job skills and training infrastructure as well as providing employment generating packages based on community activities. The Department has been allocated \$34.2 million in 1991-92 for employment programs.

A major component of the employment programs is the workplace initiative of which \$6.6 million has been earmarked to assist community based organisations in providing training, counselling, job placement and post placement support services. As part of this initiative \$2.8 million has been allocated to the Mature Workers Program and this represents an increase of 45.7 per cent on 1990-91 expenditure. Approximately 1,480 people will be assisted under this program which reflects the Government's commitment to assisting both retrenched and older workers in re-entering the workforce.

As part of the strategy of achieving improved efficiency in the public sector, the Government has introduced the Job Assist Scheme. The Scheme has been provided with \$6 million in funding in 1991-92 and is directed at providing a range of assistance to surplus public sector employees, including retraining and outplacement.

### **COMMUNITY SERVICES**

Total payments for welfare services in 1991-92 are projected to increase by 12.0 per cent, a real increase of 8.2 per cent.

The economic recession has increased the number of low income and unemployed seeking support from charitable and other community support organisations.

In order to effectively channel assistance to those most in need, a \$10 million Recession Support Package will be funded in the 1991-92 Budget. The initiative involves the provision of funding to a range of community support organisations to enable them to help those adversely affected by the current recession.

Specific Recession Support initiatives are -

- the provision of a total of \$4 million in block grants to community based organisations, including Careforce, the St Vincent de Paul Society, Wesley Mission, the Sydney City Mission, the Salvation Army, the Smith Family and Centacare to provide assistance in both urban and rural areas to those individuals and families falling within the target group;
- once-off supplementation of \$2 million to non-government organisations providing emergency cash assistance to those in need. This amount approximates the funding provided by the Commonwealth, which has primary responsibility for this area, in the current calendar year;
- an amount of \$1.75 million to provide mortgage and rent relief assistance to the unemployed. This amount will be in addition to the \$21.1 million already allocated for this purpose in 1991-92 and will be administered through the Department of Housing;
- a total of \$2 million to provide additional support to existing welfare recipients; and
- an amount of \$250,000 to fund a toll free credit line which will provide financial crisis counselling.

From the 1992 Land Tax year, boarding houses which allocate a substantial proportion of their available accommodation to long term boarders on income support schemes will be exempt from land tax. This measure will cost \$6 million in 1991-92 and \$8 million in a full year.

In addition to these Budget funded initiative, the Department of Community Services is undertaking an extensive rationalisation program directed at downsizing corporate support and administrative overheads and freeing up discretionary funds for higher priority areas. Growth monies will be provided in 1991-92 for Home and Community Care, Supported Accommodation and Children's Services Programs.

The Home and Community Care Program is directed at assisting frail aged people and people with disabilities who live in their own home. In 1991-92 recurrent funding will increase by 7.1 per cent.

Supported Accommodation provides funding to organisations to assist in providing short term emergency accommodation to those in need. Funding in 1991-92 will be up 11.9 per cent.

Protection of children programs are concerned with protecting children from abuse and exploitation and will have funding increased 12.8 per cent in 1991-92.

Beyond the immediate pressures caused by the current recession, there is a need to strategically reassess the community services area.

The area of community services has involved extensive duplication of effort and confusion of roles and responsibilities between the Commonwealth and the States. The Special Premiers' Conference provides an opportunity to clarify responsibilities in this area and hence provide a more effective service.

Consistent with the trend at the Commonwealth level in the area of social security, the major priority will be to more effectively target resources to the high priority areas of need.

Complementary to this trend, it is also necessary to achieve the most effective delivery of services through exploration of options to contract out service provision to the volunteer and private sector.

A third challenge for the coming year will be to more effectively link welfare and health service provision, particularly to aged people and people with disabilities.

Finally, there will be further devolution of responsibilities from the centre to local management to improve the effectiveness and responsiveness of service provision.

## HEALTH

The ageing of the population, together with the development of new technology, and the need for infrastructure renewal will place major pressures on health resources over the coming decade.

New South Wales will continue to work co-operatively during 1991-92 with the Special Premiers' Conference and the National Health Strategy Review to seek to reform Commonwealth-State roles and policy in the health area.

A major priority is the reform of the medicare system, particularly in terms of its approach to public hospitals. While accepting the need for universal health coverage, it is clear that the current system imposes severe pressures on public hospitals, acts as a barrier to the further development of an already under-utilised private hospital sector, is producing significant pressures on health insurance and encouraging cost shifting between Governments.

In view of the high Government priority in the health area, there has been no portfolio savings applied, although growth funding has been removed. Total payment for health in 1991-92 will increase by 4.9 per cent, a real increase of 1.3 per cent.

In future, the health area will need to address the increased demands on its services through more effective provision of services and resource reallocation from low priority areas and need to high priorities.

The Minister for Health Services Management has announced initiatives to achieve significant reforms in the health area, including -

- transferring resources from small, poorly equipped hospitals to neighbouring teaching hospitals. This is expected to both improve the efficiency and effectiveness of the health system and the quality of services provided to the community;
- directing acute services to where the highest demand is, particularly in the under-resourced west and south west; and
- building on existing strengths by providing specialist services which are responsive to community needs in areas such as rehabilitation and aged care.

A consistent long term trend in the hospital area has been the decline in the length of stay of patients. This trend is expected to continue and indeed is likely to accelerate. The National Health Strategy Review has concluded that Australia has too many hospital beds and the continued decline in the length of stay of patients will exacerbate this situation further. Throughput of patients rather than the number of beds should be the standard by which the hospital system is judged.

Major new facilities are being constructed at St George, Nepean, Liverpool and Westmead. It is necessary to effect a transfer of resources to these new facilities and to where the needs are greatest by the rationalisation of existing poorly located and under-utilised facilities. A number of hospitals will either be closed or have their roles redelineated, including Marrickville, Parramatta, St Josephs, Auburn, Sydney Hospital and Royal South Sydney Hospital.

Further rationalisation will be necessary in the event of the transfer of the Concord Hospital to the State.

## **COURTS ADMINISTRATION**

Consistent with the Government's high priority in the area of law, order and public safety, the Government will continue a range of initiatives to improve the courts system.

The separation of the policy role of the Attorney-General's Department from the operational responsibilities of court services by the establishment of a separate Department of Courts Administration will further assist in improving the efficiency and effectiveness of the courts system.

The courts delay backlog program will continue in 1991-92, with the appointment of additional Judges and Magistrates and the coming on stream of the Downing Centre, with 16 new courts and the Campbelltown Court complex. Plans for the further consolidation of the Sydney District Courts system are being explored, involving the establishment of a consolidated complex for the civil courts.

## **Budget Savings**

The Budget savings measures to achieve the financial target includes a mixture of structural reductions in the deficit and once up initiatives designed to produce a reduction in net debt. These measures are summarised below in Table 1.8.

Overall, current expenditure savings (net of the cost of budget initiatives) total \$230 million in 1991-92, rising to \$931 million by 1993-94.

Revenue initiatives will produce additional net revenue of \$109 million in 1991-92 and \$111 million in a full year.

Finally the sale of business assets is projected to realise \$1,750 million in 1991-92 and a further \$900 million in 1992-93.

The total budget savings in 1991-92 are nearly \$600 million and over \$1,300 million in 1993-94.

**Table 1.8: Summary of Budget Measures**

	Per Annum Full Impact Savings 1988-89 to 1990-91 \$m	Impact of Measures in 1991-92 Budget			
		1991-92 \$m	1992-93 \$m	1993-94 \$m	Full Impact \$m
<b>Current Expenditure</b>					
<b>Savings</b>					
. productivity dividend (b)	258	40.0	80.0	120.0	120.0
. portfolio savings					
- contracting	72	10.0	50.0	100.0	100.0
- user charges		13.5	59.7	67.7	78.8
- corporate support downsizing		66.4	168.6	175.0	190.0
- other portfolio savings	99	63.9	96.8	93.0	93.0
. public transport reform (c)	255	46.0	133.0	196.0	196.0
. net savings from debt retirement	...	...	164.0	179.0	(d)
<b>Initiatives</b>					
. recession support program	...	(10.0)	...	...	...
<b>Subtotal</b>	<b>684</b>	<b>229.8</b>	<b>752.1</b>	<b>930.7</b>	<b>777.8(d)</b>
<b>Revenue Initiatives</b>					
. increase in tobacco tax		88.0	96.0	96.0	96.0
. indexation of petroleum tax and extension of levy		9.0 (a)	12.0 (a)	12.0 (a)	12.0 (b)
. indexation of motor vehicle taxation		12.0 (a)	25.0 (a)	25.0 (a)	25.0 (a)
. reduced payroll tax diversion to Education and Training Foundation		27.0	23.0	23.0	23.0
. Land Tax instalment system exemption from Land Tax of Boarding Houses		(6.0)	(8.0)	(8.0)	(8.0)
<b>Subtotal</b>		<b>109.0(a)</b>	<b>111.0</b>	<b>111.0</b>	<b>111.0</b>
<b>Capital Program</b>					
. reduction in program in 1991-92 and cap in real terms thereafter		<b>260.0</b>	<b>260.0</b>	<b>260.0</b>	<b>260.0</b>
<b>Sale of Business Assets</b>					
. sale proceeds and tax compensation		<b>1,750.0</b>	<b>900.0</b>		
<b>TOTAL</b>					
<b>Including sale of assets</b>		<b>2,348.8</b>	<b>2,023.1</b>	<b>1,301.7</b>	
<b>excluding sale of assets</b>	<b>684</b>	<b>598.8</b>	<b>1,123.1</b>	<b>1,301.7</b>	<b>1,148.8</b>

- (a) Petroleum licence fee and motor vehicle taxation are fully applied to roads expenditure and hence the indexation of these taxes and the extension of the levy do not affect the Budget result, as there is a corresponding increase in roads expenditure. Hence these measures are not included in the subtotal.
- (b) Excludes productivity savings retained in agency.
- (c) Includes full savings from National Freight Corporation.
- (d) Longer term impact on the Budget position in cash terms depends on future profit, tax and dividend trends.

The specific Budget savings measures are described below.

## **PRODUCTIVITY DIVIDENDS**

Productivity dividends are a reduction in the funding of budget sector agencies to reflect part of the benefits of productivity savings. Productivity savings involve the provision of the same level of services at a lower cost by increased efficiency in the delivery of the services and reduced overheads.

Productivity dividend requirements have been set for each year from 1988-89 onwards. In the period to 1990-91, productivity dividends totalled \$258 million.

Not all organisations are required to achieve productivity dividends, the main exemptions being the Department of Health and the teaching area of the Department of School Education and TAFE. However, those areas that are exempted are still expected to achieve productivity savings and reapply to priority areas. For example, in the case of the Department of Health, productivity savings in the period to 1990-91 totalled \$108 million and for 1991-92 further savings of the order of \$56 million are projected.

For the forward years, the productivity dividend has been set at a rate of 1.5 per cent per year.

In order to assist agencies with the achievement of productivity savings, the Office of Public Management in the Premier's Department is developing a guide to methodologies to achieve increased productivity and improved value for money.

## **PORTFOLIO SAVINGS**

In view of the difficult Budget outlook, the Expenditure Review Committee established savings targets for each portfolio and requested Ministers to evaluate the options to achieve such savings.

Following consideration of the responses of Ministers, the Expenditure Review Committee approved of portfolio savings that by 1993-94 will achieve savings of \$436 million, with a full year impact of \$462 million.

The more significant savings initiatives are as follows -

### **Contracting**

The Government has embarked on a program of systematically reviewing and identifying areas for contracting for services, whether contracting to the private sector or to in house suppliers.

The potential benefits from contracting services include -

- improved cost effectiveness;
- ability to clearly specify the quality and quantity of the desired outputs and outcomes; and
- benefits flowing from greater competition, including innovation and greater focus on quality.

Extensive analysis has been undertaken both in Australia and overseas of the potential for contracting out and the savings and other benefits that can be achieved. Typically, experience shows that savings of the order of 20 per cent can be achieved after account is taken of all transitional costs.

Prospective areas for contracting out include cleaning, security, computer services, research, purchasing, storage, records, printing, land management, auditing, training, legal services, personnel services, welfare services and many other services.

The Industry Commission has recently undertaken an assessment of the potential for contracting out in the Australian public sector.

Broadly, the assessment concludes that for all levels of Government, further savings of the order of \$4,500 million per annum can be achieved.

Focusing on the States' sector, the savings are of the order of \$1,540 million for current expenditure and \$510 million for contracting out fixed asset construction. Both avenues for savings and improved performance will be pursued in New South Wales.

Based on the Industry Commission research, substantial current expenditure savings can be achieved in New South Wales by contracting out. Half of these savings can be achieved in the health services area, which will be able to retain these savings, particularly for much needed capital works.

The other half of savings can potentially be achieved in the balance of the budget sector, with agreed distribution of savings between individual agencies and the Budget to be established. Broadly speaking, one half of savings achieved will be able to be retained for priority needs.

A high level Steering Committee has been established which will work closely with individual agencies to oversight the process of contracting out. The Steering Committee will produce best practice contracting guidelines, identify prospective areas for contracting out and provide assistance for agencies in undertaking the task.

While the potential savings for the non health area are of the order of \$250 million per annum, only half of these savings will be available to the Budget under the incentive arrangements.

## **User Charges**

A survey was undertaken during 1990-91 of all user charges activities. Commercial and semi commercial activities which are separate and distinct from the core role of the agency and can operate on a stand alone basis have been taken off budget.

However, the great bulk of user charges provide supplementary funding to core activities.

Agencies are being encouraged to review the level and structure of user charges and, where appropriate, to restructure them to more properly reflect costs. Agencies will be able to retain all user charges revenue, though where there is significant real increases due to past neglect of such charges, there will be a corresponding adjustment in the level of Consolidated Fund support.

In 1991-92 reform of user charges will produce budget savings of \$13.5 million rising to nearly \$80 million once fully implemented.

The major areas for rationalisation of user charges will be as follows -

- ***Agriculture***

Agriculture colleges and tick control, over time, will be placed on a full cost recovery basis.

- ***Arts***

Cultural institutions will be able to introduce moderate entrance fees.

- ***Public Lands***

The Department of Conservation and Land Management will be accelerating the phase out of concessional terms and conditions for Crown land.

- ***Health and Community Services***

In the health area, charges for compensable patients will be reviewed with the intention of moving to full cost recovery.

The Department of Community Services is reviewing its fees and charges in areas such as Home Care Services with a view to achieving a more equitable pricing policy.

- ***Courts***

There has been substantial increases in the demands by the community, particularly the business and commercial sector, on the civil courts. The current fees have not been maintained in real terms and the structure of charges does not reflect the structure of costs imposed on the system. In particular, the fees tend to be imposed up front with little recognition of the complexity or duration of the proceedings. It is proposed to increase civil court fees significantly in real terms in 1991-92 and to review the structure of fees during the course of the year to develop a structure that more closely reflects the costs imposed on the system.

## **Targetted Rationalisation and Corporate Support Downsizing**

On 6 June, the Premier and Treasurer announced a major restructure of Government administration, directed at separating policy from service delivery and combining areas that have common purposes.

The objectives of the restructure are -

- separation of strategic policy from operations in order to sharpen the focus on each and improve performance;
- integration of organisations with common or related purposes;
- exposure of the public sector to greater contestability in the provision of services; and

- achievement of economies in the operation of agencies through rationalisation of corporate support, head office activities and regional networks.

The major restructures were -

- creation of the Conservation and Land Management portfolio, combining the responsibilities of the Department of Lands, the Forestry Commission and the Soil Conservation Service, as well as Land Titles Office and Valuer-General's Department;
- establishment of a Natural Resources portfolio, combining the resource management and exploration functions of the former Department of Minerals and Energy, the Fisheries Division of the former Department of Agriculture and Fisheries and the Department of Water Resources;
- separation of the courts administration function from the policy role of the Attorney General's Department, with the creation of a new portfolio of Courts Administration, under the same Ministerial responsibility as the Department of Corrective Services;
- substantial rationalisation of the business portfolios, with the retention of the Department of State Development, augmented by responsibility for secondary industry and the services sector, as well as the regional policy and international business support role of the former Department of Business and Consumer Affairs. The consumer affairs responsibility of the former Department of Business and Consumer Affairs was transferred to the Attorney General with the establishment of the Department of Consumer Affairs; and
- combination within the one portfolio of the Department of Health and the former Department of Family and Community Services, with a Minister appointed for Health and Community Services and a second Minister appointed for Health Services Management.

In addition to these agencies, restructures and rationalisation programs are being undertaken at present in the Public Works Department, Roads and Traffic Authority and the head office and corporate support areas of the Department of School Education and the Office of Education and Youth Affairs.

Department Heads and Ministers, together with the assistance of Task Forces drawn from the relevant agencies and the Central Agencies, are assisting in the implementation of the changes. The restructure will both improve the quality of policy advice and service delivery and facilitate the achievement of significant economies through corporate support downsizing. The Task Forces will complete their work towards the end of 1991 and this will be reviewed at the February Ministerial Review Meeting.

Savings to the Budget in 1991-92 total \$66.4 million, rising to \$175 million by 1993-94 and \$190 million once fully implemented.

The major areas of savings are -

- ***Department of Conservation and Land Management***

The aggregation of land management and conservation agencies under the one portfolio has facilitated extensive rationalisation of programs without adverse impact on services provided. Savings of \$9.1 million have been identified in 1991-92, rising to \$13.8 million by 1993-94. Further savings are likely to be achieved as further integration of the various functions is achieved.

- ***Community Services***

Following a fundamental reassessment of the various programs undertaken by the Department and a reassessment of corporate support and administration, significant opportunities have been identified to reduce corporate support and achieve efficiencies in service delivery. The savings achieved will be shared between the Budget and high priority areas of Community Services.

- ***Minerals and Energy***

The Joint Coal Board has reached the end of its effective life. New South Wales will withdraw from 1992-93.

It is intended to wind up over time the various energy funds that have been implemented and bring the full operation of the energy area within the Budget and appropriation system. In 1991-92 the Industry Development Assistance Fund will be abolished.

The changed arrangements are directed at ensuring the proper parliamentary oversight for these areas of expenditure.

- ***School Education***

The Department of School Education, through initiatives in the rationalisation of the head office of the Department and the Office of Education and Youth Affairs, will achieve savings of \$16.6 million in 1991-92, rising to \$24.8 million in the following year and beyond.

- ***State Development***

The aggregation of the various business sector responsibilities in one agency has provided the opportunity to re-examine the role of the State and to rationalise programs.

Overseas offices will be rationalised and replaced with contact points in key overseas Austrade offices.

The Strategic Economic Development Package, which was introduced to assist firms relocating to New South Wales, will be suspended, although existing commitments will be honoured. Savings will amount to \$8.3 million in 1991-92 and \$13.9 million in 1992-93 and 1993-94.

- ***Public Works Department***

The Public Works Department has been reviewed with the intention to focus attention on its core role of facilitating effective interface with the private sector in the area of construction, design and project management.

Reflecting both this refocus on its core role and the impact of the cutback in the Budget Sector capital program, the Department will be downsized over time. A reduction in funding of \$10 million per annum has been made in 1991-92.

• **Roads and Traffic Authority**

The Roads and Traffic Authority is in the process of major rationalisation programs. The first stage of this program was the DRIVES program which has computerised the registry function. The second stage involves an extensive program of contracting out to the private sector both remaining construction activities and support services.

These initiatives should achieve significant savings over time.

At the same time, the Government will extend the funding base for road construction. Commencing in 1989-90, all State fuel levies, including the 3 cents fuel levy were dedicated to the State's road program. It is now intended to extend the 3 cent levy for a further three years and to index it, the petroleum franchise fee and the motor vehicle tax.

In view of the additional resources provided, both by the savings initiatives and through the indexing and extension of dedicated road funding, Budget support from sources other than road levies will be eliminated from 1992-93, which will assist the Budget to the extent of around \$80 million per annum.

## **TRANSPORT AUTHORITY SAVINGS**

Over the last three years there has been substantial downsizing and improved efficiency in both the State Rail Authority and the State Transit Authority.

In the STA operating costs have declined by \$38 million in real terms between 1987-88 and 1991-92 and are projected to decline by \$68 million by 1993-94. Between June 1988 and June 1991 staff declined from 6,398 to 4,916. The STA will continue its program of reform to achieve a more efficient and fully commercial operation.

In 1991-92, SRA operating costs will be \$403 million less than for the base year of 1987-88, while the Government contribution is \$230 million less in real terms. Between June 1988 and June 1991 staff declined from 36,717 to 26,602.

The SRA will continue the process of reform by focusing on the key areas of comparative advantage in the freight and mass transit area and by reducing operating costs and corporate support overheads.

In the freight area, the SRA plan to withdraw from TrackFast, reform pricing structures for general freight to eliminate cross-subsidy of currently uneconomic business and negotiate with rural users on rationalisation of services.

An important initiative that will achieve major improvements in effectiveness is the establishment of the National Rail Corporation. The Corporation will take over interstate rail freight operating between New South Wales, Queensland, Victoria, South Australia and Western Australia.

The Agreement for the establishment of the Corporation was signed at the July 1991 Special Premiers' Conference. The Commonwealth, New South Wales, Victoria and Western Australia will provide the initial equity funds for the Corporation, estimated to be in excess of \$400 million over the next five years. In addition, the current operators will fund the downsizing of their interstate freight prior to the transfer of the business to the Corporation.

Over the next four years or so the Corporation will progressively take over existing operating interstate freight functions, starting in early 1992 with marketing and pricing.

The integration of interstate rail into one system will enable significant economies to be achieved and a more effective service to be provided to customers.

Once fully established, the Corporation will produce savings to the New South Wales system of more than \$100 million per year.

The Western Coal Freight Equalisation Scheme will be abolished as soon as practicable. The Scheme was established in November 1983 to compensate western coal producers adversely affected by the decision to locate the new coal loader at Port Kembla rather than Port Botany.

Under the scheme, western coal producers pay only the freight cost to Balmain. The Government pays a community service obligation to the SRA for the additional cost of freight to Port Kembla.

The abolition of the scheme will save \$8 million in a full year.

## **OTHER PORTFOLIO SAVINGS**

Other portfolio savings total \$64 million in 1991-92, rising to \$93 million by 1993-94.

While there has been no cuts in the health sector allocations, it is no longer intended to provide additional growth funding. The forward estimates previously included \$32 million in growth funds in both 1991-92 and 1992-93 which will no longer be provided.

Savings will also be achieved in a range of other portfolios, including the Legal Aid Service, the Arts area, the Department of Industrial Relations, Further Education, Training and Employment and the Department of Sport, Recreation and Racing.

The Government indicated in the July Financial Statement that it would be reviewing the School Student Transport Scheme with a view to achieving economies and greater discipline in the system. This review has not yet been completed. However, once all options have been fully reviewed, the Government will give full consideration to reforming the scheme.

## **REDUNDANCIES**

As a consequence of the various strategies to achieve savings and improve efficiency, the Government recognised the need to provide additional flexibility for the handling of excess staff.

A Ministerial Statement was made in July 1991 which had the following main features -

- emphasis to be placed on natural attrition to the maximum possible extent;
- where attrition and redeployment are not practical, targetted, selective redundancy packages can be offered.

The redundancy package involves two weeks pay for each year's service up to a maximum of 26 weeks;

- in order to encourage early acceptance of redundancy, employees can have their redundancy payment increased by an additional period of between 2 weeks and 8 weeks, depending on the length of service, provided employees indicate within two weeks of an offer of redundancy being made that they would be prepared to accept it; and
- introduction of the Job Assist Scheme, which provides surplus staff with a range of arrangements to assist staff find alternative work, prepare to look for work or retrain for work in the public or private sector.

Funding has been made available to finance retraining for Budget Sector employees who are excess to current needs.

## **CAPITAL PAYMENTS MEASURES**

The Budget Sector capital program has grown strongly in recent years, increasing in real terms by 22 per cent between 1987-88 and 1990-91. In view of the difficult financial outlook, the initial program reviewed by Treasury involved an increase of only 4.1 per cent, representing a real decline of \$75 million.

Despite this, it was decided to make further substantial cuts of the order of \$260 million to produce a Budget Sector capital program of \$3,581 million, down 4.2 per cent in real terms over the level in 1990-91. When the impact of the Olympics funding is excluded, the real decline is 5.8 per cent.

Reductions have been made across a wide range of areas including deferrals in school facilities, technical colleges, prisons, community service facilities, courts, police and fire brigade capital expenditure, the Country Towns Water Supply and Sewerage Scheme and the State Rail Authority non-commercial program.

Despite the severe constraints on capital spending, funding for health has been maintained.

The capital program for the Budget Sector will be kept under tight control for the forward years with the program capped at not greater than the 1991-92 expenditure in real terms.

The need for further cuts in the capital program in future years will be assessed in the light of the emerging budget situation.

## **SALE OF BUSINESS ASSETS**

As announced in the Financial Statement, the Government is proceeding with the privatisation of the GIO in 1991-92. The State Bank is planned for privatisation in eighteen months to two years time.

Based on the latest financial information available, the sale of the GIO, including tax compensation from the Commonwealth Government, should realise in the range of \$1,500 million to \$2,000 million.

The proceeds of sale of both the GIO and the State Bank will be applied to the retirement of debt so as to reduce debt servicing costs in the Budget.

Allowance has been made in the main Budget summary tables for the impact of the sale of both organisations on capital receipts, dividend receipts and debt servicing costs, but the Budget result is then adjusted to delete the sale proceeds as an extraordinary item.

The sale of both the GIO and the State Bank is proposed as a responsible financial strategy on the basis that -

- the sale price is likely to exceed the retention value that would accrue if both were kept under Government ownership;
- in future years there could be demands on the Government for capital injection to support growth which could not be funded in terms of Governmental priorities;
- both organisations operate in highly competitive markets on a fully commercial basis and hence there is no public good purpose served in continued Government ownership; and
- the level of financial risk of commercial financial institutions is such that it is not appropriate for Governments to continue to own them.

## **REVENUE INITIATIVES**

Details of revenue initiatives are set out in Chapter 3.

Apart from revenue initiatives announced in the July Financial Statement, there have been no further tax increases.

## 1.5 SUMMARY OF BUDGET RESULTS

On a Government Finance Statistics basis, the total financial result of the Budget Sector is estimated to be a deficit of \$1,089 million in 1991-92.

Consistent data for the Budget Sector is not available for all components of the total financial result on an historical basis, however estimates of the overall result are shown in Table 1.9, back to 1986-87.

On a real terms basis the 1991-92 result is significantly less than that of 1986-87. Over the intervening period, the property and share market booms reduced substantially the deficit in the latter part of the 1980's (resulting in a true surplus in 1988-89) although this trend was reversed from 1989-90 with the collapse of both markets.

The forecast results for 1991-92 to 1993-94 reflect a gradual improvement in the State's revenue base (although to significantly lower level than the latter part of 1980's) and the restraint on outlays, both capital and recurrent, imposed to address the financial position.

**Table 1.9: Budget Sector Financial Results, 1986-87 to 1993-94**

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>CURRENT PRICES</b>								
<b>Current</b>								
Outlays					14,193	15,184	15,301	15,841
Receipts					15,220	16,253	16,608	17,569
Result					<u>1,027</u>	<u>1,069</u>	<u>1,307</u>	<u>1,728</u>
<b>Capital</b>								
Outlays					3,106	3,206	3,443	3,769
Receipts					1,078	1,048	1,101	1,156
Result					<u>(2,028)</u>	<u>(2,158)</u>	<u>(2,342)</u>	<u>(2,613)</u>
<b>Total</b>								
Outlays					17,299	18,390	18,744	19,610
Receipts					16,298	17,301	17,709	18,725
Result	(1,048)	(329)	173	(728)	<u>(1,001)</u>	<u>(1,089)</u>	<u>(1,035)</u>	<u>(885)</u>
<b>CONSTANT (1991-92) PRICES</b>								
<b>Current</b>								
Outlays					14,692	15,184	14,642	14,506
Receipts					15,756	16,253	15,892	16,089
Result					<u>1,064</u>	<u>1,069</u>	<u>1,250</u>	<u>1,583</u>
<b>Capital</b>								
Outlays					3,215	3,206	3,295	3,451
Receipts					1,116	1,048	1,054	1,059
Result					<u>(2,099)</u>	<u>(2,158)</u>	<u>(2,241)</u>	<u>(2,392)</u>
<b>Total</b>								
Outlays					17,907	18,390	17,937	17,957
Receipts					16,872	17,301	16,946	17,148
Result	(1,434)	(418)	203	(790)	<u>(1,035)</u>	<u>(1,089)</u>	<u>(991)</u>	<u>(809)</u>

## **CHAPTER 2: THE ECONOMY**

### **2.1 Overview**

### **2.2 The Australian Economy**

### **2.3 The New South Wales Economy**

### **2.4 The Economy and the Budget**



## 2.1 OVERVIEW

### 1990-91 In Review

During 1990-91 the Australian economy experienced its third post-war classical recession<sup>1</sup> with Gross Domestic Product (GDP) falling 0.9 per cent. In the previous post-war classical recession in 1952-53 and 1982-83, output declined by 4.8 per cent and 1.4 per cent respectively.

Despite a series of interest rate reductions which began in 1989-90 domestic demand and employment declined sharply. The components of domestic demand most affected were business investment, dwelling construction and durable goods sales.

After employment growth averaging 4.1 and 3.8 per cent in the previous two years, the labour market suffered a major reversal in 1990-91. Average employment growth fell by 0.4 per cent. In the 12 months between the peak in July 1990 and July 1991, 305,000 jobs were shed and unemployment rose from 7.0 per cent to 9.8 per cent.

Despite a 5.2 per cent fall in the terms of trade, Australia's exports expanded by 13 per cent during 1990-91. Combined with a 3.6 per cent decline in imports, as a result of the slump in domestic demand, net exports contributed around 3 percentage points to GDP growth.

Accompanying the recession was a marked reduction in inflation. For 1990-91 as a whole the Consumer Price Index (CPI) increased by 5.3 per cent compared to 8.0 per cent in 1989-90. By the June quarter of 1991, the annual rate of inflation was 3.4 per cent.

Although the nominal growth in average weekly earnings eased from 6.8 per cent in 1989-90 to 5.8 per cent in 1990-91, the sharp drop in the inflation rate caused real wages to grow by 0.6 per cent. The real disposable income of those in work was also boosted by a mid year cut in personal income tax in lieu of a September 1990 wage increase.

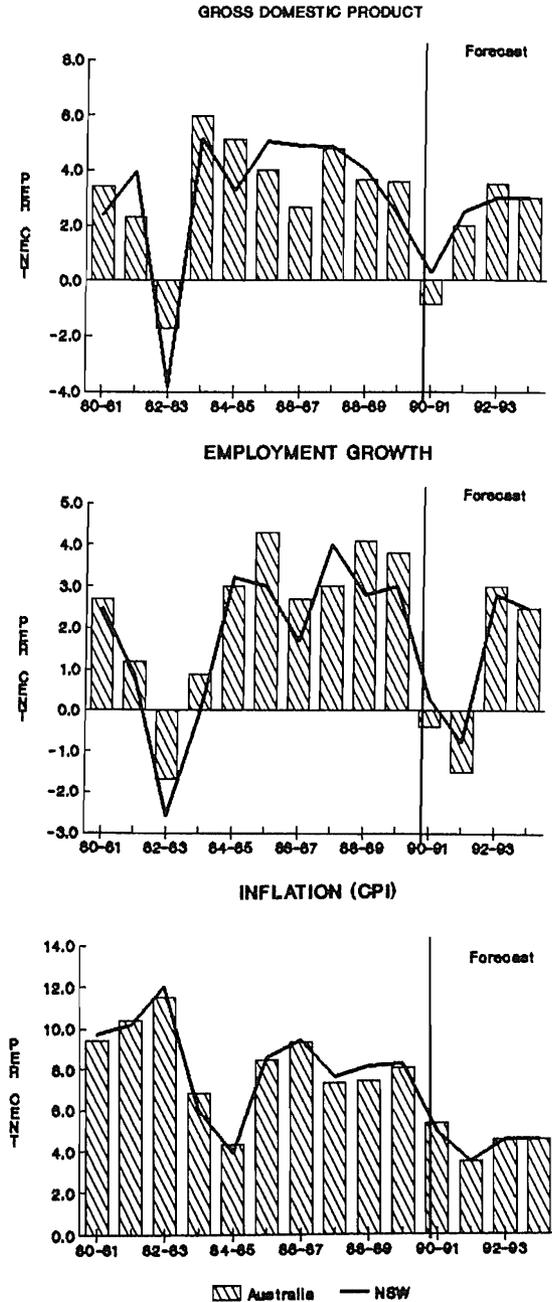
In contrast to the 0.9 per cent fall in national GDP, Gross State Product (GSP) in NSW is estimated to have increased by 0.3 per cent in 1990-91. Throughout the year, NSW consistently outperformed the rest of Australia on all major economic indicators. In the critical labour market area, NSW employment grew by 0.3 per cent compared to a 0.4 per cent decline nationally. For the year as a whole, the NSW unemployment rate averaged 7.5 per cent (up from 6.1 per cent in 1989-90) compared to the national unemployment rate of 8.4 per cent (up from 6.2 per cent in 1989-90).

---

<sup>1</sup> Classical recessions occur when GDP actually declines for the year as a whole. The term growth recession refers to periods when annual growth rates decline but remain positive for the year as a whole even though GDP may have declined for a number of quarters during the year. Growth recessions occurred in 1956-57, 1961-62, 1974-75, 1977-78 and 1986-87.

Figure 2.1

# KEY ECONOMIC INDICATORS



Source: ABS

New South Wales' above average performance reflects -

- higher levels of consumer and business confidence compared to Victoria and a number of other States where financial shocks, including Government credit rating downgradings, have contributed to sharp declines in confidence;
- the structure of the NSW economy, which is the most diversified of all State economies; and
- the benefits of microeconomic reform which has gradually taken place since the 1982-83 recession and which has, for example, resulted in a major restructuring of the steel industry. Other areas subject to reform include the coal and transport industries and, more recently, Government Trading Enterprises.

## 1991-92 Outlook

In contrast to previous upturns in the business cycle, the recovery in 1991-92 is expected to be more muted, with GDP expanding 2.0 per cent nationally and 2.5 per cent in New South Wales. Major factors in this relatively slow recovery are the depressed outlook for business investment and the intention of the Commonwealth Government to keep monetary policy relatively tight in order to effectively eliminate Australia's high inflation bias.

The inflation outlook is for a 3.5 per cent increase in 1991-92 and 4.5 per cent in the following two years. The outer year forecasts are conditional on the avoidance of a wages outbreak during the transition to a more decentralised wage fixing system. However, the prospective weak state of the labour market over the next two years and the forthcoming reductions in industry protection makes a wages outbreak less likely.

While employment is expected to begin a slow recovery before end-1991, it will start from such a recessed base that the average annual level is forecast to be 1.5 per cent lower than in 1990-91 nationally and 0.8 per cent lower in New South Wales. Average unemployment also will be higher than in 1990-91 despite slow improvement in the second half of 1991-92.

Although above average performance is forecast for the NSW economy in 1991-92, this will not be reflected immediately in the State's budget position. Due to the tax powers assigned to each level of government, State tax revenues are more influenced by the asset price cycle than by the general economic cycle. Given the oversupply of commercial property, especially office space, the forecast employment reductions and the focus of macroeconomic policy on making Australia a low inflation country, there is little prospect of a substantial upturn in asset prices in the medium term. The only exception to this outlook is the residential property market which should experience increases in turnover and price as first home buyers and others take advantage of lower interest rates. Overall, the revenue outlook for State budgets will remain subdued.

## 2.2 THE AUSTRALIAN ECONOMY

### Overview

After growing strongly in 1987 through to the first half of 1989, the national economy slowed progressively and growth turned negative from June 1990. The downturn was brought about by tighter monetary policy in the context of an excess build up of debt which had accompanied a speculative spiral in asset prices during the late 1980s. After a long lag, high real interest rates produced lower levels of business investment, dwelling construction and durable goods sales during 1990-91. Other factors influencing the downturn were a 5.2 per cent fall in the terms of trade and a slump in business and consumer confidence which were partly attributable to financial shocks in a number of States. The decline in economic activity was accompanied by a steep fall in employment, partly reversing the substantial gains achieved during the preceding three years. A severe worsening of rural sector conditions, due in part to weaker world commodity markets and in part to tighter credit, added to the difficulties in the business sector.

While the recession has caused severe hardship for Australian families and business, it has had the beneficial spin-offs of sharply lower inflation and a temporary improvement in the balance of payments.

**Table 2.1: Australia: Economic Performance and Outlook**

	89-90	90-91 (E)	91-92 (F)	92-93 (F)	93-94 (F)
Output (GDP) <sup>(a)</sup> , % change	3.6	(-)0.9	2.0	3.5	3.0
Employment, % change	3.8	(-)0.4	(-)1.5	<del>3.0</del> 2.8	2.5
Unemployment rate, %	6.2	8.4	10.5	9.0	7.5
Inflation (CPI), % change	8.0	5.3	3.5	4.5	4.5
Wages (AWE), % change	6.8	5.8	4.0	5.0	4.5
Current Account, (\$B)	(-)22.3	(-)15.7	(-)16.0	(-)21.0	(-)23.0
90-day bills (June), %	15.1	10.6	10.0	11.5	11.0
10-year bonds (June), %	13.6	10.8	10.5	11.0	11.0
USc/A\$ Rate (June)	77	76	75	78	77

(a) Expressed in 1984-85 prices; (E) Estimate; (F) Forecast

The 0.9 per cent fall in GDP in 1990-91 was average compared to the two other major post war recessions (output fell 4.8 per cent in 1952-53 and 1.4 per cent in 1982-83) but more severe than recent growth recessions (1956-57, 1961-62, 1974-75, 1977-78 and 1986-87) where GDP growth remained positive although low.

The occurrence of the two major recessions just under a decade apart has prompted numerous comparisons of the two downturns despite some substantial differences in the circumstances. Key differences in the downturns were -

- the international recession preceded the domestic downturn in 1982-83 whereas in 1990-91 Australia preceded most of the OECD into recession;

- the 1982-83 recession was preceded by a real wage breakout compared to a sustained period of wage restraint pre 1990-91;
- credit growth remained relatively high during 1982-83 compared to very weak growth in 1990-91; and
- weaker recovery in net exports in 1982-83 (lasting only 5 quarters) whereas net exports have risen further for longer in 1990-91 (8 quarters) with, as yet, no sign of abatement.

Key similarities between the two periods are -

- depressed rural conditions and declining terms of trade; and
- a collapse in the dwelling construction and business investment cycles.

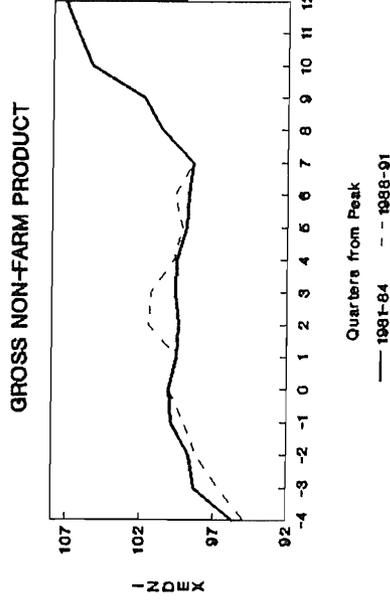
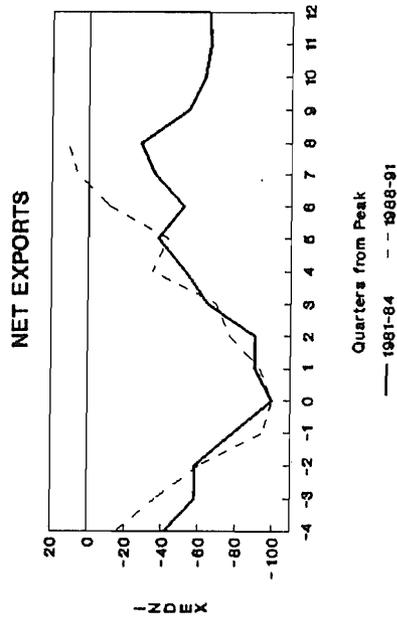
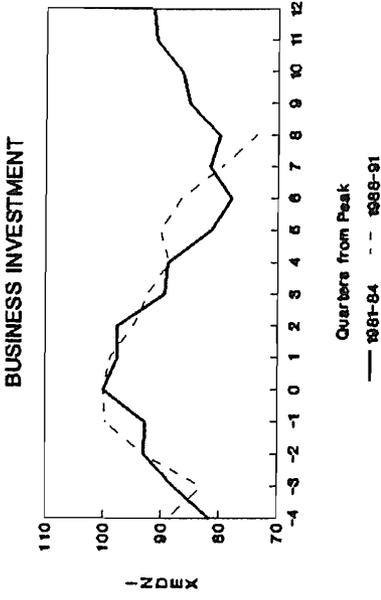
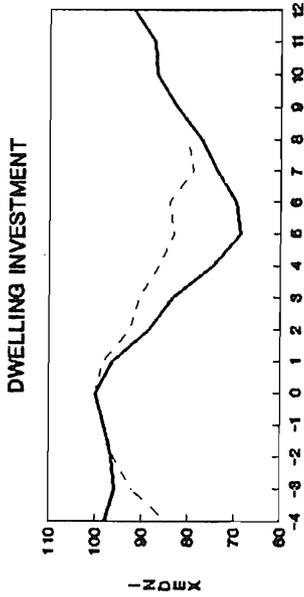
Importantly, in terms of the recovery, Figure 2.2 shows that in 1990-91 both the dwelling construction and business investment downturns have lasted longer. The depressed outlook for investment is one of the principal reasons for expectations of a slower recovery during 1991-92 than has been the case after previous recessions. Other factors expected to contribute to a relatively slow recovery are the poor state of private sector balance sheets, the capital expenditure constraints on State governments and the anti inflationary policy stance adopted by the Commonwealth Government.

In summary, GDP is forecast to rise by 2.0 per cent in 1991-92, much more slowly than in the recovery from previous recessions. As a result, while employment is forecast to rise over the course of the year, the low starting base will mean that the annual average level of employment is forecast to be 1.5 per cent lower than in 1990-91. Consequently, the unemployment rate is also expected to be higher. On the positive side, there will be only a marginal deterioration in the current account of the balance of payments and a further substantial reduction in the rate of inflation.

Figure 2.2

# 1981-84 AND 1988-91 COMPARED

Index: Peak quarters = 100



Source: ABS

## International Economy

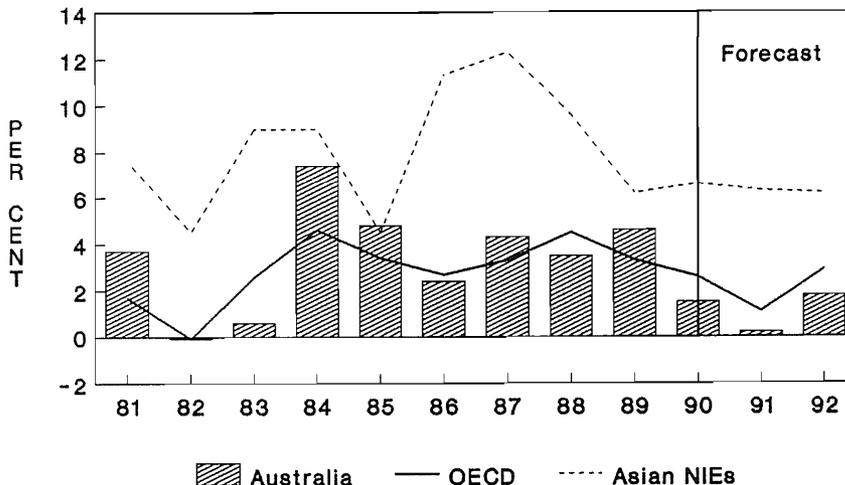
During 1990-91, the major industrialised economies experienced a downturn in the business cycle for similar reasons to Australia. The lagged effects of tight monetary policy, contraction in credit growth and a reluctance by monetary authorities to ease interest rates too early because of inflationary expectations contributed to reductions in demand and industrial production. OECD growth collapsed from 3 per cent in the first half of 1990 to virtually zero in the first half of 1991. Consistent with the growth pattern in the late 1980s, Germany and Japan recorded growth performance above the OECD average.

In contrast to 1982-83, when the international downturn preceded the Australian recession, the 1990-91 international and domestic business cycle downturns were largely coincident. The impact of the decline in world industrial production on commodity prices reduced Australia's terms of trade by 5.2 per cent during 1990-91.

Other factors influencing the terms of trade were recovery in world wheat production, increased predatory export subsidisation by the EEC and the United States, and the demise of the Australian wool price support scheme. On average, Australia's rural commodity prices fell 27 per cent in 1990-91.

**Figure 2.3**

### COMPARATIVE ECONOMIC GROWTH PERFORMANCE Calendar Year Change in Real GDP(GNP)



Source: OECD Economic Outlook,  
ADB Asian Development Outlook

Despite the deterioration in OECD demand, the volume of Australia's exports expanded by 13.0 per cent in 1990-91. However, the 3.1 percentage point growth contribution to GDP from net exports was not sufficient to offset the 4 per cent contribution from domestic demand.

A major contributing factor to the growth in export volumes was the continued strong growth in East Asia. Japan continued as the leading growth country in the OECD and the Newly Industrialising Economies (NIEs) in Asia averaged over 6 per cent growth during 1990-91. Since East Asia (including Japan) accounts for over 50 per cent of Australia's exports, continued growth in the region is vital to Australia's export performance.

The international outlook for 1991-92 has improved substantially in recent months with signs that the US economy has entered the recovery phase and other OECD countries are at the bottom of their downturn. The exceptions are Japan and Germany where growth is expected to slow as a result of continued tight monetary policy. Overall, OECD growth of around 3 per cent is expected in 1991-92 with the Asian NIE's again expected to average over 6 per cent growth.

Further falls in some rural commodity prices and weakness in mineral prices will contribute to a further slight weakening in Australia's terms of trade in 1991-92 thus limiting the growth in commodity export earnings. Manufacturing exports are expected to continue the recent growth pattern. Total exports are forecast to grow 7 per cent in real terms.

**Table 2.2: International Growth and Inflation**

	1989	Calendar Years		1992
		1990	1991 (F)	(F)
<b>GDP Growth</b>				
OECD	3.3	2.6	1.1	2.9
Asian NIEs <sup>(a)</sup>	6.2	6.6	6.3	6.2
<b>Inflation<sup>(b)</sup></b>				
OECD	4.4	4.6	4.5	4.0
Asian NIEs <sup>(a)</sup>	5.7	7.4	8.3	5.8
<b>World Trade</b>	7.1	5.0	3.1	5.8

(a) Hong Kong, Singapore, Republic of Korea, Taiwan.

(b) Consumption Deflator for OECD; Consumer Price Index for Asian NIEs.

(F) Forecast

Source: OECD Economic Outlook;  
Asian Development Bank Outlook

## Domestic Economy

Australia's economic performance in 1990-91 is a consequence of a 5 year struggle by policy makers to deal with the short term impact of the international business cycle on the Australian economy and, at the same time, restructure the economy to make it more flexible in accommodating external shocks and to improve international competitiveness.

During this period, which dates from the growth recession of 1986-87, the economy has had to absorb the impact of the 1987 stockmarket crash and wide swings in the terms of trade against a background of strong employment growth and financial deregulation. The outcome has been a series of economic and policy imbalances: insufficient savings to finance an investment boom; excessive imports compared to export performance; rapid employment growth (reduction in unemployment) accompanied by excessive inflation; over reliance on short term variations in monetary policy at the cost of a more balanced policy mix; and financial market deregulation without sufficient attention to prudential management (by both regulators and financial institutions).

Aggregate output growth declined from 3.6 per cent in 1989-90 to -0.9 per cent in 1990-91. Trend growth in GDP was negative for each of the four quarters. By expenditure component, the steepest falls were in private dwelling construction (down 11.4 per cent) and business investment (down 11.9 per cent). Private consumption growth slowed from 4.3 per cent in 1989-90 to 1.0 per cent in 1990-91. Of the main aggregates, public sector expenditure (which grew 2.9 per cent) and exports (up a strong 13 per cent) experienced strongest growth.

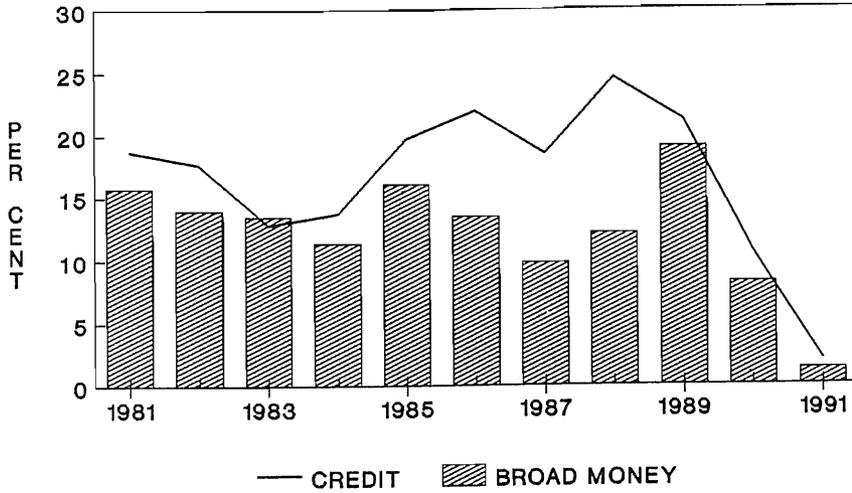
In 1991-92, the economic recovery is expected to be far less dynamic than after most previous recessions. While private dwelling construction may grow by 10 per cent on the back of lower mortgage interest rates, both house building and private consumption will be constrained by a persistent high level of unemployment. Plant and equipment investment is expected to recover relatively late in the cycle. Due to current excess capacity, non-dwelling construction could remain depressed for several more years until there is a better balance between accommodation supply and demand. While net exports should continue to make a positive contribution to growth, it will be less than in 1989-90.

Employment fell more sharply in the 1990-91 recession than in 1982-83 even though wage growth was more restrained this time. Employment fell by 0.4 per cent on a year on year basis, and was 2.7 per cent lower in June 1991 than a year earlier. Average unemployment surged from 6.2 per cent in 1989-90 to 8.4 per cent in 1990-91, reaching 9.8 per cent by July 1991. This collapse of the labour market reflected surveyed business expectations that the recession would be steep.

In 1991-92, employment is likely to ease further, in the usual delayed response to a steep downturn and slow recovery in production. Even if moderate growth commenced immediately, the year-average result for 1991-92 will be constrained by the carry-over effect of starting from levels far down from the previous year's average. If employment remained unchanged over the remainder of the year, 1991-92 year average growth would be minus 2.4 per cent nationally and minus 2.2 per cent in New South Wales. Treasury's forecasts for year average growth (-1.5 nationally and -0.8 for New South Wales) imply that employment will be rising at annualised rates of 1.9 per cent nationally and 3.0 per cent in New South Wales within the financial year.

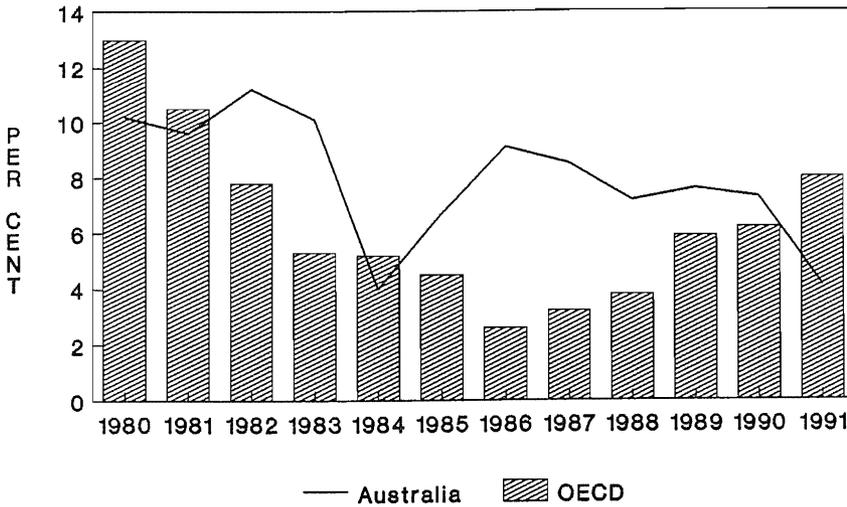
In the 1990-91 recession, asset deflation and credit compression were major determinants of the speed of the downturn. In 1991-92, private credit is likely to rise only slowly despite the steep drop in interest rates. This is in sharp contrast to the period June 1984 to June 1989 when credit expanded by an average of 19.5 per cent per annum. While house lending should be well up on 1990-91, borrowing by most other sectors will be muted by high debt/equity ratios, poor balance sheets and uncertainty about the strength of the recovery.

**Figure 2.4**  
**MONEY AND CREDIT**  
Annual (June on June) Growth



Source: Reserve Bank of Australia

**Figure 2.5**  
**INFLATION IN AUSTRALIA AND OECD**  
Annual Growth of the CPI



Source: OECD Economic Outlook

The recession has sharply reduced inflationary pressures in the economy. Average growth in the national consumer price index dropped from 8.0 per cent in 1989-90 to 5.3 per cent in 1990-91, and is expected to drop to 3.5 per cent in 1991-92.

Provided that wages settlements remain low, the exchange rate holds steady, and weak demand prevents a widening of producer and distributor price markups, Australia's inflation rate in the medium term will remain at or below the OECD average, thus helping to maintain international competitiveness.

Rising unemployment has led to a shift in trade union priorities from wages to job security, and average weekly earnings growth on a national accounts basis has fallen from 7.1 per cent in 1989-90 to an estimated 6.6 per cent in 1990-91. Through the year average earnings growth dipped to 3.0 per cent in the June quarter. This reflects an effective wages pause following the ACTU-Government agreement to forego the September 1990 CPI-related wage increase, the dissension between parties over implementation of the subsequent \$12 per week or 2-1/2 per cent wage increase scheduled for May 1991 and the sharp fall in overtime pay as the economy nosed further into recession.

Wage growth will ease further in 1991-92, but outcomes are much less predictable given the tensions between the parties to the Wages and Prices Accord and the Industrial Relations Commission as the system slowly evolves from centralised wage fixing towards decentralised enterprise based bargaining. Average weekly earnings growth of 4.0 per cent is forecast for 1991-92.

In summary, the 1991-92 outlook is for a fall in the rate of inflation and an improvement in Australia's international competitiveness. Those benefits will be achieved at the short term cost of a slower growth rate than in previous economic upturns and a rise in the rate of unemployment. If successful, the elimination of Australia's high inflation bias will underwrite sustainable economic expansion and employment growth in the medium term.

## Macroeconomic Policy Settings

The course of the 1986-1991 business cycle is broadly explained by the difficulty of fine tuning monetary policy to manage external economic shocks. During this period the application of monetary policy was complicated by financial market deregulation, which caused the lags between changes in monetary policy and the effect on economic activity to become longer and more uncertain; and by Australia's saving/investment imbalance.

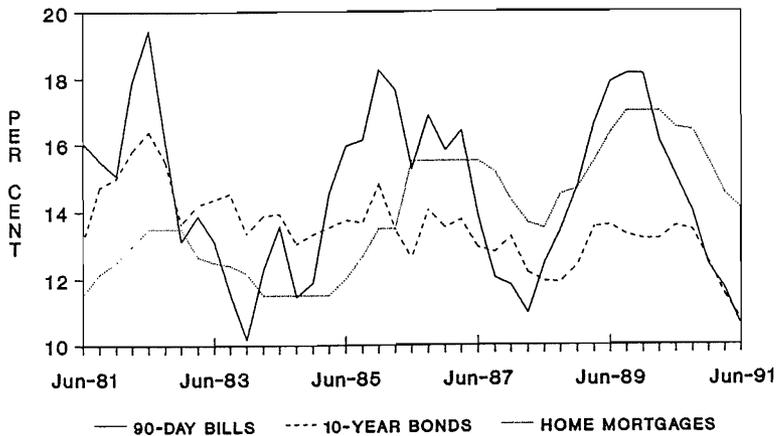
By 1989, monetary policy was focused on reducing the balance of payments deficit (the outcome of the saving investment imbalance) and ultimately foreign debt through the use of high interest rates to reduce the demand for imports. As a result of financial deregulation, however, there was a long lag before monetary policy reduced import demand. At the same time a number of serious side effects became evident -

- a cycle of tight monetary policy following the loose monetary policy used to manage the aftermath of the 1987 stockmarket crash, caused inflated asset prices to collapse with negative impacts on debt laden companies, financial institutions and state government revenues; and

- a long period of tight monetary policy caused dwelling construction and investment to fall sharply.

The result is that Australia now faces several years of relatively subdued economic growth, compensating for the period of above capacity growth in the late 1980s.

**Figure 2.6**  
**INTEREST RATES**  
Quarterly Averages



Source: Reserve Bank of Australia

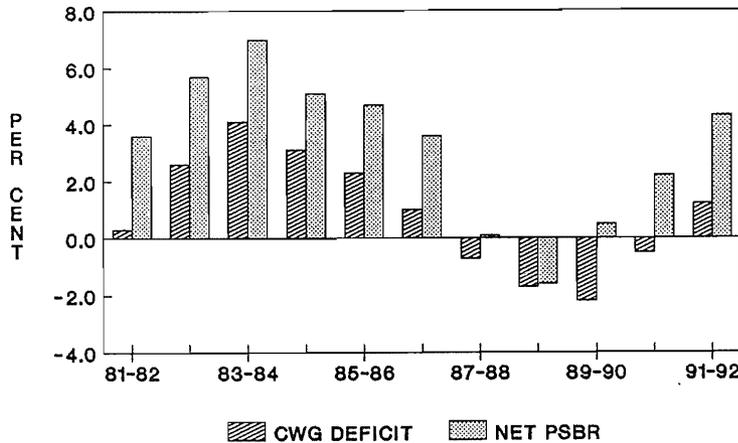
The Commonwealth Government continued to rely primarily on monetary policy to change the short-run direction of the economy in the 1990-91 recession. Short-term rates were eased eleven times between December 1989 and September 1991, falling from 18.5 to 9.6 per cent. Bond rates also declined in response to lower inflationary expectations. Home mortgage interest rates dropped to below 12 per cent at selected banks. Despite these policy easings, money supply growth fell dramatically from 20 per cent in 1988-89 to virtually zero at June 1991; and private sector credit growth fell from 25 per cent in 1988-89 to below 4 per cent at June 1991. Given the belated concern of financial intermediaries over the quality of their assets, the need of the corporate sector to reduce debt levels in general and a lack of business confidence about the economic outlook, credit growth is unlikely to accelerate quickly in 1991-92. However, the expected recovery in residential construction and the first home buyer market should boost housing finance growth substantially. The Reserve Bank is unlikely to permit total credit growth in the economy to return to 1980's rates as it believes that there was a direct relationship between excessive credit expansion and the current account deficit.

The Federal Government kept fiscal policy settings essentially neutral in 1990-91, allowing cyclical effects from the recession to reduce the budget surplus from a target level of \$8.1 billion to an actual \$1.9 billion. The structural component of the budget balance weakened slightly due to cuts in income tax rates from January 1991 which included a budgeted reduction plus the wage tax tradeoff negotiated in November 1990.

The 1991-92 Commonwealth Budget marks an adjustment in policy stance, with monetary policy switched to medium term price stabilisation and fiscal policy (through the automatic stabilisers) acting as the swing instrument to influence short-term outcomes. But given the very limited scope for adjusting fiscal parameters in the short run, it remains to be seen whether the government will still refrain from active monetary intervention.

**Figure 2.7**

**COMMONWEALTH BUDGET DEFICIT & NET PSBR**  
As Percentage of Nominal GDP



Source: Commonwealth Budget 1991-92

Even without purposeful increases in expenditure, net fiscal stimulus has undergone a strong cyclical swing due to these automatic stabilisers (mainly lower tax receipts, and higher unemployment and welfare benefit outlays). The Commonwealth has projected a 1991-92 deficit of \$4.7 billion. This implies a cumulative swing in the fiscal impulse from -2.2 per cent of GDP in 1989-90 to -0.5 per cent in 1990-91 and +1.2 per cent in 1991-92. Excluding asset sales (\$0.6 billion) and debt transferred to the States (\$2.3 billion) the effective Commonwealth deficit is closer to \$7.6 billion or 2 per cent of GDP. Adding the transactions of other levels of government and public sector enterprises, the total net (Public Sector Borrowing Requirement) PSBR is projected to rise from -1.6 per cent of GDP in 1988-89 to 4.3 per cent (or perhaps 5.1 per cent after adjusting Commonwealth accounting) in 1991-92. This constitutes a strong stimulus to recovery, as well as a sharp reduction in public savings.

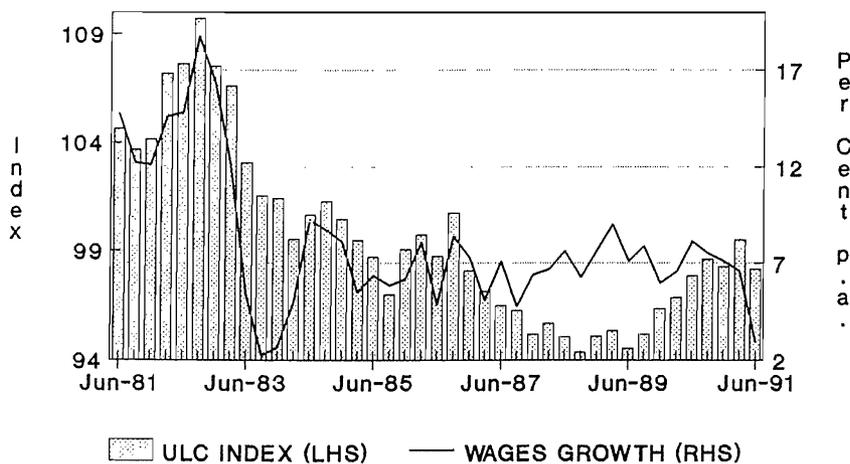
The Commonwealth Government is expected to proceed very cautiously in further adjustments to monetary settings in 1991-92 to avoid a surge in demand in excess of economic capacity. It is likely that real interest rates are close to the trough for this business cycle. Further declines in short rates (the Government's intervention instrument) are likely to depend on success in reducing inflationary expectations, as reflected in market-determined interest rates for long-term bonds. Australia is likely to be saddled with internationally high real interest rates for several years until inflationary expectations subside and until foreign debt is stabilised.

Wages policy in 1990-91 benefited from the downward pressure of falling prices and rising unemployment on trade union expectations. The resulting "wage pause" may have helped reduce labour shedding during 1990-91, just as the very low or negative growth in real wages during the late 1980s probably had a strong stimulatory influence on employment during that period.

The outlook for 1991-92 is more unsettled. The delayed May 1991 National Wage Decision pay increases will flow quickly to workers in early 1991-92, while the National Wage Case review in September is expected to provide scope for additional increases under new guidelines for enterprise based bargaining. Taken together, the Commonwealth Budget forecasts of 3.0 per cent inflation and 4.5 per cent wage growth imply a strong 1.5 per cent rise in real wages. Combined with the proposed implementation of legislated superannuation from July 1992, the aggregate labour cost burden on employers during the next 12 to 18 months is due to increase substantially. The question is whether productivity growth will be sufficient to keep unit labour costs in check so that business viability is not compromised and international competitiveness is improved. Performance in this respect is likely to be obscured by the usual cyclical surge in productivity which accompanies every recovery.

**Figure 2.8**

**WAGES GROWTH AND REAL UNIT LABOUR COSTS**  
(National Accounts basis)



Unit Labour Cost defined as the ratio of Wages Salaries & Supplements to Gross Non-Farm Product. Source: ABS

## Risk Assessment

The first area of risk to the forecasts outlined in this section is the conservative bias usually present in forecasts which means that sharp changes in economic aggregates tend to be underestimated. In the current circumstances, this would mean that having failed to accurately forecast the magnitude of the economic downturn, forecasters will, in general, underestimate the size and speed of recovery.

The three most likely sources of conservative bias are -

- Underestimation of the recovery in residential construction;
- Underestimation of export performance resulting from either a better terms of trade result or higher export volumes; and
- Overestimation of the reduction in business investment.

The second area of risk is the unforeseen shocks which impact on economic performance. These are likely to have their greatest impact in the outer years of the forecast period rather than in 1991-92. The key issues are -

- Whether a sustained recovery is possible under the tight monetary policy settings indicated by the Government, and the implied upward movement in real interest rates;
- Whether the fragmented Wages and Prices Accord will succeed in delivering stable wages outcomes during the difficult transition to a more decentralised system;
- Whether international economic conditions will remain favourable, offering expanded markets for Australian products and strong prices for Australian commodities; and
- Whether microeconomic reform will reduce domestic production costs enough to enable domestic producers to compete on international markets as scheduled cuts in border protection are introduced.

The impact of a range of economic shocks on general economic aggregates and the New South Wales Budget are examined in Section 2.4 below.

## 2.3 THE NEW SOUTH WALES ECONOMY

### Overview

The interstate variation in economic performance has attracted considerable attention from commentators during the current downturn in the business cycle. Of itself regional differences in economic performance are unremarkable given that there are substantial differences in the structures and development paths of the State economies. For example, during the 1982-83 recession State economic growth rates ranged from -4.0 per cent in New South Wales to +4.2 per cent in Western Australia.

Judged against that performance, the current downturn is more evenly spread with Victoria standing out as the most affected economy. Excluding Victoria, employment data show a range in through the year growth<sup>2</sup> for 1990-91 from -1.2 per cent for New South Wales to -2.7 per cent for Tasmania. The comparable employment change in Victoria was -6.2 per cent. The more uniform performance (excluding Victoria) during the current recession is attributable to the dominance of national factors such as high interest rates, high corporate debt levels, and the collapse of asset prices as the triggers for the current recession.

**Table 2.3: New South Wales, Economic Performance and Outlook**

	89-90	90-91 (E)	91-92 (F)	92-93 (F)	93-94 (F)
Output (GSP) <sup>(a)</sup> , % change	2.3	0.3	2.5	3.0	3.0
Employment, % change	3.0	0.3	(-)0.8	2.0	2.5
Unemployment rate, %	6.1	7.5	9.5	8.0	7.0
Inflation (Sydney CPI), % change	8.2	4.9	3.5	4.5	4.5

(a) 1984-85 prices; (E) = Estimate; (F) = Forecast

As is evident across a wide range of economic indicators (see Table 2.4 below), New South Wales consistently outperformed the other States during 1990-91. This above average performance reflects two factors.

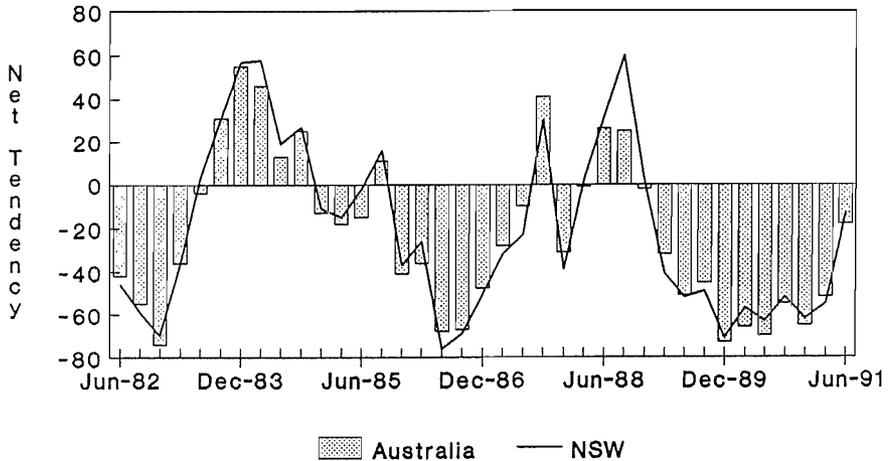
First, the State economy is more heavily concentrated in sectors experiencing stronger economic performance, such as tourism and the service sector, and less dependent on industries that are performing poorly such as motor vehicles and textiles, clothing and footwear. Moreover, the early approach to microeconomic reform in the steel industry, which is heavily concentrated in New South Wales, has enabled it to switch its output to export markets during the domestic economic slowdown.

<sup>2</sup> Growth rates for economic aggregates are generally presented in 'year average' terms. This is the difference between the average value in successive years. 'Through the year' changes refer to the change between the period at the end of one year and the same period at the end of the previous year, e.g. June 1991 and June 1990.

Figure 2.9

### BUSINESS CONDITIONS OUTLOOK

Expected Conditions Six Months Ahead



Source: Confederation of Australian Industry and Westpac Banking Corporation Survey of Industrial Trends

Second, consumer and business confidence in NSW has been appreciably higher than in the rest of Australia, due in part to the State's success in avoiding the worst of the financial collapses taking place elsewhere in Australia. Significantly, the NSW Government was able to maintain its triple A credit rating during a period when all other State Governments, except Queensland, experienced downgrading of their credit ratings.

NSW's above average economic performance is expected to continue in 1991-92 with GSP growth forecast to be 2.5 per cent compared to national growth of 2.0 per cent. Average employment in 1990-91 in NSW is forecast to fall by 0.8 per cent compared to a 1.5 per cent reduction nationally. In large part this reflects the very large employment loss at the beginning of the financial year. Within the financial year these forecasts are consistent with 3.0 per cent employment growth. If there was no further change in employment over the course of the year, average employment in NSW during 1991-92 would be 2.2 per cent below the level for 1990-91.

The economic upturn forecast for 1991-92 is likely to vary in timing and strength in different States. Queensland and New South Wales should lead the upturn, in part because consumer and business confidence is higher in these States. Queensland will also benefit from its large export oriented mining and agricultural sectors. While agriculture in general is facing a severe recession, Queensland's beef and sugar industries should do reasonably well as should New South Wales' rice and cotton industries. The coal industry in both NSW and Queensland should also continue its growth. The New South Wales economy will also receive a substantial boost from its highly cyclical residential construction industry.

Like Queensland, Western Australia has a large export sector but its main agriculture products are wheat and wool, both of which face depressed market conditions. It is also suffering a severe credit squeeze which may slow the upturn. The rapid growth in oil and gas exports will boost Western Australia's recorded economic growth but this may not flow back into the general economy. While the South Australian economy was relatively flat during 1990-91 it may yet suffer delayed business and consumer confidence shocks from the financial problems of its State Bank and Government Insurance Office. In the absence of stimulus from major new investment projects, recovery in Tasmania is likely to be subdued.

In Victoria, the aftermath of recent financial problems, necessary budget restraint by the State government and low levels of business and consumer confidence, will result in a slower and weaker upturn than in any other State. Victoria's stagnant economy will continue to retard national economic growth in 1990-91.

## **Economic Performance in New South Wales**

Gross State Product (GSP) in New South Wales is estimated to have increased by 0.3 per cent in 1990-91 compared to a decline of 0.9 per cent in GDP nationally. In both economies weak domestic demand was offset by a positive contribution from the external sector. In the case of the States, the external sector includes not only trade with foreign countries but also trade with the other States.

The slump in motor vehicle sales provides a good example of trade with the other States cushioning the NSW economy from the recession. The fall in sales of new vehicles in NSW translated into reduced production in Victoria and South Australia - but had a more limited impact on the manufacturing sector of the NSW economy.

Naturally, the process works in reverse. New South Wales' producers can lose sales if demand slumps in the other States. That happened in 1982-83, particularly in the case of the BHP steelworks in Newcastle and Port Kembla. As a result, however, of early microeconomic reform following the last recession, BHP was able to maintain production levels during the current recession by switching from domestic to export sales. Similarly, other industries which also underwent restructuring and rationalisation in the mid-80s were less vulnerable in this downturn. For example, the newspaper manufacturer, Australian Newsprint Mills, was able to keep its plants at Albury in New South Wales and Hobart operating at full capacity by increasing market share at the expense of imports.

The recession has affected public finances in all the States with the collapse in asset prices sharply reducing tax revenue and asset sales receipts. This problem has been disguised to a certain extent because in 1988-89, the year prior to the recession, public finances were in better shape in New South Wales than in most of the other States. However, compared to the other States, the effects of the downturn have been more pronounced on New South Wales' public finances which have a lower relative level of transfers from the Federal Government than any other State. New South Wales' tax revenue is also more dependent on stamp duties on financial and property transactions than the other States. These are the revenues that were most affected by the recession. Thus despite a better financial result in the year prior to the recession and tight financial management since then, New South Wales has had a more severe budget downturn than the other States.

Table 2.4 summarises the performance of New South Wales compared with the other States and Australia in 1990-91. The NSW result is better than that for Australia for virtually every indicator. The State's labour market performed particularly well with more rapid growth in employment and lower growth in unemployment than Australia.

While no other State matched the NSW performance, a number of States have achieved above average performance across a wide range of the available indicators. The exception is Victoria, which performed worse than Australia in virtually every indicator. It thus becomes clear that if the Victorian results were removed from the national averages, the current recession has had a relatively even impact on the other States.

The key economic performance indicators for NSW are discussed in more detail below.

## General Indicators of Economic Performance

Nationally, vehicle registrations fell by 13.3 per cent in 1990-91, with declines in every State. The declines ranged from 2.8 per cent in South Australia to 25.9 per cent in Victoria. The 11.3 per cent fall in NSW was less than half that in Victoria and was also well below the 15.3 per cent decline in registrations in Western Australia. The impact of this drop in demand has been cited as one of the key reasons why the Victorian economy has been so badly affected by the current recession.

Retail sales have not been affected as much by the downturn as registrations. Nonetheless, the 2.8 per cent rise in retail sales in Australia in 1990-91 represents a decline in real terms. Again there was substantial variation between the States. In Victoria retail sales declined by 1.4 per cent in nominal terms implying a fall of almost 7 per cent in real terms, whereas in South Australia and Tasmania sales rose by almost 7 per cent in nominal terms. The increase in NSW was 3.9 per cent, the same as in Queensland, while in Western Australia sales rose by just 2.9 per cent. Trend estimates showed stronger growth in sales early in 1991 following the reduction in personal income tax on January 1. In the last few months retail sales growth has slowed a little as rising unemployment eroded consumer confidence.

The value of NSW residential building approvals in 1990-91 was 1 per cent lower than in 1989-90, a substantially better performance than the 8.1 per cent decline in approvals for Australia. The national average was pulled down by Victoria (-23.3 per cent) and to a lesser extent Western Australia (-13.1 per cent). The value of non-residential approvals declined by 32.1 per cent nationally. The largest declines were for offices (-44 per cent) and hotels (-43 per cent) but shops (-35 per cent) and factories (-25 per cent) were not far behind. By State, non-residential approvals declined most in Victoria (-44 per cent) and South Australia (-35 per cent) closely followed by NSW and Queensland (both -30 per cent). Tasmania was the only State to achieve an increase in non-residential approvals in 1990-91.

Dwelling construction is expected to lead the economic upturn. In the June quarter, the index of housing affordability for Sydney compiled by the Housing Industry Association and the Commonwealth Bank was at the highest level since September 1988, and there have been similar increases in other States. Loans for owner occupied housing have also increased. As a result residential construction should begin to pick up over the next few months.

**Table 2.4: Annual Growth of Selected Indicators  
(percentage change on a year earlier, unless otherwise stated)**

	PERIOD	NSW	Vic	Qld	SA	WA	Tas	Aust
<b>AGGREGATE DEMAND</b>								
Retail Turnover	1990-91	3.9	(-1.7)	3.9	6.5	2.9	6.9	2.8
Motor Vehicle Registrations	1990-91	(-11.3)	(-25.9)	(-3.6)	(-2.8)	(-15.3)	(-8.8)	(-13.3)
Value of Building Approvals - Residential Non-Residential	1990-91	(-1.0)	(-23.3)	(-5.5)	3.0	(-13.1)	1.9	(-8.1)
	1990-91	(-30.1)	(-44.4)	(-29.6)	(-35.4)	(-12.7)	4.1	(-32.1)
Value of Engineering Construction Commenced by Private Sector	Year to March 1991	33.1	(-9.8)	(-19.7)	(-0.8)	63.7	89.4	11.6
Private New Capital Expenditure	Year to March 1991	7.0	(-14.4)	14.7	5.7	2.0	(-10.6)	0.8
Bank Loans	1990-91	15.6	10.7	14.7	23.0	6.4	9.6	13.8
Bank Deposits	1990-91	13.6	6.0	10.1	27.6	-0.9	8.1	10.6
<b>LABOUR MARKET</b>								
Employed Persons	1990-91	0.4	(-2.3)	0.1	0.9	0.0	(-0.3)	(-0.4)
Unemployment Rate (Annual Average)	1990-91	7.6	8.3	9.3	8.9	9.2	9.9	8.4
Industrial Disputes Days Lost	Year to May 1991	(-7.8)	(-7.1)	0.5	188.8	(-17.9)	1.8	(-2.5)
Job Vacancies	1990-91	(-34.9)	(-65.1)	(-27.0)	(-51.0)	(-39.6)	(-34.1)	(-42.7)
Average Weekly Overtime Hours Per Employee	1990-91	(-10.9)	(-26.1)	(-19.1)	(-11.0)	(-10.1)	(-13.7)	(-14.9)
<b>PRICES AND WAGES</b>								
Consumer Price Index	1990-91	4.9	5.8	4.9	6.2	5.1	4.9	5.3
Average Weekly Earnings, All Employees	1990-91	5.7	4.5	8.1	5.5	7.9	6.0	5.9

Sources: ABS

Non-residential building, however, is expected to continue to decline through to 1992-93, due to an oversupply of offices, shops and hotels and the effect of the recession on demand for factories and other business premises. Engineering construction, which rose by about 6 per cent in 1990-91, is also expected to weaken. While there is a strong underlying demand for engineering works, 70 per cent of engineering construction is funded by the public sector, predominantly State governments, and all the State governments are experiencing budgetary pressure.

In the first three quarters of 1990-91, private new capital expenditure in Australia was 7.7 per cent lower than in the same period of 1989-90. With the exception of Tasmania all of the States experienced a fall in private investment for the period. The 2.2 per cent decline in NSW was the lowest for any State, followed by Queensland (-3.4 per cent), South Australia (-5.8 per cent), Western Australia (-11 per cent), and Victoria (-20.3 per cent). The 21 per cent rise in capital expenditure in Tasmania was attributable to the commencement of a heavy industrial project in the December quarter of 1990.

Although the effects of recession have been relatively evenly spread across the States, with the exception of Victoria, there has been a much greater variation in performance within NSW. While there is little contemporary economic data available at the regional level, building approvals and labour market data (see discussion in the Labour Market section below) give some idea of the regional impact of the recession.

Most statistical districts in New South Wales experienced a decline in the number of dwelling approvals in 1990-91. The decline in non-residential approvals was less marked outside of Sydney with some statistical divisions showing large increases. In general, the inland regions performed better during 1990-91 than the coastal regions where activity declined from the high levels established by the boom in the late 1980s.

## Prices and Wages

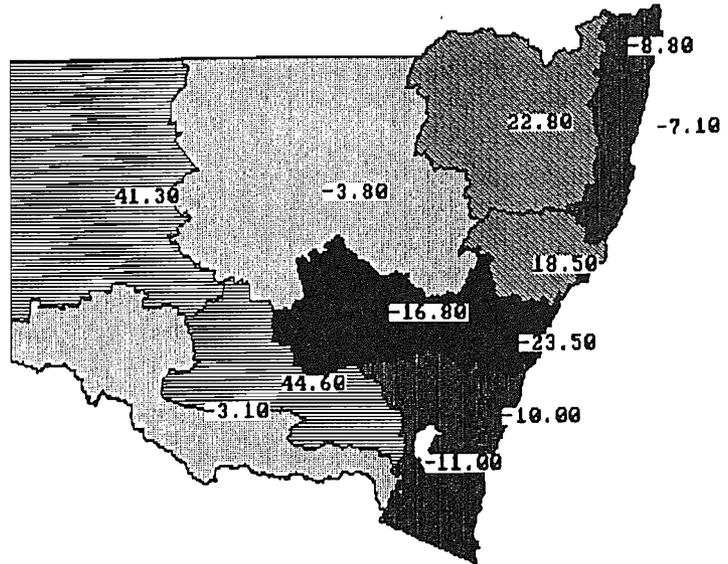
The Sydney CPI rose by 4.9 per cent in 1990-91, equal lowest with Brisbane and Hobart among the Capital cities. Adelaide had the highest rate of inflation at 6.2 per cent, followed by Melbourne at 5.7 per cent. The Sydney price indexes for food, clothing and transportation rose a little faster than the eight city averages for those items, but that was more than offset by slower inflation in all other indexes. In particular, the cost of health and personal care and the government charges component rose much less in Sydney than in most of the other State capitals. The New South Wales index of State Government charges also points to a slowing in the rate of inflation. After peaking with an increase of 8.4 per cent in 1988-89 the rise in the index slowed over the next two years to just 4.2 per cent in 1990-91. The rise in the housing component of the CPI in Sydney was 3 per cent, well below the increases of 4.2 per cent and 4.1 per cent in Melbourne and Adelaide respectively.

Figure 2.10

BUILDING APPROVALS 1990-91 BY STATISTICAL DIVISION  
Percentage change on previous year

Statistical  
Division

Sydney	-23.5
Hunter	18.5
Illawarra	-10.0
Richmond/Tweed	-8.8
Mid North Coast	-7.1
Northern District	22.8
North West	-3.8
Central West	-16.8
South East	-11.0
Murrumbidgee	44.6
Murray	-3.1
Far West	41.3



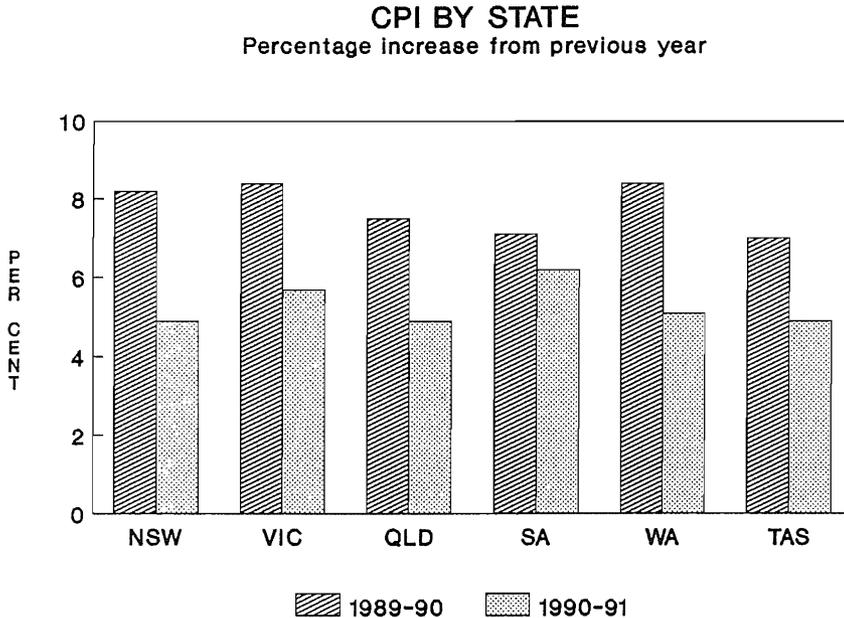
Source: ABS

For 1991-92 Treasury is forecasting further slowing in the rate of inflation. The Sydney CPI is expected to rise by 3.5 per cent in the current financial year. General inflation as measured by the GSP deflator is expected to be 3 per cent in 1991-92.

New South Wales recorded higher growth in wages and earnings than the national average during the boom period 1987-1990, when growth in the financial sector and construction activity created temporary labour shortages. With a slackening of labour demand pressures since 1989, however, the wage growth gap between NSW and the rest of Australia was reversed: in 1990-91 average weekly earnings increased only 5.7 per cent in New South Wales compared to 5.9 per cent for Australia as a whole. The national average was pulled down by the growth of earnings in Victoria of just 4.5 per cent.

Award wage growth averaged 4.3 per cent in NSW and 4.4 per cent nationally during 1990-91. This amounted to a deceleration of over one percentage point at the national level, and over two percentage points in NSW, from growth registered the previous year. Factors behind this deceleration were the steep rise in unemployment accompanying the recession, the wage-tax tradeoff implemented during 1990-91 and the delays in reaching agreement on the phase-in of the \$12 or 2-1/2 per cent pay rise following the National Wage Decision in April 1991.

Figure 2.11



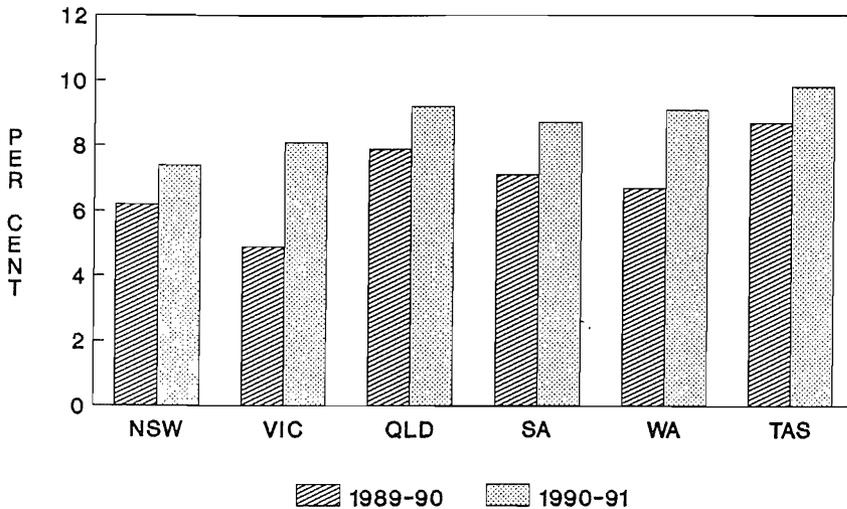
Source: ABS

In 1991-92, wage growth in NSW is expected to follow trends at the national level, with award wage growth easing from 4.4 per cent to 4.2 per cent, ordinary pay growth falling to around 3.8 per cent, and total earnings (AWE) growth easing to 4.0 per cent. All wage forecasts are subject to more than the usual uncertainty, however, as labour, employers and government seek to work out the transition to a more decentralised enterprise bargaining system relying more heavily on productivity and profitability criteria.

## The Labour Market

In terms of both employment and unemployment, New South Wales performed better than the national average in 1990-91. The 0.4 per cent growth in employment in New South Wales was second only to the 0.9 per cent employment growth in South Australia. The average unemployment rate in NSW during 1990-91 was 7.6 per cent compared to 8.4 per cent for Australia as a whole. This was the lowest unemployment rate of any State. The level of unemployment was 24.5 per cent higher than in 1989-90, the second lowest rise in unemployment of all the States. Tasmania had the smallest rise in unemployment (14 per cent) because although employment fell by 0.3 per cent, Tasmania had by far the slowest growing labour force (1 per cent) of all the States. In NSW the labour force grew by 1.9 per cent. Victoria had the worst performance of all the States in terms of both employment (-2.3 per cent) and unemployment (+75 per cent) growth.

**Figure 2.12**  
**UNEMPLOYMENT RATES BY STATE**  
 Annual Averages



Source: ABS

Within NSW, the weakness in the labour market affected Sydney more than the rest of the State in terms of employment growth. In the Sydney statistical district total employment declined by 0.5 per cent whereas in the rest of the State employment rose by 2.4 per cent. However, most of the non-metropolitan areas have higher unemployment rates than Sydney. In the Richmond-Tweed and Mid North Coast region the unemployment rate was 15.2 per cent in the May quarter of 1991.

**Table 2.5: Employment and Unemployment by Statistical Region**

Statistical Region	Employment growth 1990-91 (per cent)	Unemployment rate May quarter 1991 (per cent)
Sydney	(-)0.5	7.7
Hunter	5.9	10.5
Illawarra and South East	(-)1.8	9.7
Richmond-Tweed and Mid North Coast	0.0	15.2
North, North West and Central West	6.2	8.4
Murray-Murrumbidgee	0.4	8.6

Source: ABS

The deterioration in the labour market was accompanied by declines in job vacancies and overtime hours worked, but also by a decline in the number of days lost (per 1,000 employees) in industrial disputes. Job vacancies in NSW fell by 34.9 per cent, while average overtime hours worked per week declined by 10.9 per cent.

The number of working days lost in industrial disputes per 1,000 employees was 10.7 per cent lower than in 1989-90. In all of these areas, performance in NSW was better than the national average.

While unemployment is expected to continue rising for some time yet, there are signs that the decline in employment has slowed, perhaps even reaching the bottom of the cycle, and that the rise in unemployment will be much slower than over the past year. The job advertisement series produced by the ANZ Bank, which had been falling for two years, has been flat since March. The ABS job vacancies series is also showing signs of flattening out. But before unemployment begins to fall, employment will have to rise faster than the labour force. Labour force growth derives not only from new entrants to the labour force but also from people who had given up looking for work at the height of the recession but who begin looking again as employment prospects improve. In the current financial year employment in NSW is expected to decline by 0.8 per cent while the unemployment rate is forecast to rise to 9.5 per cent on a year average basis.

## Finance

One of the reasons NSW outperformed the average of the other five States in every area covered by the indicators discussed above was the fact that NSW did not suffer a credit squeeze to quite the same extent as did the other States. Likewise the stronger business confidence and activity levels in NSW explain why more credit was demanded in NSW than in the other States. On average the volume of bank loans in the other five States in 1990-91 was 12.3 per cent higher than the previous financial year. In NSW the increase was 15.6 per cent. In 1990-91 finance commitments for owner occupied housing in NSW were 16.1 per cent higher than in 1989-90. The average increase for the other five States was 12.6 per cent, due to very low growth in commitments in Victoria and Western Australia.

During 1990 NSW Treasury Corporation (TCorp) bonds came to be regarded as the benchmark in the Australian fixed interest markets. In part this reflected the strong liquidity of TCorp stock and the better financial management in NSW compared to many of the other States but it was also due to the significant decline in the supply of Commonwealth bonds as a result of successive Federal government budget surpluses. With the liquidity of Commonwealth bonds declining, TCorp stock became the most widely traded and its yields were priced at a discount of up to 70 basis points on bonds of the other States. However, over recent months, the impact of the domestic recession on the NSW budget and renewed bond issuance by the Commonwealth have combined to reduce the discount on TCorp stock relative to other semi-government securities. Indeed in mid-1991, TCorp benchmark stocks were trading at similar yields to Queensland Treasury Corporation (QTC) bonds. NSW and Queensland are the only States to retain a AAA grading from Australian Ratings.

## Industry Sectors

### OVERVIEW

Table 2.6, which shows gross product by industry as a proportion of total output for Australia and New South Wales, gives some indication of how the two economies differ. For example, agriculture and mining are less important in the New South Wales economy whereas finance, property and business services are more important. The Table also shows production growth during the upswing in the business cycle from 1986-87 to 1989-90. And finally, to give some idea of how different industries have been affected by the recession, the Table shows the year average employment change for 1990-91.

**Table 2.6: Output and Employment Growth, by Industry**

	GROSS PRODUCT				EMPLOYMENT(b)	
	1989-90 share of total		Average Annual Growth(a)		Annual Growth 1990-91	
	(%) Aust	NSW	(%) Aust	NSW	(%) Aust	NSW
Agriculture, forestry and fishing	4.3	3.4	0.7	4.0	1.9	8.8
Mining	4.6	2.4	7.0	2.7	(-)8.0	(-)10.8
Manufacturing	16.3	16.5	5.1	3.7	(-)4.4	(-)5.0
Electricity, gas & water	3.3	3.0	5.3	5.1	(-)4.6	(-)5.6
Construction	7.5	6.9	4.8	3.0	(-)4.8	0.1
Wholesale and retail	14.9	15.2	5.0	4.1	(-)1.2	(-)4.4
Transport, storage and communication	8.4	9.3	2.9	5.4	0.8	7.0
Finance, property & business services	9.9	11.2	7.0	5.0	0.1	(-)0.8
Public admin., defence & community services	15.6	14.4	2.9	2.5	3.4	5.7
Recreation, personal & other services	4.2	4.8	4.1	6.3	0.3	5.4
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>4.6</b>	<b>4.4</b>	<b>0.5</b>	<b>0.4</b>

(a) 1984-85 prices, using the national deflator for both Australia and NSW.

(b) These data, which are the latest available at the industry level (year to May 1991), diverge slightly from the more up to date labour force data examined elsewhere in this review.

Source: ABS

These data show that there was little difference between New South Wales and Australia in terms of total growth during the upswing of the business cycle, although there were significant differences at the individual industry level. In the period 1986-87 to 1989-90, leading national growth sectors were finance and mining. New South Wales outperformed Australia in agriculture, transport and tourism.

There are, however, significant differences in performance during the downturn. Strongest performing industries in New South Wales during the downturn, as measured by employment growth, were tourism (recreation, personal and other services), agriculture, transport and community services. In the public administration, defence and community service sector, all of the rise in employment was in the health industry as employment in public administration fell.

The following sections discuss in more detail those industry sectors for which contemporary activity data are available.

## **AGRICULTURE**

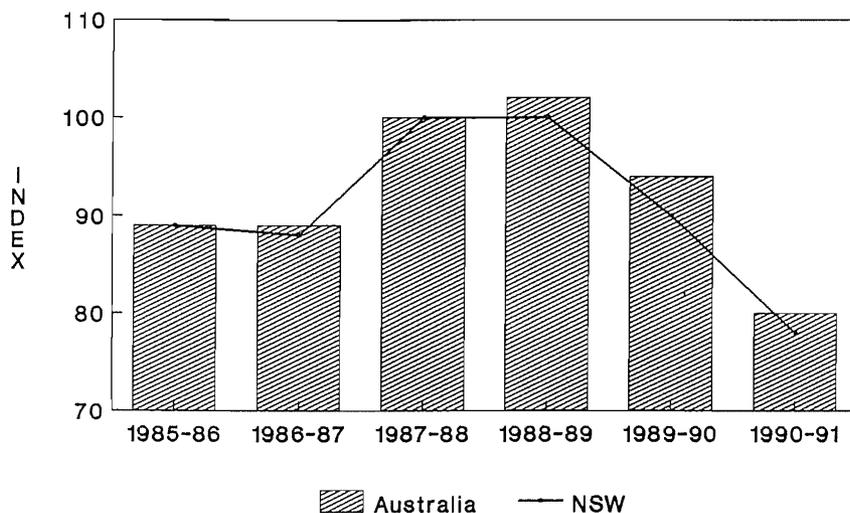
According to estimates by the Australian Bureau of Agricultural and Resource Economics (ABARE) the gross value of national farm production declined by 11.4 per cent in 1990-91 and a further fall of 7.8 per cent is expected in 1991-92. Wheat and wool account for the bulk of that decline but the value of the sugar crop and milk are also down. The value of cattle slaughterings eased an estimated 1 per cent in 1990-91 but is expected to more than recover with a 1.8 per cent rise in 1991-92. The value of the cotton crop, which accounts for 7 per cent of NSW agricultural production, is expected to decline by about 4 per cent in 1991-92 but will still be at a historically high level. The value of rice production, on the other hand, is expected to rise by more than 40 per cent in 1991-92. NSW produces most of Australia's rice but the crop represents just 2 per cent of the State's agricultural production.

While the value of farm output is expected to fall, prices paid by farmers are forecast to rise by 3 per cent in 1991-92 following a 2 per cent rise in 1990-91. That cost-price squeeze reduced NSW farmers' terms of trade by 13 per cent in 1990-91 following a 10 per cent decline in 1989-90. Net farm cash income fell by 50 per cent in 1990-91 and a further decline of about 30 per cent is expected in 1991-92. Very dry conditions across NSW will also have a negative impact on the farm sector in 1991-92.

Although returns to wheat farmers for the 1991-92 crop are expected to average \$148 per tonne, up 23 per cent from 1990-91, the price is still low historically. NSW growers plan to cut wheat plantings by 40 per cent while more than doubling the area sown to oats and increasing plantings of barley by 35 per cent. The largest wheat growing areas in the State are the North, North West and Central West districts, but there are also substantial plantings in the Murray and Murrumbidgee districts.

Figure 2.13

### FARMERS TERMS OF TRADE 1987-88 = 100



Source: ABARE

The latter two districts also account for all the rice grown in New South Wales. A 23 per cent reduction in the area planted to rice in 1990-91, due to low world prices, resulted in a 19 per cent fall in production. However, world prices are expected to rise this year and plantings may increase back to the level planted in 1989-90. The outlook for rice producers is also improving as a result of a decision to trial production of rice varieties which are direct substitutes for Australia's imports (20,000 tonnes of rice per year).

In the long run, the beef industry stands to gain substantially from the replacement of import quotas with tariffs in Japan last April. The tariff was initially set at 70 per cent but will be phased down in two steps to 50 per cent by April 1993. As a result, Australia's beef exports to Japan are expected to more than double to 400,000 tonnes a year by 1995. However, the disruption caused by the change in the marketing arrangements and the release onto the market of stocks of frozen beef formerly held by the Japanese government is expected to hold the growth in Australia's beef exports to Japan down to 5 per cent this year. Beef exports to Korea, which rose by about 30 per cent in 1990-91, are expected to rise by a further 6 per cent this year.

In the short term the beef industry also faces problems. The US has threatened to impose quotas on imports of Australian beef which would sharply reduce exports during the rest of 1991. During the first six weeks of this financial year the rural commodity price index declined 6 per cent due to lower prices for beef, cotton and wool.

## MINING

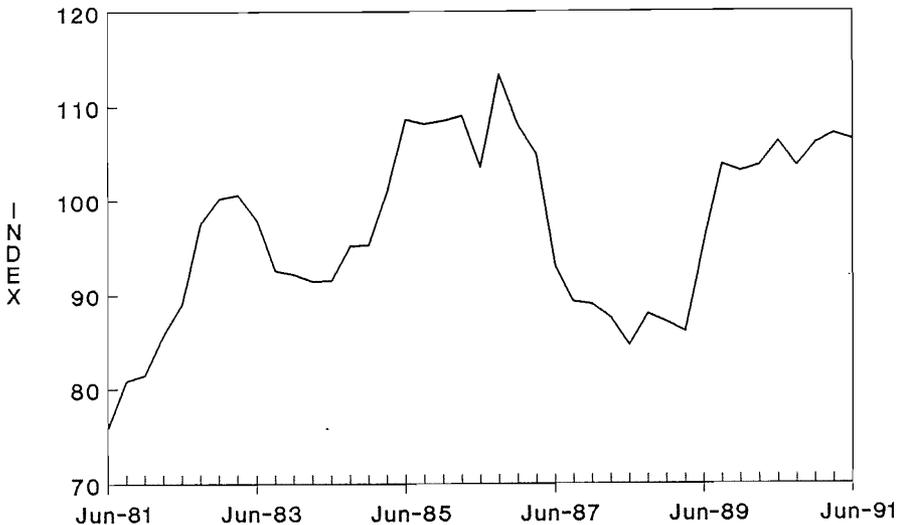
In the mid 1980s, NSW coal producers faced increasing world supply, relatively stagnant demand and easing energy prices. As a result, investment rates and performance in the coal industry dropped substantially, leading to mine closures and steep falls in employment. Growth resumed in 1988-89, and surged by 16 per cent in 1989-90, aided in part by reform of industry work practices. With the onset of Australia's recession, the growth in raw coal production in New South Wales eased to 2.3 per cent in 1990-91. Under these tighter conditions, activity declined in underground mines with offsetting increases in lower-cost open cut activity. Average employment in NSW coal mines declined by 1.9 per cent, providing a gross labour productivity improvement of 4.2 per cent.

Like a number of other industries, NSW coal producers in 1990-91 shifted from domestic demand to export markets. While domestic shipments fell by 1.6 per cent, exports of NSW coal rose 19.9 per cent with increases of 11 per cent to Japan, 31 per cent to Europe, and 34 per cent to other markets. The export price of coal finished the financial year unchanged from June 1990, after a strong 11.4 per cent gain in the preceding year.

**Figure 2.14**

### COAL EXPORT PRICES

Index 1984-85 = 100

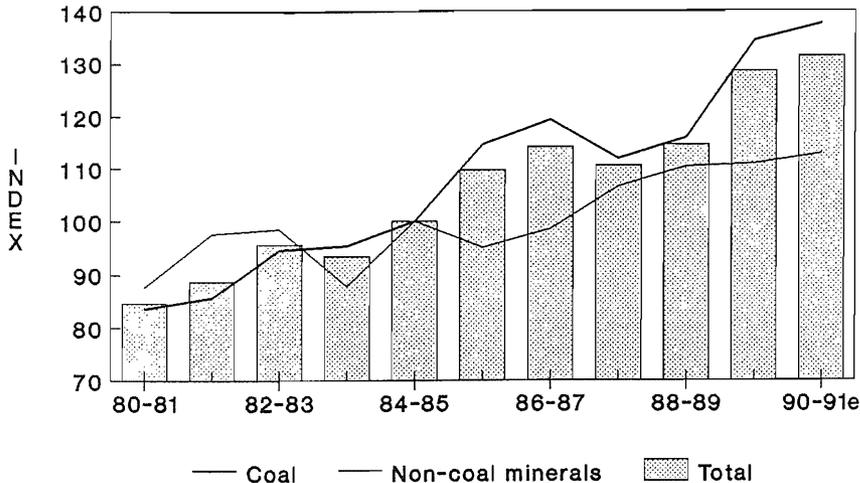


Source: ABS

Most other mineral products also performed well in 1990-91, with growth in output (for first 11 months of 1990-91 compared to the same period in 1989-90) of copper (37 per cent), cadmium (13 per cent), antimony (11 per cent), lead (6 per cent), and titanium (3.6 per cent). Gold fell by 20 per cent, however, and silver output dropped by 11 per cent.

Figure 2.15

### NSW MINERAL PRODUCTION INDEXES At Constant Price Weights



Source: NSW Department of Minerals & Energy, and Treasury estimates.

The Australian Bureau of Agriculture and Resource Economics (ABARE) forecast that Australian black coal production and exports will rise by about 4 per cent in 1991-92. Market potential is particularly strong for steaming coal, while coking coal prospects are less favourable. Positive market factors include a probable reduction in United States export supply, political uncertainty in East European producers, Germany's intention to reduce subsidies to its industry and continued strong demand from importing nations including Japan, Korea, Taiwan and India. On the down side, the Australia-Japan Economic Institute notes the shift toward the use of more efficient pulverised coal in steel production, Japan's effort to diversify its supply away from Australia, the rise of new supply sources (Indonesia) and the return of old competitors (South Africa).

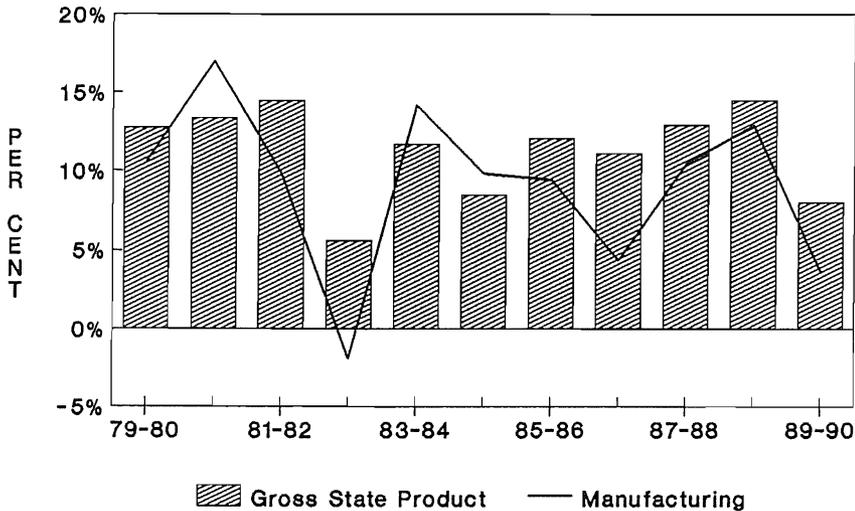
For other mining products, ABARE expects NSW copper output (at Cobar) to decline as world prices continue to ease. With continuing weak world demand, NSW lead production is forecast to slow with the closure of South Mine, reductions in production from Elura and production problems at Pasminco's North Mine. NSW zinc production also will be constrained by soft world prices and mine operation problems. Mineral sand products (rutile, ilmenite and zircon) likewise face soft international prices in 1991-92. Australian and NSW gold production is believed to have peaked in 1990-91 and will fall some 10 per cent in 1991-92, reflecting flat world prices, the exhaustion of mine reserves and the impact of the company tax on some marginal mines.

## MANUFACTURING

Growth in NSW manufacturing has averaged 10.2 per cent per annum in current prices during the last decade, or two per cent per annum less than Gross State Product.

Figure 2.16

### NSW MANUFACTURING AND GSP Growth in Current Prices at Factor Cost

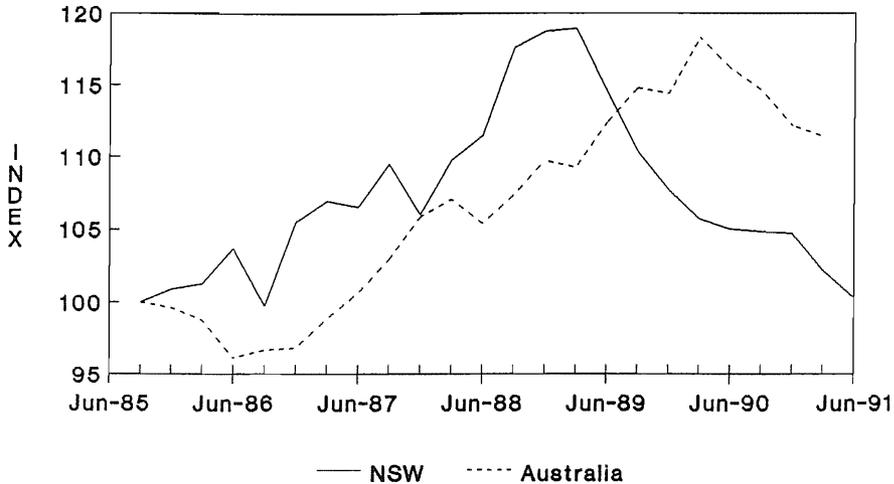


Source: ABS

Manufacturing activity dropped sharply in the 1990-91 recession. Whereas the NSW economy has had a softer landing than the rest of Australia, NSW manufacturing has had an earlier and steeper decline than other States. NSW employment in manufacturing declined by 5.0 per cent, compared to a fall of 4.4 per cent in Australia, in 1990-91. While turnover statistics for 1990-91 are not available, the NSW Treasury index of industrial production (based on physical output indicators including energy) confirms a steep fall in output in this sector. Key industry sectors experiencing output reductions were building materials, paints and chemicals, and metals manufactures.

While manufacturing has undergone a sharp cyclical downswing, the fall in domestic demand was partially offset by increased exports of manufactured goods. In the year ending June 1991, manufactured exports increased by 23 per cent, compared to 8 per cent for total exports. As noted above, the steel industry is one sector which has mitigated the effects of the domestic recession by switching product into export markets.

**Figure 2.17**  
**INDEXES OF INDUSTRIAL PRODUCTION**  
 September 1985 = 100



Sources: ABS, and  
 NSW Treasury estimates

In the current year, New South Wales manufacturing is likely to stabilise and commence a slow recovery. Growth is likely to be led by producers of dwelling construction materials, followed by interest-sensitive consumer durables. The likelihood of a pickup in manufacturing from the start of 1991-92 is indicated by the reversal in surveyed business expectations for the September quarter 1991, after recording a negative balance in every quarter since March 1990.

While the results of the survey by the State Bank of New South Wales and Australian Chamber of Manufacturing do not indicate a rapid recovery, manufacturers are expecting a turnaround in business profitability, capacity utilisation rates, and capital expenditure. The strongest changes in outlook have been in the Clothing & Footwear, Basic Metals, Paper, and Miscellaneous groups, and in the Sydney metropolitan area. But the outlook has improved in most other groups and regions as well.

The improved outlook for manufacturers in NSW parallels a similar recovery in sentiment in most other States, although the national survey results by the Confederation of Australian Industry (CAI) and Westpac are less optimistic overall. But the CAI/Westpac survey (Figure 2.9) shows that NSW business has generally been slightly more optimistic than firms located elsewhere during the recent recession. This result corresponds broadly to the results from various other interstate indicators of economic activity.

In the longer term, NSW manufacturing stands to lose relatively less than producers in other States from the cuts in trade protection announced by the Federal Government in March 1991, according to studies prepared by the Industry Commission and independent analysts. This is because Victoria and to a lesser extent South Australia each have relatively large shares of the highly assisted textile,

clothing and footwear and transport equipment industries. Overall, NSW is likely to gain nearly three-fifths of the total national short-run benefit, and about two-fifths of the long run gains, from the March 1991 initiatives.

## CONSTRUCTION

Residential construction is expected to rise strongly in 1991-92, following two years of decline. Dwelling commencements fell by 18 per cent in 1989-90 and a further 11 per cent in 1990-91. The slump in dwelling approvals began to bottom out towards the end of 1990-91, but for the year as a whole the value of dwelling approvals was 8 per cent lower than in 1989-90. There were substantial differences among the States, however. In NSW approvals were just 1 per cent lower whereas in Victoria they were down 23 per cent. Western Australia also had a larger than average decline in approvals at 13 per cent.

Surprisingly, the drop in dwelling construction has not been accompanied by any of the classic signs of a housing shortage which were so apparent in Sydney in 1988. House prices and rent levels have been relatively stable and the vacancy rate for rental accommodation remains fairly level. This indicates a downward revision in price expectations and a reduced rate of household formation. While there was a dip in the proportion of dwellings sold to investors in 1989-90, the proportion rose again in 1990-91. Nevertheless, pent-up demand and lower mortgage rates, which make housing more affordable, are expected to fuel a resurgence in residential construction this year. The number of new dwellings commenced is expected to rise by about 15 per cent. This will make dwelling construction the fastest growing branch of the construction industry in 1991-92. Similar, or even stronger growth, is expected in 1992-93, after which a growth slowdown is likely.

The non-dwelling building industry, on the other hand, is moving into a 3 to 4 year period of decline. After decreasing by an estimated 10 per cent in 1990-91, non-residential construction is expected to decline by a further 20 per cent in 1991-92. The decline has been more moderate in NSW than nationally. In the first three quarters of 1990-91 the value of non-residential building commenced in New South Wales declined by 14 per cent on the same period in the previous year. Increases in commencements of shops, offices and health facilities partially offset an 88 per cent decline in hotels commenced and falls in commencements of factories and entertainment facilities of 10 per cent and 23 per cent respectively. For the same period commencements at the national level were down 25 per cent.

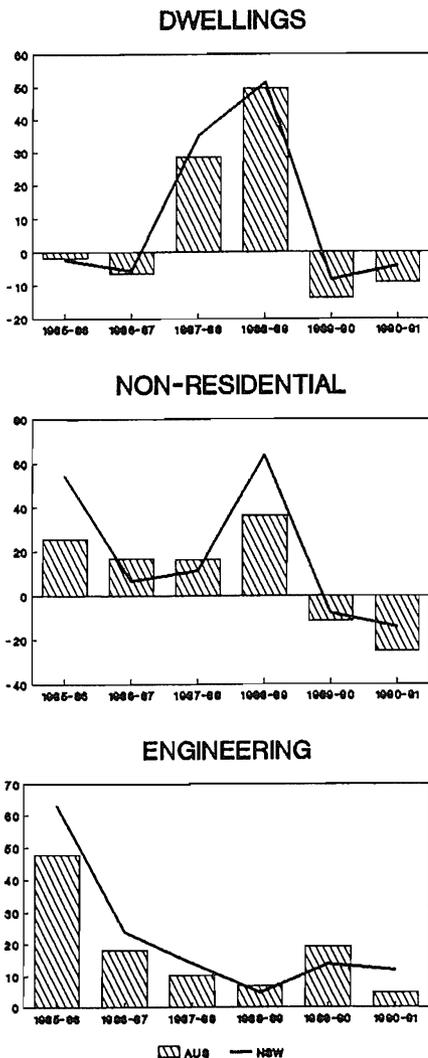
The value of work done in the first three quarters of 1990-91 rose by 2.6 per cent in New South Wales compared to a decline of 10.8 per cent nationally. With commencements falling and the amount of work done rising there was an inevitable fall of 2.6 per cent in the value of work yet to be done on building projects. That was less than the decline of 10.8 per cent at the national level. However the ratio of work yet to be done to work done, which gives an indication of how many years work is in hand, declined in New South Wales to 2.9 in March 1991 compared to 3.4 in March 1990. Most of the decline in non-residential commencements in the State has been in Sydney. For Australia the ratio remained stable but well below the New South Wales level.

The engineering construction industry provides, among other things, roads and other transportation infrastructure; the plant and facilities for supplying electricity and water or handling sewerage; and the work required to establish heavy industry such as mines. About 70 per cent of the work is for the public sector.

Figure 2.18

# CONSTRUCTION COMMENCEMENTS

Percentage Change from Previous Year



Source: ABS

Because such a high proportion of engineering construction is undertaken for the public sector, there are some doubts about the national level of activity in 1991-92 as a result of the difficult budget circumstances facing State governments. In recent years NSW has experienced very strong growth in budget sector capital expenditure in areas such as roads, hospitals, court facilities and prisons. While total capital expenditure is expected to be maintained in real terms, there will be a switch to investment in the public utility sector, especially water and sewerage.

New South Wales started the move to using private equity finance for public infrastructure projects under the previous Government. The first example was the Sydney Harbour Tunnel. This development is already spreading to other States, allowing infrastructure projects to proceed despite public financing constraints. In NSW private prisons, hospitals and power stations are under consideration and private tollways have already been approved.

In addition, Access Economics, in their June Survey, identified more than \$14 billion of heavy industry projects in the private sector across Australia which are either under construction or committed and due for completion in either 1992 or 1993. Some 40 per cent (by value) of the projects involved tourism while the remainder was divided almost evenly between mining and manufacturing.

In the first three quarters of 1990-91 the value of engineering construction commenced in NSW was 33 per cent higher than for the same period in 1989-90. There were major increases in spending on roads and bridges (+61 per cent); water and sewerage projects (+178 per cent); and heavy industry (+26 per cent). These rises offset reduced spending on rail and harbour projects (-50 per cent); pipelines (-38 per cent); and electricity projects (-31 per cent).

In Western Australia the increase in engineering commencements was even higher at 63 per cent while Tasmania recorded an 89 per cent rise. In the other States, however, commencements were lower than the previous year and the increase nationally was just under 12 per cent. The Construction Forecasting Committee of the Department of Industry, Technology and Commerce has forecast that engineering construction activity in New South Wales will rise by 5 per cent in 1991-92 while nationally their forecast is 2 per cent. However, engineering work yet to be done rose by 16 per cent nationally in the first three quarters of 1990-91, compared to an increase of 11.6 per cent in New South Wales. Furthermore the ratio of work to be done to work done declined in New South Wales to 1.70 whereas at the national level it rose to 1.79. These data suggest that engineering construction is likely to be at least as strong in other States as in New South Wales during 1991-92.

## **WHOLESALE AND RETAIL TRADE**

Retail sales in NSW rose by 3.9 per cent in 1990-91, compared to 2.8 per cent nationally. On a national accounts basis, real private final consumption (the driving force behind trade sector performance) in NSW expanded (+1.6 per cent) at double the national rate (+0.9 per cent).

Like many other industries, the trading sector has been affected by the recession. NSW employment in the sector declined by 4.4 per cent compared with a 1.4 per cent decline nationally. In New South Wales male employment in the industry fell by 3.1 per cent while female employment declined by 5.7 per cent. Job loss in the industry was much greater than for New South Wales as a whole.

While separate figures for individual States are not published, the ABS report on company profits for Australia showed that companies in the retail sector suffered a 39 per cent decline in profits (before tax) in 1990-91 while for companies in the wholesale sector profits were down by 48 per cent. The results for wholesalers included losses in the second half of the financial year. By contrast, the decline in profits for companies other than those in trade, was just 16 per cent in 1990-91.

The industry should do better in 1991-92 as the economy comes out of the recession. While only a modest rise in consumption in real terms has been forecast for Australia, the increase should be somewhat stronger in New South Wales because of a stronger consumer confidence base and the projected smaller loss in employment.

## **TRANSPORT**

ABS data indicate that employment in transport, storage and communication in NSW increased by 7.0 per cent in 1990-91, although there were large variations between different sectors of the industry. Employment in the road freight sector rose by 21 per cent during the year. By contrast employment in road passenger and rail transport rose by 1.6 and 2.5 per cent respectively, while air transport employed 6.7 per cent fewer people. These data need to be treated with some caution because of sample error at this level of disaggregation. In particular, the reported rise in rail transport employment may be a statistical anomaly because State Rail Authority figures show a decline in their labour force in 1990-91. Rationalisation of the rail sector is expected to continue in 1991-92.

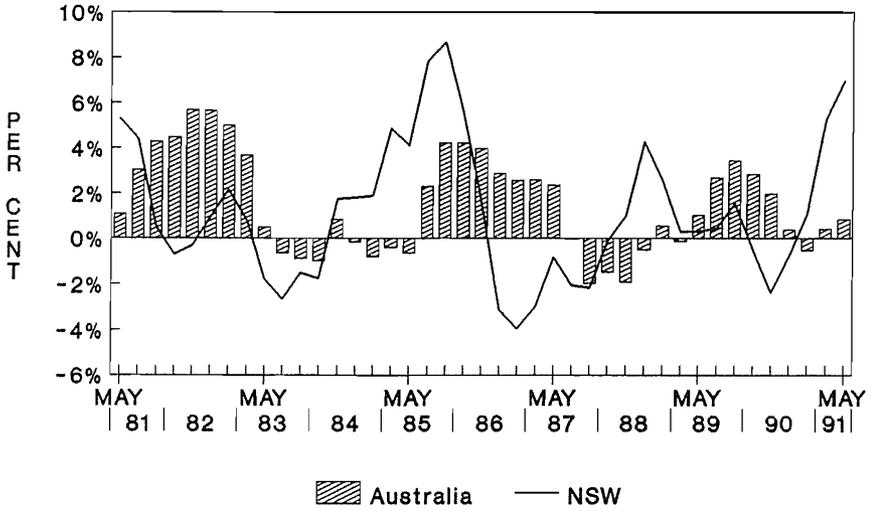
The airline industry has been restructuring following the ending of the two airline policy. It is not clear, however, whether recent falls in employment in that sector are the result of the new shape of the industry or simply a temporary phenomenon due to the drop in traffic during the recession. The road passenger industry is also in the process of rationalising the excess capacity that developed when a number of new operators entered the industry following the deregulation of intrastate passenger transport. Employment in that sector has fallen from 24,300 in May 1988 to 17,700 in May 1991.

## **TOURISM**

New South Wales accounts for the dominant share of Australia's tourist business, with one-third of the nation's accommodation capacity at end-1990. Nearly fifty per cent of overseas tourists spend their holidays principally in New South Wales, compared to 23 per cent in Queensland, 14 per cent in Victoria, and 9 per cent in Western Australia. If those visiting "friends and relatives" in Australia are excluded, New South Wales' position moves further to the forefront of top destinations in Australia. This reflects the State's attraction for business and convention travel as well as holiday activity.

Overseas tourism growth in New South Wales has been marginally below the national average in recent years. This reflects the opening of new facilities in Queensland as well as the problems of access through Sydney Airport.

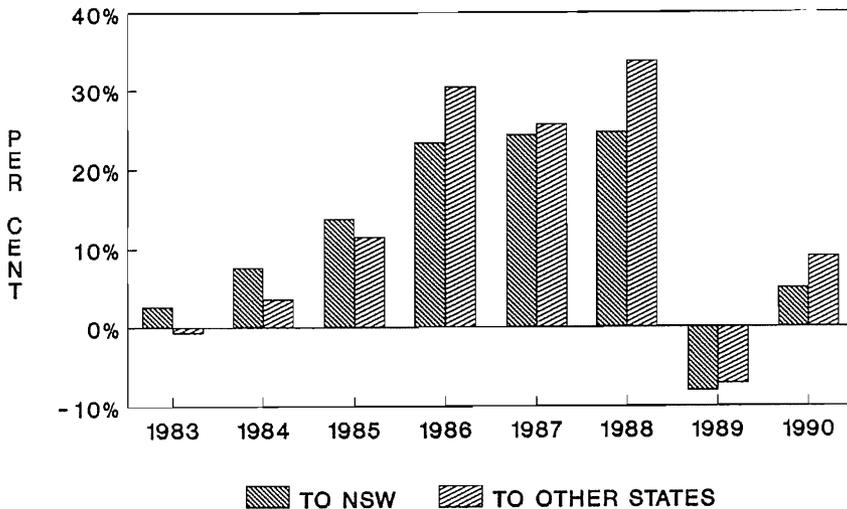
**Figure 2.19**  
**TRANSPORT STORAGE AND COMMUNICATIONS**  
 Average Annual Growth in Employment



Source: ABS

**Figure 2.20**

**GROWTH IN SHORT-TERM OVERSEAS VISITORS**  
 Calendar Years 1983 to 1990



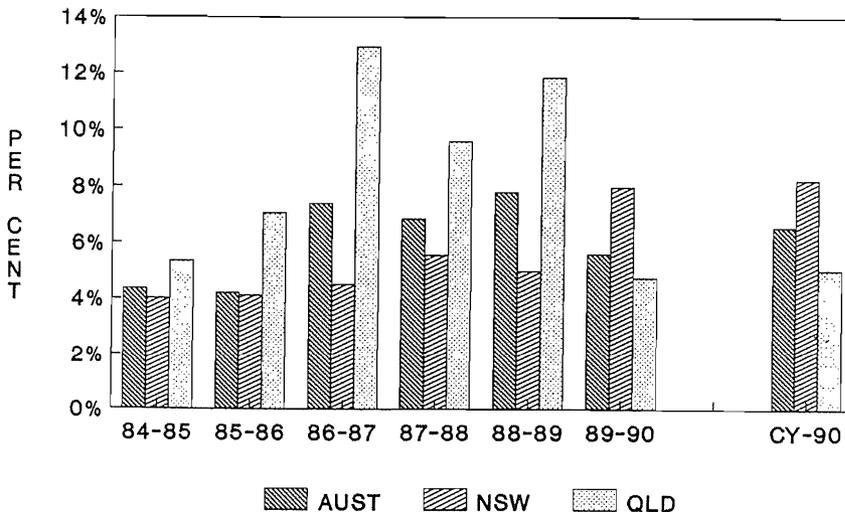
Source: ABS

New South Wales tourist capacity in terms of available rooms grew by between 4 and 5 per cent per annum in the 1980s, but growth accelerated to over 8 per cent in 1989-90 and calendar year 1990. With the pilots dispute, occupancy rates dropped sharply both in New South Wales and in Australia as a whole in 1989-90, but occupancy rates have improved substantially since then. Air travel indicators suggest that tourist activity improved in 1990-91 despite Australia's recession, although this partly reflects market share gains by airlines at the expense of ground transport. Domestic air travel appears to have stabilised at record levels in the second half of 1990-91, reflecting strong response to the price competition which followed airline deregulation. International air travel also recovered strongly from the low levels reached during the Gulf War.

Australian Bureau of Statistics (ABS) data for accommodation takings and room occupancy levels up to December 1990 confirm a strong pick up in business throughout Australia, although levels remain well below the peak reached in 1988 when tourism activity was boosted by the Bicentennial celebrations and Expo-88.

**Figure 2.21**

**TOURIST ACCOMMODATION CAPACITY**  
Hotel & Motel Rooms - Annual Growth Rate



Source: ABS

The principal sources of international tourism for Australia and New South Wales are Japan, followed by New Zealand and the United States. According to the Bureau of Tourism Research, nearly 500,000 Japanese tourists travelled to Australia in 1990, an increase of 37.3 per cent over the previous year. From January to July 1991 the number of visas for travel to Australia rose by a further 36 per cent from Japan, by 42 per cent from the US and by 32 per cent from New Zealand. The Australian Tourism Commission (ATC) expects to reach its 1991 target figure of 2.48 million tourists, about 270,000 more than visited in 1990. Based on historical shares, this could provide an increase of 135,000 in the number of overseas visitors to New South Wales.

The considerable investment in tourist infrastructure over the past few years, heavy overseas advertising campaigns, greater availability of flights and competitive pricing should have a positive effect on medium term tourism growth. Medium-term demand prospects for tourism from Japan and other North Asian countries are encouraging, given their high rates of income growth and their high marginal propensity to spend on travel. A recent tourist industry analysis circulated by the Economic Planning Advisory Council (EPAC) forecasts that international tourist arrivals will grow by between 9 and 12 per cent per annum in the period to 1995 and at almost as high a rate during the following five years. Achieving this performance, according to the EPAC paper, depends on the speed of recovery of world growth, the continued strength of the Asian economies, and the ability of the Australian tourism industry to continue improving its product quality and competitiveness.

## 2.4 THE ECONOMY AND THE BUDGET

There are two broad stages in preparing the economic framework for the State's budget. In the first stage, forecasts are made for the national and state economies in the coming financial year. These forecasts have been detailed in Sections 2.2 and 2.3. However, as pointed out in Section 2.2 there are a range of risks associated with these forecasts. In the event that forecasts of key economic aggregates are incorrect there will be compounding forecast errors in other economic aggregates and in key Budget revenue and expenditure items.

Table 2.7 estimates the impact that an exogenous change in particular economic variables will have on various aspects of the national economy during the same year. For example, it shows that a one per cent rise in dwelling construction would probably lead to a 0.04 per cent increase in GDP and a 0.02 per cent increase in employment. It should be noted that the results in Table 2.7 are the same year impact of an economic shock and furthermore are dependent on the timing of the impact concerned; on the cause of the impact; and on whether the impact was foreseen or unexpected. Thus a one per cent rise in dwelling construction could have different effects on GDP and employment given different background conditions; and have different results in the following year. In fact the lagged impacts of many economic shocks are much larger than the current year impacts. These lagged relationships are particularly important for changes in interest rates. Caution should also be exercised in interpreting these results because of the marginal impact (one per cent increase) used to derive the results. For example, a sizeable change in the terms of trade will impact on current year GDP growth. Table 2.7 merely provides a guide to the types of results that might ensue given different shocks to the economy.

**Table 2.7: National Economic Sensitivity Analysis**

Effect on: (percentage change on base forecast)	Effect of a one per cent increase in:				
	Dwelling construc- tion	Business invest- ment	Exports	10 Year bond rate (a)	Terms of trade
GDP	0.04	0.08	0.21	(-)0.07	...
Average earnings	0.01	0.02	...	0.07	(-)0.03
Employment	0.02	0.05	...	...	0.03
CPI	...	...	(-)0.03	0.34	(-)0.17
10 Year bond rate (b)	0.04	0.03	(-)0.06	1	(-)0.08

Notes:

(a) Increase of one percentage point in the bond rate.

(b) Simple change on Central Forecast; measured as percentage points change in the bond rate.

GDP - Gross Domestic Product

CPI - National Consumer Price Index

Source: Treasury estimates based on the Murphy macroeconomic Model of the Australian Economy.

The second broad stage in the budget process is using these economic forecasts to estimate budget revenue and expenditure. Variations in key economic aggregates can have a wide range of impacts on budget revenues and expenditures. For example, periods of economic growth and development create a need for infrastructure such as roads, electricity, water supply and drainage, land site developments and so on. The level of interest rates affects the amount that must be paid to service the State's debts. The largest component of the State's expenditure is on wages and salaries which are affected by national wage cases and changes in occupational pay rates.

The revenue side of the budget is even more sensitive in the short term to changes in economic and financial conditions. The level of employment, as well as wage rates, determines payroll tax. Asset price movements impact on revenue in New South Wales through the incidence of property based taxes. Contracts and conveyances, land tax, loan securities, first home purchase scheme receipts and to a lesser extent insurance are driven by changes in residential and commercial property prices. Movements in the latter also have a small but inverse impact on share transfer duty. Approximately \$2.8 billion, or 35 per cent, of forecast 1991-92 revenue from taxes, fees and fines is asset-based. General economic conditions affect spending on new cars, petrol, alcohol and tobacco, and gambling of various types. All those types of spending generate tax revenue. Another important source of revenue is stamp duty on property and financial transactions which are affected by the state of the economy, asset prices, interest rates, household formation and expectations about the future of the economy. Government trading enterprise contributions to the Government (ie. dividends, income tax equivalent, loan guarantee fees) are largely a function of their profitability. That in turn is dependent on general economic conditions, as well as management performance and Government policy.

Table 2.8 shows the marginal sensitivity of the Budget to the various economic factors indicated. These data indicate that the most important factors determining recurrent receipts are the general level of economic activity and the level of interest rates. Of course not all receipts are affected equally by economic conditions. Receipts that would be most responsive in 1991-92 include those based on contracts and conveyancing, insurance, loan securities and vehicle registrations. On the other hand, some tax receipts will be insulated by policy decisions from changes in economic conditions. For example, land valuations for tax purposes are frozen for 1991-92 and therefore land tax revenues will be insensitive to asset inflation, although there would be a strong correlation between movements in land values and land tax receipts (with some lag) in normal years.

On the outlays side, the table shows the most important factors to be wage rates and prices, although the effect varies according to expenditure category. A one per cent rise in wages gives a 0.6 per cent rise in departmental costs, a 0.3 per cent increase in superannuation costs and a 0.2 per cent increase in costs associated with subsidies to the non-budget sector. While wages are the principle cost component in recurrent payments, prices of goods and services (proxied by the CPI) are the main component on the capital expenditure side. On average, a 1 per cent rise in the price level adds 0.2 per cent to recurrent departmental costs, and 0.6 per cent to capital works costs. Since the State's debt is covered by long term fixed interest liabilities, only a small part of total interest payments (corresponding to new debt issues and refinancing) is sensitive to changes in market interest rates. As a result a percentage point increase in the bond rate (equivalent to an 8 to 10 per cent increase in the cost of new borrowings) would add only about 1 per cent to this year's outlays on interest.

**Table 2.8: Marginal Sensitivity of Budget Aggregates to Changes In Economic Conditions(a)**

Economic Factors	Recurrent Receipts		Recurrent Payments	Capital Payments
	Tax	Non-Tax		
	\$m	\$m	\$m	\$m
1. Gross State Product	79	38	...	...
2. Employment	26	3	...	...
3. Wage Rate	9	(-7)	80	11
4. Consumer Prices	26	28	25	22
5. Long Term Interest Rate(b)	(-53)	(-4)	19	...
6. Asset Prices	9	(-1)	...	...

- (a) This table shows the dollar increase in each Budget aggregate which is likely to result from a one per cent increase in a specified economic factor, sustained over the financial year. All effects are indicative full year effects, even if there is a lagged relationship.
- (b) Increase of 1 percentage point in the bond rate and mortgage interest rate.

While Table 2.8 gives an idea of the final effect these economic parameters may have on the Budget, the immediate impact in the current year may be less than implied by the table. For example, expenditure aggregates for 1991-92 are determined on the basis of the Budget forecasts and are largely fixed irrespective of changes in economic conditions. This contrasts with Commonwealth Budget outlays where transfers, such as income support schemes, are sensitive to changes in economic conditions. Secondly, while most tax revenues are sensitive to variations in current economic conditions, the impact on non-tax receipts (such as Government Trading Enterprise dividends) can be spread over a number of Budgets.

Factors other than economic conditions can also have consequences for the budget. An unexpected drought, for example, will create a need for additional expenditure in rural assistance and finance support for State rail freight services while at the same time causing a reduction in State revenue from country industries.

While revenue and expenditure depend on economic conditions, the relationship is not fixed. A given rate of economic growth may have different effects on revenue and expenditure depending on how that growth has been generated. A given rate of inflation does not affect all budget costs in a uniform manner.

For example, inflation measured by the New South Wales CPI dropped by 3.3 percentage points between 1989-90 and 1990-91. But this fall was more beneficial for the Commonwealth Budget (a large proportion of its outlays are for CPI-pegged transfer payments) than for the States (most of their outlays are for final goods and services). When measured by the deflators developed by the ABS specifically for recording the impact of prices on the NSW State Budget, it is clear inflation declined by only 0.9 of a percentage point between these same two years. On the other hand, the rate of inflation within 1990-91 was lower in NSW than nationally on both the CPI and the budget deflator measures.

**Table 2.9: Comparison of Price Inflation Measures**

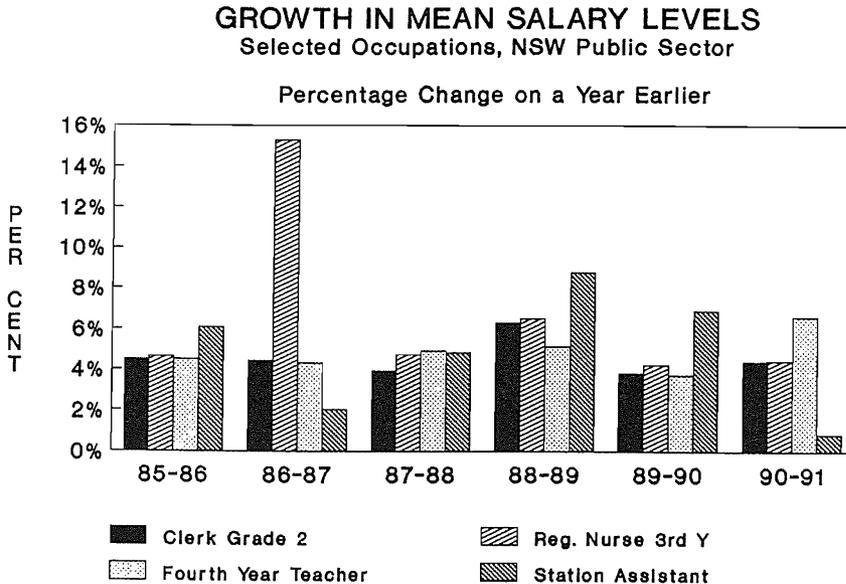
Inflation Measure	Change on Previous Year Per Cent					
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
Consumer Price Index						
- New South Wales	8.5	9.4	7.7	8.1	8.2	4.9
- Australia	8.4	9.3	7.3	7.4	8.0	5.3
General Government Deflator						
- New South Wales Gov't	6.9	6.6	4.8	6.5	5.6	4.7
- All Governments	5.6	7.3	4.9	5.8	5.3	5.1
Final Consumption Expenditure						
- New South Wales Gov't	5.8	6.7	4.5	6.6	5.3	4.6
- All Governments	5.2	7.4	5.0	5.9	5.2	5.4
Gross Fixed Capital Expenditure						
- New South Wales Gov't	7.2	6.3	6.1	6.0	7.3	4.9
- All Governments	8.2	6.5	4.6	5.0	6.2	3.0
House Prices						
- New South Wales	6.1	5.4	10.1	38.7	13.8	0.8
- Australia	5.8	3.9	7.0	25.7	15.1	0.0
Commercial Property: Sydney	12.5	13.1	35.6	5.4	(-)23.6	(-)21.1
Share Prices: All ordinaries	36.0	40.5	8.1	(-)4.3	7.2	(-)2.2

Source: ABS, RBA and Treasury

While there are few asset price series to compare, it is clear that in contrast to mere reductions in consumer price inflation, some asset prices have plummeted. The asset price cycle has a very strong impact on budget revenue because asset prices and transactions tend to move together. As house prices fall, for example, people become reluctant to sell. The opposite is true when asset prices rise. As a result movements in asset prices have a very powerful effect on stamp duty revenues and the budget outcome. Movement in asset prices are particularly hard to predict.

As a second example of the variable impact of inflation, wages (the major component of total outlays) show significant variation according to the measure selected. An analysis of selected public sector occupations (Figure 2.22) shows average growth in 1990-91 ranging from 0.8 per cent for a station assistant to 6.6 per cent for a teacher with four year job experience. After including wage adjustments in other occupations (particularly police), the general NSW government award pay index rose by 4.8 per cent, or slightly more than the 4.3 per cent increase for the combined public and private sectors in New South Wales. The NSW Budget Allocation Index, which measures the impact on the budget sector of general wage decisions only, rose by 2.2 per cent in 1990-91.

Figure 2.22



Source: NSW Public Industrial Relations Authority (PIRA)

While the forecasts on which the budget is based are Treasury's best estimates of how the economy will develop over the coming year, it is possible to suggest how budget outcomes might differ if some of the economic assumptions behind the forecasts turn out differently than expected.

Table 2.10 simplifies this sensitivity analysis by developing two alternative sets of forecasts for the NSW economy. These scenarios have been developed on the basis of input from the Forecasting Advisory Committee (FAC), a group of leading private sector economists which counsels Treasury on the macroeconomic outlook.

In the pessimistic scenario, wages growth is assumed to break out by one percentage point beyond the 4 per cent growth in the budget forecast. This causes a rise in inflation as well as a slowing in economic growth due to weaker exports and investment. Increased inflation pushes interest rates higher, and (together with higher unemployment) weakens the market for real estate.

In the optimistic scenario, nominal wages growth remains steady but productivity is assumed to improve enough to raise gross state product by half a percentage point. Lower unit labour costs further reduce inflation, and as a consequence long term interest rates are driven downward, with positive effects on demand in the housing market.

**Table 2.10: Economic Scenarios: NSW**

	Budget Forecasts	Pessimistic	Optimistic
1. Aggregate Demand (GSP)	2.5	2.0	3.0
2. Employment	(-)0.8	(-)1.2	(-)0.5
3. Wages	4.0	5.0	4.0
4. Consumer Prices	3.5	4.0	3.0
5. 10-Year Bond Rate	10.5	11.0	10.0
6. Property prices	2.5	1.0	4.0

Table 2.11 presents alternative budget outcomes prepared on the basis of the economic forecasts outlined above.

**Table 2.11: Budget Outcomes**

	Budget Estimate	Pessimistic Scenario		Optimistic Scenario	
		Outcome	Change on Budget Estimate	Outcome	Change on Budget Estimate
	\$m	\$m	\$m	\$m	\$m
I. Current Result	1,069	882	(-)187	1,177	108
a. Outlays	15,184	15,286	102	15,162	(-)22
b. Receipts	16,253	16,168	(-)85	16,339	86
1. Tax	8,832	8,763	(-)69	8,909	77
2. Non-tax	7,421	7,405	(-)16	(-)7,429	8
II. Capital Result <sup>(a)</sup>	(-)2,158	(-)2,180	(-)22	(-)2,147	11
a. Outlays <sup>(a)</sup>	3,206	3,228	22	3,195	(-)11
b. Receipts	1,048	1,048	0	1,048	0
III. Total Result <sup>(a)</sup>	(-)1,089	(-)1,298	(-)209	(-)970	119

(a) Results shown are net of extraordinary items

The two alternative scenarios underscore the substantial impact on budget outcomes flowing from even small changes in the economic environment which are well within the range of potential outcomes. Under the Pessimistic Scenario there would be a \$210 million deterioration in the financial result; while under the Optimistic Scenario there would be an improvement of around \$120 million.

The parameters in the Optimistic Scenario provide a total 0.9 per cent boost to taxes, fees and fines, compared to a 0.8 per cent drop under the Pessimistic Scenario. Most other revenue components also improve under the Optimistic Scenario, although Commonwealth Grants are lower due to reduced inflation.

At the same time lower inflation and reduced interest rates under the Optimistic Scenario help by trimming \$22 million from budget outlays. In the Pessimistic Scenario, however, the wages overrun produces a \$93 million rise in current outlays, augmented by \$9 million increase in interest charges.

This analysis underscores the importance, from the budgetary standpoint just as much as from the macroeconomic standpoint, of a sustainable recovery path which encourages cost control and productivity growth, and allows a continued unwinding of inflation.

It must be stressed that the pessimistic and optimistic scenarios are not expected outcomes. The expected result for the economy is that presented earlier in this chapter and the expected outcome for the budget is that based on the main economic forecast. The alternative scenarios are presented merely to give some idea of how the outcomes might differ if the economy develops in some unexpected manner.

## **CHAPTER 3: BUDGET RECEIPTS**

### **3.1 Introduction**

### **3.2 Consolidated Fund Receipts**

### **3.3 Forward Estimates of Budget Receipts**



### 3.1 INTRODUCTION

Section 3.2 deals with the Consolidated Fund receipts outlining tax changes and the 1991-92 estimates. Estimated Consolidated Fund revenue in 1991-92 is \$19,738.8 million, an increase of \$2,759.1 million or 16.2 per cent on 1990-91. When extraordinary items (namely the sale of business assets) are excluded, the increase is only 5.3 per cent.

Section 3.3 deals with the forward estimates of budget receipts providing estimates of receipts for the period 1986-87 to 1993-94 by major receipt category. This information gives an appreciation of the factors impacting on the future level of receipts.

Table 1.1 presents the financial result for the Budget Sector for 1991-92 with total recurrent receipts of \$16,253 million and total capital receipts of \$1,048 million. A reconciliation between Consolidated Fund receipts and Table 1.1 for 1990-91 and 1991-92 is as follows -

	1990-91 \$m	1991-92 \$m
<b>RECURRENT RECEIPTS</b>		
Consolidated Fund estimate	15,358	16,525
<u>less</u>		
• Crown user charges	(-) 125	(-) 78
• Payroll Tax paid by Budget Sector	(-) 324	(-) 349
• Repays to credit (offset to outlays)	(-) 15	(-) 6
• Repayments received	(-) 72	(-) 84
<u>plus</u>		
• Agency receipts	307	245
• STA dividend (adjustment for comparison to 1991-92)	<u>91</u>	<u>...</u>
Table 1.1 estimate	15,220	16,253
<b>CAPITAL RECEIPTS</b>		
Consolidated Fund estimate	1,621	3,214
<u>less</u>		
• Asset sales	(-) 79	(-) 1,983
• Repayments received	(-) 464	(-) 182
Table 1.1 estimate	<u>1,078</u>	<u>1,048</u>

## **3.2 CONSOLIDATED FUND RECEIPTS**

### **Tax Changes**

As announced in the July 1991 Financial Statement, tax initiatives will not be used to any significant extent in the 1991-92 Budget to address the underlying structural deficit. The only major tax change is an increase in the tobacco tax rate, with minor revenue raising measures to be implemented in relation to petroleum licence fees, motor vehicle taxation and payroll tax. The adjustments to petroleum licences and motor vehicle taxation are fully dedicated to roads expenditure.

An interest-free instalment system for the payment of land tax is to be introduced from the 1992 land tax year. In addition, one significant social welfare measure is to be implemented in the form of a land tax exemption from 1992.

As indicated in the Financial Statement, the phased abolition of share transfer duty has been deferred from November 1991 to July 1992 due to the delay in the abolition of duty on the London Stock Exchange.

Details of the above measures, which will generate net revenue of \$130 million in 1991-92 and \$148 million in a full year, are as follows -

### **TOBACCO LICENCES**

As announced in the July Financial Statement, tobacco licence fees have been increased from 35 to 50 per cent, applying from the monthly licensing period commencing on 28 August 1991. The revenue gain is \$88 million in 1991-92 and \$96 million in a full year.

This increase brings New South Wales into line with rates in all other States and Territories except Queensland. Additional resources have been allocated to compliance effort to minimise the possibility of the importation into New South Wales of lower taxed tobacco products from Queensland.

### **PETROLEUM LICENCES**

From late 1991, the base component of the petroleum tax (currently 3.53 cents per litre of motor spirit and 3.57 cents per litre of diesel fuel) is to be indexed to the Sydney Consumer Price Index. The resulting addition to receipts is \$9 million in 1991-92 and \$12 million per annum.

While not impacting on the 1991-92 Budget, the surcharge component of the petroleum tax (three cents per litre of motor spirit and diesel) is to be extended for a further three years upon its expiry in August 1992. In addition, the surcharge is to be indexed to the Sydney Consumer Price Index. (Estimates of petroleum licences from 1992-93 onwards reflect these tax changes.)

All revenue from petroleum licences will continue to be fully applied to roads expenditure.

## **MOTOR VEHICLE TAXATION**

The weight tax component of motor vehicle taxation is to be indexed to the Sydney Consumer Price Index from 1 January 1992. This tax change will yield additional revenue of \$12 million in 1991-92 and almost \$25 million in a full year. Again, the total amount collected from the weight tax will continue to be dedicated to the roads program.

## **PAYROLL TAX**

From August 1991, the Education and Training Foundation has operated on a self-funding basis, following the suspension of the 2 per cent payroll tax diversions by employers who elected to contribute to the Foundation. However, contributions from employers will recommence in April 1992, at a reduced rate of 0.5 per cent of payroll tax. The resulting revenue gain is \$27 million in 1991-92 and \$23 million in a full year.

## **LAND TAX**

As foreshadowed in the 1990-91 Budget, an interest-free instalment system for land tax payments is to commence from the 1992 land tax year. This revenue neutral measure will provide the majority of taxpayers with the option of three instalments over five months, the last payment being due on or before 30 June. Large taxpayers, whose assessments are generally not able to be issued before March of any year, will have the option of restricted instalment arrangements whereby all payments are generally due by 30 June.

From the 1992 land tax year, boarding houses throughout New South Wales which allocate a substantial proportion of their available accommodation to long term boarders on income support schemes will be exempt from land tax. This social welfare measure will cost \$6 million in 1991-92 and \$8 million in a full year.

## **1991-92 Estimates**

Table 3.1 provides details of Consolidated Fund revenue for 1990-91 and 1991-92 and shows changes between last year's actual revenue and this year's estimates. The table is supported by a later section commenting on the principal revenue items.

The presentation of this table was altered last year reflecting the adoption of a classification system closely aligned to national accounting concepts. Also, adjustments have been made to 1990-91 actuals to provide comparability with 1991-92.

Estimated Consolidated Fund revenue in 1991-92 is \$19,738.8 million, an increase of \$2,759.1 million or 16.2 per cent on 1990-91. When extraordinary items (namely the sale of business assets) are excluded, the increase is only 5.3 per cent.

Table 3.1: Consolidated Fund Receipts

HEAD OF RECEIPTS	1990-91		1991-92 ESTIMATE	INCREASE
	ESTIMATE	ACTUAL		
	\$000	\$000	\$000	%
<b>TAXES, FEES AND FINES</b>				
<b>Stamp Duties</b>				
Contracts and Conveyances	933,000	737,180	1,050,000	42.4
First Home Purchase Scheme	25,900	31,980	42,000	31.3
Insurance	203,000	187,806	218,000	16.1
Remissions	7,000	4,314	4,500	4.3
Loan Securities	110,000	102,180	120,000	17.4
Share Transfers	140,000	127,198	145,000	14.0
Motor Vehicle Registration Certificates	200,300	179,373	188,000	4.8
Cheques	9,000	4,887	...	(-) 100.0
Financial Institutions Duty	436,000	401,990	510,000	26.9
Hiring Arrangements	60,500	57,678	62,000	7.5
Leases	45,000	21,384	22,000	2.9
Deeds Agreements	3,000	2,918	3,000	2.8
Adhesive Stamps	7,500	4,967	4,200	(-) 15.4
Other	8,850	7,758	8,720	12.4
	2,189,050	1,871,613	2,377,420	27.0
<b>Payroll Tax</b>	2,652,000	2,583,236	2,827,000	9.4
<b>Land Tax</b>	735,500	789,580	737,000	(-) 6.7
<b>Debts Tax</b>	66,800	56,954	142,000	149.3
<b>Taxes on Motor Vehicle Ownership and Operation</b>				
Weight Tax	530,000	499,102	525,000	5.2
Drivers Licence Fees etc.	130,200	120,297	26,000	(-) 78.4
Vehicle Registration and Transfer Fees	129,200	125,606	129,500	3.1
Other	31,600	16,018	16,597	3.6
	821,000	761,023	697,097	(-) 8.4
<b>Health Insurance Levy</b>	45,000	47,095	49,000	4.0
<b>Fire Insurance Levy</b>	143,637	147,641	149,842	1.5
<b>Gambling and Betting</b>				
Racing	319,094	311,700	336,480	8.0
Poker Machine Taxation	291,000	284,350	296,292	4.2
Keno Tax	...	...	2,650	...
Soccer Football Pools	2,040	1,812	1,853	2.3
Lotteries and Lotto	167,953	183,938	185,762	1.0
Footytab Commission	1,300	1,598	1,500	(-) 6.1
Amusement Devices	56,700	56,818	59,204	4.2
	838,087	840,216	883,741	5.2

Table 3.1: Consolidated Fund Receipts (con't)

HEAD OF RECEIPTS	1990-91		1991-92 ESTIMATE	INCREASE
	ESTIMATE	ACTUAL		
	\$000	\$000	\$000	%
<b>Licences</b>				
Petroleum	450,000	433,701	464,000	7.0
Tobacco	301,000	297,484	407,000	36.8
Liquor	209,380	206,250	214,410	4.0
Other	4,643	4,557	4,697	3.1
	965,023	941,992	1,090,107	15.7
<b>Fees</b>				
Motor Dealers	1,060	842	950	12.8
Firearms and Dangerous Weapons	1,980	2,174	3,632	67.1
Corporate Affairs	24,000	26,529	5,800	(-) 78.1
State Pollution Control Commission	5,400	8,286	7,935	(-) 4.2
Weights and Measures	1,539	1,153	1,600	38.8
Other	23,099	8,783	7,976	(-) 9.2
User charges retained by Agencies	33,185	...	...	...
	90,263	47,767	27,893	(-) 41.6
<b>Fines</b>	141,980	153,134	173,019	13.0
<b>Other</b>	7,650	6,735	5,030	(-) 25.3
<b>TOTAL, TAXES, FEES AND FINES</b>	<b>8,695,990</b>	<b>8,246,986</b>	<b>9,159,149</b>	<b>11.1</b>
<b>LAND TRANSACTIONS AND ROYALTIES</b>				
Land Sales	51,559	51,919	46,998	(-) 9.5
Leaseholds and Other Land Revenue	24,981	25,707	26,956	4.9
Royalties on Minerals	137,680	155,006	145,550	(-) 6.1
<b>TOTAL, LAND TRANSACTIONS AND ROYALTIES</b>	<b>214,220</b>	<b>232,632</b>	<b>219,504</b>	<b>(-) 5.6</b>
<b>INTEREST RECEIVED AND REPAYMENT OF ADVANCES</b>				
Interest on Crown Funds	120,000	129,524	51,217	(-) 60.5
Other Interest	65,501	219,745	173,492	(-) 21.0
Repayment of Advances	47,473	72,390	83,791	15.7
<b>TOTAL, INTEREST RECEIVED AND REPAYMENT OF ADVANCES</b>	<b>232,974</b>	<b>421,659</b>	<b>308,500</b>	<b>(-) 26.8</b>
<b>CHARGES FOR GOODS AND SERVICES</b>				
Rents - Government Buildings	48,450	48,227	36,159	(-) 25.0
Government Guarantee of Debt	21,000	19,271	17,010	(-) 11.7
Public Sector Insurance Scheme	42,500	42,500	...	(-) 100.0
Other	24,832	14,763	25,311	71.4
User Charges Retained by Agencies	198,694	...	...	...
<b>TOTAL, CHARGES FOR GOODS AND SERVICES</b>	<b>335,476</b>	<b>124,761</b>	<b>78,480</b>	<b>(-) 37.1</b>

Table 3.1: Consolidated Fund Receipts (con't)

HEAD OF RECEIPTS	1990-91		1991-92 ESTIMATE	INCREASE
	ESTIMATE	ACTUAL		
	\$000	\$000	\$000	%
<b>CONTRIBUTIONS FROM GOVERNMENT TRADING ENTERPRISES, STATE OWNED CORPORATIONS AND OTHER BODIES</b>				
<b>Government Trading Enterprises</b>				
Dividends	...	12,166	5,000	(-) 58.9
Commercial Services Group	...	185,000	277,000	49.7
Electricity Commission	185,000	185,000	11,000	10.0
Forestry Commission	10,000	10,000	5,070	(-) 49.3
Hunter Water Board	3,000	9,141	9,463	3.5
Land Titles Office	8,849	25,000	30,000	20.0
Maritime Services Board	25,000	...	58,400	...
State Transit Authority	...	71,703	9,000	(-) 87.4
Sydney Cove Authority	70,000	60,000	132,000	120.0
Sydney Electricity	75,000	400	600	50.0
Sydney Market Authority	3,500	84,748	162,600	91.9
Sydney Water Board	67,000	3,016	8,000	165.3
Treasury Corporation	...	3,100	5,350	72.6
Waste Management Authority	1,700	114	31	(-) 72.8
Zoological Parks Board	400	30,000	28,280	(-) 5.7
Government Insurance Office	30,000	30,000	38,300	(-) 51.1
Dividends	30,000	78,248		
Tax Equivalents	75,500			
	554,949	582,636	780,094	33.9
<b>State Owned Corporations</b>				
Grain Corporation				
Dividends	400	400	6,000	n.a.
Tax Equivalents	4,100	4,748	4,400	(-) 7.3
State Bank				
Dividends	7,000	...	4,000	...
Tax Equivalents	22,000	1,462	20,000	n.a.
	33,500	6,610	34,400	420.4
<b>Contributions from Other Bodies</b>				
State Fleet Services	...	...	54,000	...
Public Servant Housing Authority	...	...	19,000	...
Macarthur Development Board	50,000	...	20,000	...
FANMAC	...	839	...	(-) 100.0
	50,000	839	93,000	n.a.
<b>TOTAL, CONTRIBUTIONS FROM GOVERNMENT TRADING ENTERPRISES, STATE OWNED CORPORATIONS AND OTHER BODIES</b>	<b>638,449</b>	<b>590,085</b>	<b>907,494</b>	<b>53.8</b>
<b>OTHER RECEIPTS</b>				
Transfer of SRA Sinking Fund	24,685	24,685	...	(-) 100.0
Energy Administration Fund	...	...	16,800	...
Other	45,946	67,526	55,016	(-) 18.5
<b>TOTAL, OTHER RECEIPTS</b>	<b>70,631</b>	<b>92,211</b>	<b>71,816</b>	<b>(-) 22.1</b>

Table 3.1: Consolidated Fund Receipts (con't)

HEAD OF RECEIPTS	1990-91		1991-92 ESTIMATE	INCREASE
	ESTIMATE	ACTUAL		
	\$000	\$000	\$000	%
<b>COMMONWEALTH GENERAL PURPOSE PAYMENTS</b>				
Financial Assistance Grant	3,708,035	3,701,611	3,623,357	(-) 2.1*
Roads in Unincorporated Areas	...	...	4,543	...
<b>TOTAL, COMMONWEALTH GENERAL REVENUE GRANTS</b>	<b>3,708,035</b>	<b>3,701,611</b>	<b>3,627,900</b>	<b>(-) 2.0</b>
<b>COMMONWEALTH SPECIFIC PURPOSE PAYMENTS</b>				
Legal Aid	33,015	33,015	34,864	5.6
Technical and Further Education	49,050	52,625	54,520	3.6
Schools	282,388	277,974	297,388	7.0
Medical Speciality Centres	...	5,680	7,941	39.8
Hospital Funding Grant	1,283,369	1,268,079	1,330,398	4.9
Home and Community Care	101,399	97,332	112,289	15.4
Supported Accommodation Assistance	39,714	36,197	35,742	(-) 1.3
Rural Adjustment Scheme	19,778	18,806	27,232	44.8
Mortgage and Rent Relief	8,062	8,062	10,533	30.6
Debt Redemption Assistance	883	884	53,536	5,956.1
Natural Disaster Relief	28,000	47,968	19,300	(-) 59.8
Company Regulation Compensation	28,000	22,497	39,364	75.0
Other	87,748	79,340	128,948	62.5
<b>TOTAL, COMMONWEALTH PAYMENTS FOR SPECIFIC RECURRENT PURPOSES</b>	<b>1,961,406</b>	<b>1,948,459</b>	<b>2,152,055</b>	<b>10.4</b>
<b>TOTAL, RECURRENT REVENUE</b>	<b>15,857,181</b>	<b>15,358,404</b>	<b>16,524,898</b>	<b>7.6</b>
<b>COMMONWEALTH GRANT FOR GENERAL CAPITAL PURPOSES</b>	<b>79,756</b>	<b>79,756</b>	<b>98,700</b>	<b>23.8</b>
<b>COMMONWEALTH PAYMENTS FOR SPECIFIC CAPITAL PURPOSES</b>				
Schools	65,000	65,000	75,015	15.4
Technical and Further Education	89,301	84,777	67,476	(-) 20.4
Teaching Hospitals	17,146	11,222	15,077	34.4
Public Housing	252,918	252,918	258,913	2.4
Pensioner Housing Grants	18,520	18,520	18,520	...
Housing Assistance for Aborigines	17,777	17,777	17,777	...
Badgery's Creek Road Upgrading	11,000	11,000	9,000	(-) 18.2
Australian Roads Development Program	543,726	442,634	451,117	1.9
Natural Disaster Relief	...	56,876	...	(-) 100.0
Housing	21,961	21,961	21,825	(-) 0.6
Other	14,147	15,606	15,224	(-) 2.4
<b>TOTAL, COMMONWEALTH PAYMENTS FOR SPECIFIC CAPITAL PURPOSES</b>	<b>1,051,496</b>	<b>998,291</b>	<b>949,944</b>	<b>(-) 4.8</b>

\* After allowing for adjustment of the transfer of debits tax to the States the Financial Assistance Grant was maintained in nominal terms.

**Table 3.1: Consolidated Fund Receipts (con't)**

HEAD OF RECEIPTS	1990-91		1991-92 ESTIMATE	INCREASE
	ESTIMATE	ACTUAL		
	\$000	\$000	\$000	%
<b>REPAYMENTS BY DEPARTMENTS AND STATUTORY AUTHORITIES ARISING FROM PREVIOUS YEARS</b>				
Department of Health	...	...	40,000	n.a.
Department of Conservation and Land Management	2,212	1,582	1,569	(-) 0.8
Consumer Affairs	...	3,950	...	(-) 100.0
Electricity Commission of NSW	...	404,252	...	(-) 100.0
Public Works - Other	...	4,591	...	(-) 100.0
Treasury - Misc. Loan Repayments	36,300	48,524	140,193	188.9
Other	24,042	1,353	396	(-) 70.7
<b>TOTAL, REPAYMENTS BY DEPARTMENTS AND STATUTORY AUTHORITIES ARISING FROM PREVIOUS YEARS</b>	<b>62,554</b>	<b>464,252</b>	<b>182,158</b>	<b>(-) 60.8</b>
<b>TOTAL, ASSET SALES</b>	<b>324,425</b>	<b>79,004*</b>	<b>1,983,141</b>	<b>2,410.2</b>
<b>TOTAL, CAPITAL REVENUE</b>	<b>1,518,231</b>	<b>1,621,303</b>	<b>3,213,943</b>	<b>98.2</b>
<b>TOTAL, RECEIPTS - CONSOLIDATED FUND</b>	<b>17,375,412</b>	<b>16,979,707</b>	<b>19,738,841</b>	<b>16.2</b>

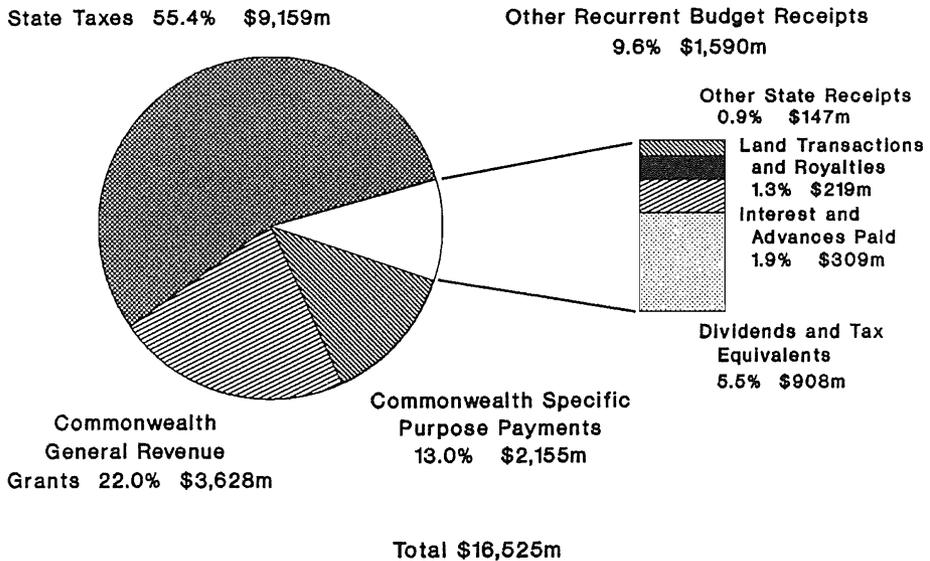
\* Excludes \$67.4 million from sale of McKell Building, treated as a financing transaction.

## RECURRENT REVENUE

Estimated Consolidated Fund recurrent revenue in 1991-92 is \$16,524.9 million, an increase of \$1,166.5 million or 7.6 per cent on 1990-91.

**Figure 3.1**

### RECURRENT BUDGET RECEIPTS, 1991-92

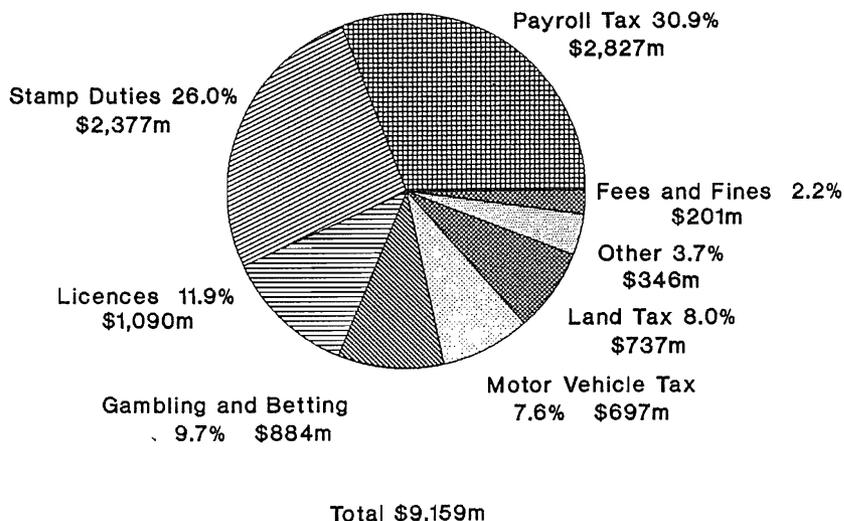


**Taxes, Fees and Fines** - Estimate \$9,159.1 million. Increase 11.1 per cent.

The two major sources of taxation are payroll tax and stamp duties, together contributing 57 per cent of the State's tax collections. While payroll tax is a relatively stable tax, the total stamp duties collected varies significantly from year to year as its components are affected differently by the business cycle. Until recently, stamp duty collections grew strongly, mainly reflecting the share market boom (until October 1987) and the real estate boom (until late 1988). Since then, stamp duties have fallen significantly, following the downturn during 1989-90 of the property market and the downturn of the economy during 1990-91.

**Figure 3.2**

**STATE TAX RECEIPTS, 1991-92**

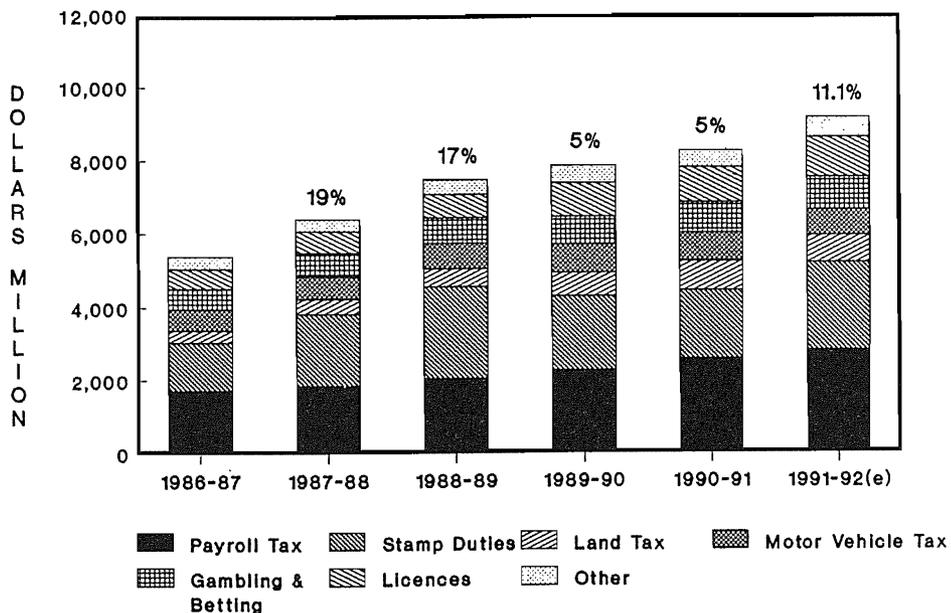


Details of the bases, rates and concessions for the principal tax items are shown in Table 3.2 at the end of this section.

**Figure 3.3**

**TAXATION RECEIPTS**

(Percentage change on previous year)

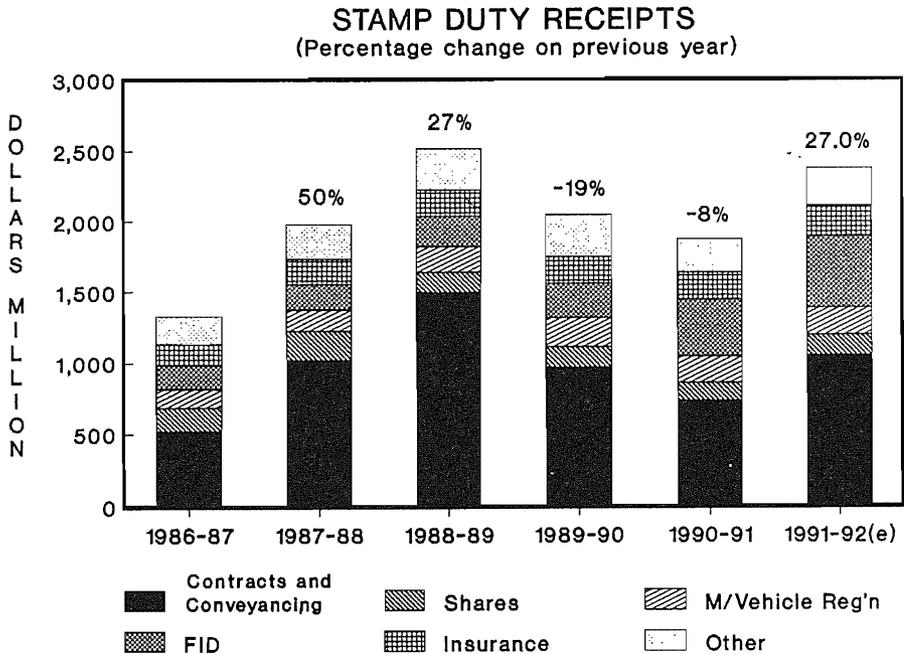


**Stamp Duties - Estimate \$2,377.4 million. Increase 27.0 per cent.**

The main components are as follows -

	1990-91 Actual \$m	1991-92 Estimate \$m	Change %
Contracts and Conveyances .....	737.2	1,050.0	+ 42.4
First Home Purchase .....	32.0	42.0	+ 31.3
Insurance .....	187.8	218.0	+ 16.1
Loan Securities .....	102.2	120.0	+ 17.4
Share Transfers .....	127.2	145.0	+ 14.0
Motor Vehicle Registration Certificates .....	179.4	188.0	+ 4.8
Cheques .....	4.9	...	(-)100.0
Financial Institutions Duty .....	402.0	510.0	+ 26.9
Hiring Arrangements .....	57.7	62.0	+ 7.5
Leases .....	21.4	22.0	+ 2.9
Other .....	19.8	20.4	+ 2.5
	<hr/> 1,871.6	<hr/> 2,377.4	<hr/> 27.0

**Figure 3.4**



- ***Contracts and Conveyances***

Following two successive years of declining revenue, a strong recovery in receipts is expected in 1991-92. The projected growth is primarily based on an upturn at the bottom end of the residential property market resulting from improved buyer sentiment combined with lower mortgage interest rates. It is anticipated that there will be a significant improvement in the volume of sales, with a moderate increase in real dwelling prices. Turnover of properties at the top end of the market is expected to remain slow.

During 1990-91, both sales and prices of commercial property fell significantly. Turnover of Sydney CBD property, particularly the office sector, has been severely affected during the current downturn. While some further downward movement in prices is expected, the value of commercial turnover is likely to increase during 1991-92 as vendors gain more realistic expectations of prevailing market conditions. However, the contribution of commercial property sales to total revenue is likely to remain well below its historical average.

The projected increase in revenue includes one-off receipts for corporate mergers.

- ***First Home Purchase Scheme***

Collections are forecast to improve in line with the recovery at the bottom of the residential property market. Revenue will also benefit from the high proportion of home buyers who are taking up the discount options on payment of contracts and conveyancing duty.

- ***Insurance***

During 1990-91, revenue was adversely affected by a range of factors including the recession, legislative amendments and the non-renewal of policies following several natural disasters. Strong growth is forecast for 1991-92 due to the expected diminution of these factors in conjunction with increases in domestic premiums.

- ***Loan Securitiles***

Following a fall in 1990-91, receipts are expected to increase due mainly to the forecast improvement in the property market. The requirement by financial institutions for a high percentage of their loans to be secured is expected to continue in 1991-92, providing a further boost to receipts.

- ***Share Transfers***

The forecast improvement in revenue is based on the assumptions of a slow economic recovery and the possibility of some further interest rate reductions. Reduced corporate profitability will continue to have a negative impact on share market activity.

- ***Financial Institutions Duty***

In 1990-91, revenue was adversely affected by the economic downturn and the fall in credit growth. The slow improvement in economic activity and credit growth will continue to impact on collections during 1991-92. The high projected growth rate is primarily due to the fact that the doubling of the taxation rate to 0.06 per cent in last year's Budget did not impact on collections until November 1990.

- ***Motor Vehicle Registration Certificates***

A modest recovery in the car market is expected in line with the forecast improvement in economic conditions. However, on a year on year basis, the number of registrations in 1991-92 is likely to be similar to 1990-91. Following a decline in real terms during the recession, motor vehicle prices are projected to grow at a slightly faster rate than general prices. Consequently a small real increase in revenue is anticipated.

- ***Hiring Arrangements***

Revenue is closely associated with the level of economic activity. Consequently, receipts are projected to increase at a rate consistent with the forecast growth in Gross State Product.

- ***Leases***

Receipts are expected to remain constant following a large decline in 1990-91. The major factor underlying this forecast is the current excess stock of commercial property, a situation which will keep a lid on rental values.

**Payroll Tax** - Estimate \$2827 million. Increase 9.4 per cent.

The forecast growth rate is mainly attributable to the full year effect of the 1991 policy change relating to the tax rate and threshold. This change did not impact on revenue until November 1990.

Underlying growth in payroll tax receipts will be affected by the Budget assumption of a 0.8 per cent (year on year) fall in NSW employment, following a 0.3 per cent increase in 1990-91. Furthermore, national average weekly earnings are projected to increase by only 4.0 per cent, compared with 5.8 per cent last year.

**Land Tax** - Estimate \$737.0 million. Decrease 6.7 per cent.

For the 1992 land tax year, equalisation factors are to remain constant, that is, property values will remain unchanged from their 1991 values. Consequently, after adjusting for compliance effort during 1990-91, revenue is expected to be at a similar level to that in 1990-91.

A revenue neutral instalment system for the payment of land tax is to be introduced from the 1992 land tax year. Small taxpayers with static land holdings will be offered the option of three instalments over five months, with the last payment generally due by 30 June. Since assessments for major taxpayers cannot usually be issued before March of any year, these clients will have the option of restricted instalment arrangements with all payments generally receivable by the end of the financial year.

**Debits Tax** - Estimate \$142 million. Increase 149.3 per cent.

The Commonwealth Government handed over this tax to the States on 1 January 1991, which accounts for the high forecast growth rate in 1991-92. The underlying growth rate is only 3.9 per cent, which is consistent with the low growth rates achieved at the national level in recent years. The nature of the rate structure, namely a flat amount of tax within each of several broad tax bands, limits the scope for revenue growth.

**Health Insurance Levy** - Estimate \$49 million. Increase 4.0 per cent.

The 1991-92 forecast is based upon the projected increase in the levy of 2.8 per cent (to 53 cents per week) in February 1992.

**Taxes on Motor Vehicle Ownership and Operation** - Estimate \$697.1 million. Decrease 8.4 per cent.

The category comprises -

- motor vehicle "weight" tax and related items;
- drivers' and riders' licence fees; and
- motor vehicle registration fees.

Details of the principal rates of these fees and taxes appear in Table 3.2 "Principal Rates of Tax".

- ***Motor Vehicle Weight Tax*** - Estimate \$525 million. Increase 5.2 per cent.

The estimate reflects the increase in tax rates introduced from 1 January 1991, averaging 7 per cent, and allowance for a further increase of 4.9 per cent from 1 January 1992. It has been assumed that the slowdown in economic activity will continue to reflect in a lower level of growth in vehicle registrations than has been the case in recent financial years.

An amount equivalent to the proceeds of this tax is appropriated to the Roads Program.

- ***Drivers and Riders Licence Fee*** - Estimate \$26 million. Decrease 78.4 per cent.

Since the introduction of photo licences from mid 1988-89, eligible drivers and riders have been able to renew their licences for periods up to 5 years. Following the initial boost to Consolidated Fund revenue in the first two years of operation, the revenue for this year will decline significantly because of the cyclical impact on renewals. The estimate also reflects the average increase in fees of 4.5 per cent effective from 1 July 1991.

- **Motor Vehicle Registration and Transfer Fees** - Estimate \$129.5 million. Increase 3.1 per cent.

The estimate assumes that the reduced level of both new vehicle registrations and second hand vehicle sales will continue this year and takes into account the average increase in fees of 4.9 per cent effective from 1 July 1991.

- **Other Motor Vehicle Fees** - Estimate \$16.6 million. Increase 3.6 per cent.

The estimate reflects increases in driving examination fees and heavy vehicle inspection fees from 1 July 1991.

### **Gambling and Betting** - Estimate \$883.7 million. Increase 5.2 per cent

- **Racing** - Estimate \$336.5 million. Increase 8.0 per cent.

Revenue from racing is mainly received from the operations of on and off-course totalizators and are collected in accordance with the provisions of the Totalizator Act, 1916 and the Totalizator (Off-course Betting) Act, 1964. Also, turnover tax is collected from the operations of bookmakers in accordance with the Bookmakers Taxation Act, 1917.

The predicted increase is marginally above the growth in revenue for 1990-91.

- **Poker Machine Tax** - Estimate \$296.3 million. Increase 4.2 per cent.

From 1 December 1990 tax is assessed on profit derived from the machines and is revenue neutral compared to the previous method of collection. Industry sources have indicated that there will be little growth in profits throughout 1991-92 due to the present economic climate and as a consequence low growth in revenue is forecasted. Revenue collected for 1990-91 was \$6.7 million (2.3 per cent) below estimate.

- **Approved Amusement Devices** - Estimate \$59.2 million. Increase 4.2 per cent.

Following the general economic trend, low growth in revenue is expected to continue into 1991-92, although the revenue collected in 1990-91 of \$56.8 million was on target.

- **Lotteries and Lotto** - Estimate \$185.8 million. Increase 1.0 per cent.

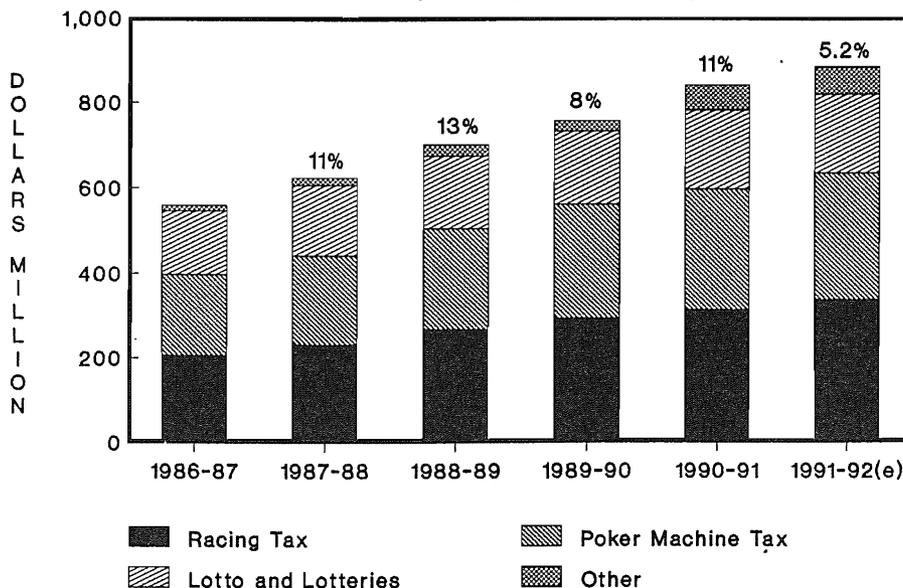
New South Wales Lotteries was commercialised on 2 March 1991. The amount payable to the Crown equates to 29.7 per cent of Lotto, Draw Lottery and Instant Scratchie subscriptions.

The estimate reflects an expected slowdown in the increase in overall sales. This is associated with the likely increase in the range of competitive forms of gambling, the expected introduction of Keno into NSW during 1991-92 and the difficult prevailing economic conditions.

Collection trends in revenue from gambling generally are shown in Figure 3.5.

**Figure 3.5**

**GAMBLING AND BETTING REVENUE**  
(Percentage change on previous year)



**Licences** - Estimate \$1,090.1 million. Increase 15.7 per cent.

- **Petroleum Licences** - Estimate \$464 million. Increase 7.0 per cent.

Petroleum prices are expected to decrease in real terms (on a year on year basis) following significant rises over the last two years. Therefore, it is expected that there will be relatively strong underlying growth in demand, with revenue growth in line with Gross State Product.

In addition, the base component of the petroleum tax is to be indexed to the Sydney Consumer Price Index from late 1991. The estimated increase in receipts as a result of indexation is \$9 million in 1991-92 and \$12 million in a full year.

- **Tobacco Licences** - Estimate \$407 million. Increase 36.8 per cent.

The strong projected growth is primarily a reflection of the increase in the tobacco tax rate from 35 to 50 per cent (the first licence fees at the higher rate being due in August 1991). This policy change is estimated to increase receipts by \$88 million in 1991-92 and \$96 million in a full year.

Tobacco production has been stable in recent years, and consequently the underlying growth in revenue is based on expected price movements.

• **Liquor Licences** - Estimate \$214.4 million. Increase 4.0 per cent.

This estimate is based upon forecasts of liquor purchases during the previous financial year. Licence fees are payable in January and May of the budget year. The small increase in revenue reflects the general downturn in the economy and the poor prospects for a strong recovery in 1991-92. The shortfall of \$3.1 million (1.5 per cent) in predicted revenue for 1990-91 is a reflection of this trend.

**Fines** - Estimate \$173.0 million. Increase 13.0 per cent.

The main receipts under this heading relate to fines under the Motor Traffic Act (estimate \$150 million - an increase of 7.7 per cent). The bulk of these are collected by the Police Service through on the spot infringement notices issued by Police and Parking Patrol Officers.

These fines are also collected through Local Courts for the more serious offences and through the Roads and Traffic Authority mainly where cancellation of motor vehicle registrations or drivers and riders licences is threatened unless unpaid on the spot infringement notices are paid.

The proportion of total fines paid directly to the Police Service increased from 76 per cent to 81 per cent during 1990-91. An increase in the public awareness of "Fine Default" procedures and improved Police Service processing methods are expected to further improve this direct payment rate during 1991-92. A National Licensing Scheme for drivers of heavy vehicles is also expected to improve enforcement resulting in increased payments.

Following the introduction of the first speed cameras earlier this year, twelve are now in operation, four with flash units. Ultimately, all speed cameras will be fitted with flash units for operation at night. The estimated revenue from speed camera fines in 1991-92 has regard to the sites likely to be targeted for camera operations and the anticipated deterrent effect of sign boards advising of the use of speed cameras could have on drivers.

From 1991-92 the fines raised by the Roads and Traffic Authority from mass overload of heavy vehicles fines (estimate \$8.9 million) are required under the net appropriation system to be paid into the Consolidated Fund and an equivalent amount being appropriated to the Roads Program as contribution towards the costs of repairing damage done by overloaded trucks.

**Land Transactions and Royalties** - Estimates \$219.5 million. Decrease 5.6 per cent

**Land Sales** - Estimate \$47.0 million. Decrease 9.5 per cent.

Revenue is generated from the sale of homesites by the Department of Conservation and Land Management outside the metropolitan area and the Department of Housing from sales within the metropolitan area. Receipts are forecast to decline in 1991-92 because a number of land sales in 1990-91 were conversions of existing leases. These leases were converted following the introduction of the Crown Lands Act 1989 which linked the lease payments to CPI. It is not anticipated that this trend in conversions will continue in 1991-92.

**Royalties** - Estimate \$145.6 million. Decrease 6.1 per cent.

The forecast decline in royalties is mainly attributable to higher than anticipated receipts in 1990-91 from higher silver prices and from a rundown in coal stockpiles which has reduced potential sales in 1991-92. Also, coal exports may decline due to the lifting of sanctions on South Africa.

**Interest Received and Repayment of Advances** - Estimate \$308.5 million. Decrease 26.8 per cent.

Interest is projected to decline by 64.3 per cent in 1991-92 due to the depletion of cash reserves by the projected deficit and the repayment of debt by statutory authorities.

**Charges for Goods and Services** - Estimate 78.5 million. Decrease 37.1 per cent.

The projected decrease is due to a one off receipt in 1990-91 from the Public Sector Insurance Scheme and reduced rental income due to property sold under the asset disposal program.

**Contributions from Government Trading Enterprises, State owned Corporations and Other Bodies** - Estimate \$907.5 million. Increase 53.8 per cent.

Dividends represent a return on State Government equity and combined with corporate tax equivalents are a key element in the Government's policy of creating a commercial operating environment for Government businesses. Payments from the GIO, State Bank and Grain Corporation all include corporate tax equivalent payments, paid in lieu of federal income tax.

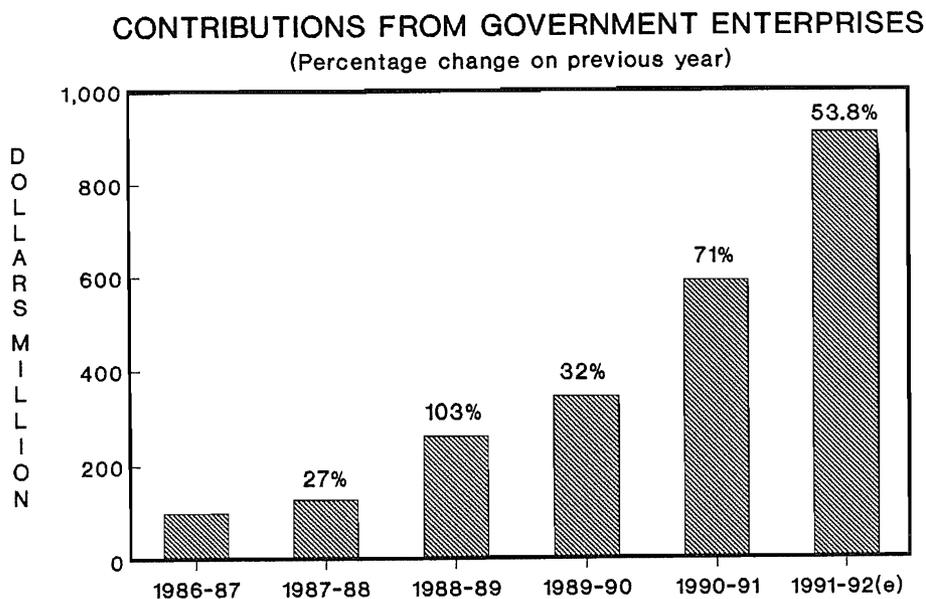
The large increase in estimated revenue over 1990-91 is largely due to significantly higher dividends from the Electricity Commission, Sydney Electricity and Sydney Water Board and the first payment of a dividend by the State Transit Authority. Larger dividends are also anticipated from the Maritime Services Board, Treasury Corporation, Waste Management Authority, Grain Corporation and State Bank. These are partially offset by lower estimates of dividends in the 1991-92 financial year from the Commercial Services Group, Hunter Water Board, Sydney Cove Authority and both lower dividends and tax equivalent payments from the Government Insurance Office.

The large reduction in dividends to be paid by the Sydney Cove Authority from \$71.7 million to \$9 million is due primarily to the payment of a special dividend of \$52.2 million in 1990-91 from the asset revaluation reserve. All other dividends received from Government Trading Enterprises and State Owned Corporations in 1990-91 and 1991-92 are classified as normal dividends, that is, they are financed completely from either the operating profit, accumulated surplus or reserves (other than the asset revaluation reserve) of the organisation.

Contributions from bodies other than Government Trading Enterprises and State Owned Corporations are estimated to total \$93 million in 1991-92. This includes a payment by State Fleet Services sourced from the sale and lease back of motor vehicles and payments by the Public Servant Housing Authority and Macarthur Development Board from the proceeds of property sales.

Total contributions from government enterprises have increased significantly in the five years since 1986-87 as demonstrated in figure 3.6 below. In that year contributions from State Instrumentalities were \$101.7 million, less than 1 per cent of total consolidated fund receipts. In 1991-92 contributions are expected to total \$907.5 million, nearly 5 per cent of total consolidated fund receipts.

**Figure 3.6**



**Other Receipts** - Estimate \$71.8 million. Decrease 22.1 per cent.

The significant decrease in this category is due to "one-off" receipts received in 1990-91 from the transfer of the SRA sinking fund balance and the repayment of previous years expenditure being offset by revenue from the Energy Administration Fund.

### **Commonwealth General Revenue Grants**

**Financial Assistance Grant** - Estimate \$3,623.4 million. Decrease 2.1 per cent

New South Wales' financial assistance grant in 1991-92 is expected to increase only marginally in nominal terms after allowing for the Commonwealth's decision to transfer the Debits tax to the States. This represents a reduction, in real terms, of \$125 million or 3.3 per cent compared with 1990-91. This reduction was due largely to the Premiers' Conference decision to fully implement the Commonwealth Grants Commission's recommended relativities.

**Figure 3.7**

**COMMONWEALTH FINANCIAL ASSISTANCE GRANTS**  
(Percentage change on previous year)

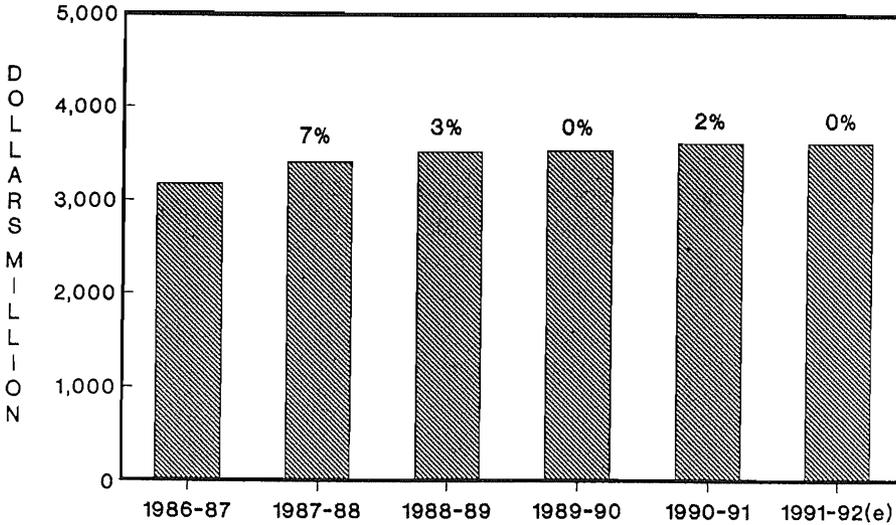
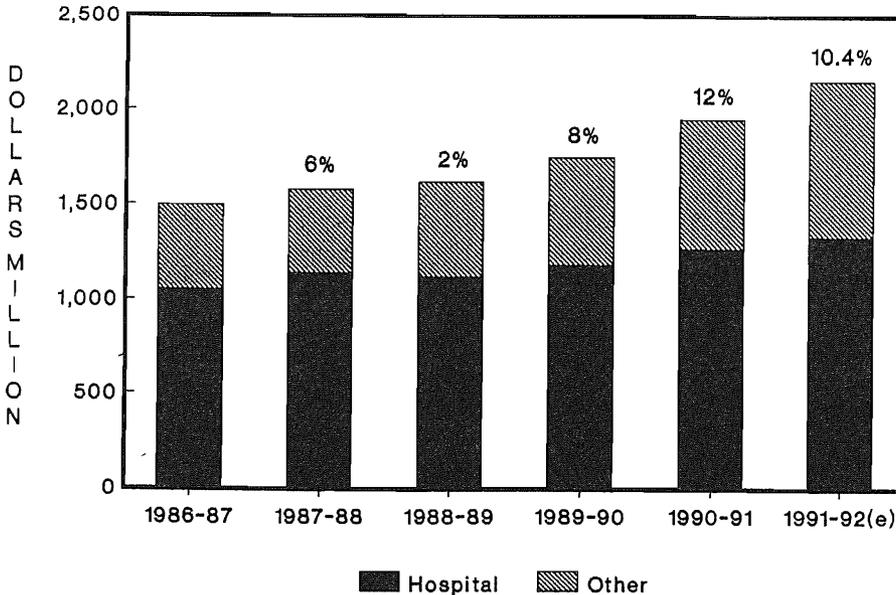


Figure 3.7 reflects Commonwealth decisions on the transfer of different taxing powers to the States (mainly Debits tax and payroll tax paid by Commonwealth Government Trading Enterprises).

**Commonwealth Payments for Specific Recurrent Purposes - Estimate \$2,152.1 million. Increase 10.4 per cent.**

**Figure 3.8**

**COMMONWEALTH SPECIFIC PURPOSE PAYMENTS**  
(Percentage change on previous year)



Payments to the States by the Commonwealth are made under Section 96 of the Commonwealth Constitution. These payments generally relate to functions which the Commonwealth is unable to provide for directly (e.g. payments to local government, grants to private schools) or where assistance is provided to the States in meeting their expenditure obligations. Specific purpose payments are made under the terms and conditions determined by the Commonwealth. The range of payments made has varied over time reflecting the differing priorities and/or funding policies of the Commonwealth Government.

Those payments for which the State acts effectively as a paying agent only (e.g. assistance to local government, private schools and universities) are not passed through the State's Budget.

The principal recurrent specific purpose payments relate to health and education.

## **CAPITAL REVENUE**

Estimated Consolidated Fund capital revenue is \$3,213.9 million, an increase of \$1,618.1 million or 98.2 per cent on 1990-91. When extraordinary items are excluded (namely the sale of business assets) the position is a decline of 13 per cent.

**Commonwealth General Purpose Capital Payments** - Estimate \$98.7 million. Increase 23.8 per cent.

Under the Financial Agreement of 1927, the Commonwealth at Loan Council each year sets the level of general purpose capital payments.

The 1991-92 payment is unchanged in nominal terms from the previous year. However, following agreement between the Commonwealth and the States at the July Special Premiers' Conference, this year's total grant of \$98.7 million includes \$19 million for a program of "Building Better Cities". The latter figure is subject to adjustment following further discussions with the Commonwealth. While the Commonwealth is to take specific programs into account in determining the level and distribution of grants for the "Building Better Cities" program, the funding provided is unconditional and available to the State to use in accordance with its own budgetary priorities.

**Commonwealth Payments for Specific Capital Purposes** - Estimate \$949.9 million. Decrease 4.8 per cent

The Commonwealth provides payments to the States for specific capital purposes under Section 96 of the Commonwealth Constitution.

As with Commonwealth payments to the States for specific recurrent purposes, capital payments are made under terms and conditions determined by the Commonwealth and the differing range of payments made over time reflects Commonwealth priorities and funding policies.

The major Specific Purpose Capital Payments are made for Housing and Roads.

**Repayments by Departments and Statutory Authorities** - Estimate \$182.2 million. Decrease 60.8 per cent

These repayments generally represent principal amounts in respect of advances made to Departments and authorities in previous years.

A \$404 million once-off repayment was made by the Electricity Commission in 1990-91.

Government trading enterprises have outstanding advances provided by the Consolidated Fund which in the main, are Commonwealth loans paid to the State and on passed as advances to the enterprises.

With the States progressively taking over the responsibility of Commonwealth loans raised on their behalf, it is intended to replace all such advances by Treasury Corporation borrowings. Repayments are generally at the lower of face value or market value and hence do not financially disadvantage the enterprises.

Repayments by government trading enterprises of roundly of \$125 million will occur in 1991-92, with the balance of advances repaid in 1992-93.

**Asset Disposals** - Estimate \$1,983.1 million. Increase 2,410.2 per cent

The amount of \$1,983.1 million from proceeds of asset disposal in 1991-92 to be credited to Consolidated Funds includes projected proceeds from the privatisation of the GIO, provisionally estimated at \$1,750 million being the mid point in the assessed feasible range of between \$1,500 million and \$2,000 million. This total includes sale proceeds, tax provisions and tax compensation.

Under arrangements introduced in 1987-88 departments within the budget sector are permitted to retain at least 50 per cent of the net proceeds from the disposal of assets by sale or long-term lease. Funds retained may be applied towards funding capital program expenditure or the maintenance of existing assets. The remaining amount of up to 50 per cent is credited to Consolidated Fund capital receipts and applied as a funding source for the budget sector capital program.

An amount equivalent to 10 per cent of net proceeds from asset disposals credited to Consolidated Fund is appropriated for transfer to the Open Space and Heritage Fund and used to acquire land and buildings for community use such as parklands, heritage buildings and environmentally based projects. An upper limit of \$10 million has been placed upon the amount to be credited to the Fund in 1991-92.

Table 3.2: Principal Rates of Tax

(The information shown in this table is intended only as a general guide in understanding the Budget estimates for major tax items. It should not be taken as a complete or definitive explanation of legal liability.)

Tax Item	Base	Rates	Major Exemptions/Concessions
Payroll Tax	Total payroll (as defined).	Up to \$500,000 p.a. Over \$500,000	- nil - 7% of excess
Stamp Duty - Contracts and Conveyances	Transfer of real property, chattels, and associated goodwill.	Up to \$14,000 \$14,001 to \$30,000 \$30,001 to \$80,000 \$80,001 to \$300,000	Concessions to Local Government (except trading undertakings), charitable and religious institutions, non- profit private health and educational organisations.  Transfer to joint ownership between spouses and transfer to sole ownership for divorcees of principal place of residence. Eligible first home purchasers able to defer duty and pay over 5 years.
			- \$1.25 per \$100 (minimum duty \$10) - \$175 plus \$1.50 per \$100 of amount in excess - \$415 plus \$1.75 per \$100 of amount in excess - \$1,290 plus \$3.50 per \$100 of amount in excess

**Table 3.2: Principal Rates of Tax (con't)**

Tax Item	Base	Rates	Major Exemptions/Concessions
Mortgages and Loan Securities	Sum secured	\$300,001 to \$1,000,000- Over \$1,000,000	\$8,990 plus \$4.50 per \$100 of amount in excess \$40,490 plus \$5.50 per \$100 of amount in excess
		Up to \$16,000 Over \$16,000	\$5 \$5 plus 40c per \$100 of excess
Life Insurance - term/temporary - other	First year premium	5%	Exemption for additional advances up to \$10,000 in any year. Duty waived on eligible first home purchase mortgages.
	Sum insured	\$100 - \$2,000 Over \$2,000	
Other Insurance	Premium paid	11.5% of premium paid	Concessional rate of 2.5% on motor vehicle, aviation, disability income, occupational indemnity, crop and livestock insurance. Exemption for Third Party motor vehicle insurance.

Table 3.2: Principal Rates of Tax (con't)

Tax Item	Base	Rates	Major Exemptions/Concessions
FID	Receipts (credits) of financial institutions	0.06% subject to a maximum duty of \$1,200 per transaction	Concessional rate for short term money market dealers. Exemption for charities and directly credited Commonwealth social security payments.
Motor Vehicle Registration	Value of vehicle being newly registered or transferred	\$2 per \$100	
Share Transfers	Value of shares transferred	30c per \$100 payable by buyer and seller	
Leases	Value of lease of land or premises	35c per \$100	Residential (5A) leases and certain charities exempt.
Hiring Arrangements	Rental value	Up to \$6,000 per month. Over \$6,000 per month nil 1.5% of rental value subject to maximum duty of \$10,000	
Land Tax	Adjusted land values.	Up to \$160,000 Over \$160,000	General exemptions include principal place of residence, most rural land, non-profit religious, charitable and educational land and metropolitan boarding houses. Also five year 'tax holiday' for investors in new rental projects.

**Table 3.2: Principal Rates of Tax (con't)**

<b>Tax Item</b>	<b>Base</b>	<b>Rates</b>	<b>Major Exemptions/Concessions</b>
Debits Tax	Per cheque drawn.	not <\$1 but <\$100: 15c not <\$100 but <\$500: 35c not <\$500 but <\$5,000: 75c not <\$5,000 but <\$10,000: \$1.50 \$10,000 or more: \$2.00	Exemptions for public benevolent and religious bodies; public hospitals; schools; colleges and universities; non-business activities of government departments.
Health Insurance Levy	Contributions to health insurance funds	Equivalent to 52c per contribution effective 1 February 1991	
Liquor Licences	Expenditure on liquor in preceding financial year	10% of amount expended	
Petroleum Licences	Retailer purchase of petrol	Nil if all purchases are from licensed wholesalers - otherwise \$10 per month and same as for wholesalers.	Off-road use of diesel fuel, aviation fuel, domestic gas and LPG is exempt.
	Wholesaler sale of petrol	\$10 per month plus - 15.5% of declared value (42 ¢/litre) of motor spirit  - 25.7% of declared value (25.5 ¢/litre) of diesel fuel	
			Base component of petroleum tax is to be indexed in line with CPI from 1991-92 (date to be determined).

**Table 3.2: Principal Rates of Tax (con't)**

Tax Item	Base	Rates	Major Exemptions/Concessions
Tobacco Licences	Retailer purchase of tobacco	\$10 per month plus 50% of purchases from unlicensed sources. Otherwise no liability.	
	Wholesaler sale of tobacco	\$10 per month plus 50% of value of sales (except to other licensees)	
		Rates effective 28 August 1991.	
Racing Tax - Bookmakers Totalisator	Value of bets Value of bets	1% of turnover Off-course	6.5% to 10% depending on type of bet
		On-course	5% to 10% depending on type of bet
Poker Machine Taxation	Profit from machines (effective 1 December 1990)	1% on first \$25,000 profit per annum per registered club. 22.5% on profit in excess of \$25,000	
Approved Amusement Devices	Turnover on machines per hotel	3% on first \$2 million turnover p.a. per hotel 4% on turnover in excess of \$2 million	3% variance between country and metropolitan courses.

Table 3.2: Principal Rates of Tax (con't)

Tax Item	Base	Rates	Major Exemptions/Concessions
Motor Vehicle Tax	Weight and type of motor vehicle and whether the vehicle is for private or non-private use Rates shown effective 1 July 1990	Motor cycles: Motor vehicles (not exceeding 2,500 kg): Motor vehicles (exceeding 2,500 kg and not exceeding 7,100 kg) not being for private use or a motor omnibus: Motor Vehicles exceeding 7,110 kg:	Pensioners, State Government and Declared Authorities, local councils, primary producers, mobile plant, trailers.
		\$30.05	
		\$98.45 - \$311.05	
		\$529.60 - \$1,498.65	
		\$1,498.65 + \$54.25 for each 254kg or part thereof over 7,110 kg	
		60% of relevant rate above	
		Buses/Private-use vehicles over 2,500 kg: Primary Producers vehicle being a motor lorry (not a station wagon), tractor or trailer: Tractors - not primary producer vehicle:	
		50% of relevant rate above	
		shall not exceed \$529.60	

Table 3.2: Principal Rates of Tax (con't)

Tax Item	Base	Rates	Major Exemptions/Concessions
Driver/Rider Licence	Type of licence and period Rates effective from 1.7.90	Tractors - primary producer's vehicle: shall not exceed \$291.30	Pensioners
	Additional Tax - vehicles over 3,560 kg not used for private purposes:	\$122.80 (motor vehicle) \$73.7 (motor omnibus)	
Registration Fees	Type of vehicle and use Rates effective from 1.7.90	Driver/Rider Licence (not Probationary) Learners Licence Replacement or Duplicate Licence	\$24 - \$36 \$17 and \$19 \$10 and \$12
	Registration - motor vehicle	\$33	Pensioners, Government and Declared Authorities, Local Councils.
	- public passenger vehicle	\$109 - \$185	
	- motor lorry - trailer > 2.5 tonne	\$109 - \$154 \$78	
	Transfer of Registration - if less than 14 days from acquiring possession of vehicle - if not less than 14 days	\$16 \$57 + \$16	

## 3.3 FORWARD ESTIMATES OF BUDGET RECEIPTS

### Introduction

For the first time the Budget provides estimates of Budget receipts for the period 1986-87 to 1993-94 by major receipt category.

This information has been provided in order to give a proper appreciation of the factors impacting on the future receipt outlook.

Overall for the period from 1990-91 to 1993-94 current receipts are projected to increase by 5.5 per cent per annum, a real increase of only 1.3 per cent per annum. In contrast for the two years to 1988-89 the average real increase was 4.9 per cent.

Similarly, for total Budget receipts the average annual increase over the period is 4.5 per cent or 0.2 per cent in real terms compared to an average annual real increase of 3.6 per cent for the two years to 1988-89.

Table 3.3 provides details of receipts for the period 1986-87 to 1993-94. The table is supported by a preceding section commenting on the major receipt categories.

### Recurrent

#### TAXES, FEES AND FINES

##### Stamp Duties

###### *Contracts and Conveyances*

Following the commencement of a recovery in 1991-92, the value of residential turnover is expected to continue rising in line with increased housing affordability and improved labour market conditions. While both volumes and prices are forecast to increase across all segments of the residential sector, the top end of the Sydney market should experience the most significant improvements following a prolonged downturn. Given the projections regarding the quantity of excess stock in the commercial property sector, the value of commercial turnover is not expected to return to its 1988-89 peak level before at least the mid 1990s.

In comparison with the previous property market boom, the predicted upswing over the next three years will be modest. The revenue forecast for 1993-94 is \$450 million lower in real terms than the previous peak value in 1988-89.

###### *Other Stamp Duties*

Receipts are expected to increase moderately over the period to 1993-94. Collections from the First Home Purchase Scheme are forecast to improve strongly in line with the expected increase in the bottom of the residential property market. This growth will be offset by a fall in share transfer duty following the phased abolition of this duty.

## **Payroll Tax**

Underlying revenue will benefit from expected improvements in both wages and employment as economic activity continues to recover. Combined growth of average weekly earnings and State employment is forecast to be 7.9 per cent in 1992-93 and 7.6 per cent in 1993-94, compared with only 3.2 per cent in 1991-92.

However, abstracting from policy changes, projected annual revenue growth rates are around three percentage points less than those of the late 1980s as the result of lower employment and wage growth expectations.

## **Land Tax**

Following the freezing of land values for the 1992 land tax year, revenue will be adversely affected by the return to prevailing market values. In particular, further declines are expected in the average value of commercial land, which comprises the major component of the land tax base.

In comparison with 1990-91 receipts, which reflected property values during the previous boom, revenue in 1993-94 is projected to fall by \$400 million in real terms.

## **Business Franchise Licences**

Licence fees relating to the sale of petroleum, tobacco and liquor are expected to increase steadily at around 5 per cent for each of 1992-93 and 1993-94. Petroleum and liquor revenue will benefit from improved economic conditions, while tobacco collections should increase in line with general price movements.

Underlying growth rates are not expected to reach those of the late 1980s which experienced higher rates of increase in relation to both general economic activity and prices.

## **Other Taxes, Fees and Fines**

The decline in the growth of other taxes is expected to turn around in 1992-93 as economic activity continues to recover.

## **OTHER STATE RECEIPTS**

### **Contributions from Government Trading Enterprises, State Owned Corporations and Other Bodies**

In 1992-93 payments from State enterprises are projected to decline 20.1 per cent, due to the impact of a number of one off factors in 1991-92 from the Electricity Commission, Sydney Electricity and Sydney Water Board as well as contributions from other bodies financed by asset sales.

### **Other State Receipts**

The estimates for 1992-93 are projected to decline 13.5 per cent due to interest received on Crown funds being affected by the projected deficits and to the uneven flows of repayments of advances

## **COMMONWEALTH FUNDED RECEIPTS**

### **Financial Assistance Grants**

Financial Assistance Grants are projected to increase by only about 2 per cent a year, a real decline of the order of 3 per cent per annum. This reflects the net impact of the assumptions that the overall pool of Financial Assistance Grants will be maintained in real terms but that the share going to New South Wales will decline due to the impact of the fiscal equalisation process.

### **Specific Purpose Payments**

Specific Purpose Payments are projected to decline in real terms over the period to 1993-94 due to a nominal provision for natural disasters and reductions in the estimates for debt redemption assistance.

## **Capital**

### **STATE RECEIPTS**

#### **Asset Disposals**

Estimated receipts in 1991-92 are inflated due to the inclusion of expected proceeds from the Government Insurance Office and the State Office Block. Similarly the 1992-93 estimate is boosted by projected receipts from the sale of the State Bank. Proceeds from the disposal of both the Government Insurance Office and the State Bank will be applied to debt reduction.

The current depressed state of the commercial property market is not expected to show any appreciable recovery until the mid 1990's. As a result the estimated receipts from asset disposal in 1992-93 (excluding the State Bank transaction) and 1993-94 are conservative figures.

#### **Other**

Receipts under this heading comprise generally repayments of principal amounts in respect of advances made to Government agencies for various purposes in previous years. The estimated 1992-93 receipt under this heading includes significant projected repayments by the Water Board and the Maritime Services Board. Estimated receipts in 1993-94 are at about the same level as expected in 1991-92.

## **COMMONWEALTH FUNDED RECEIPTS**

### **General Purpose Grant**

The same level of estimated receipts is shown for each of the three financial years 1991-92 to 1993-94. However the 1991-92 figure includes \$19 million for the Better Cities program and it is likely that this amount will increase in each of the two following years, although no details are available at this stage.

### **Specific Purpose Payments**

Estimated receipts in 1992-93 have been escalated by a nominal amounts of 5 per cent over 1991-92 and similarly the 1993-94 estimate is a nominal increase of 5 per cent on 1992-93.

Table 3.3: Budget Receipts 1986-87 to 1993-94

	1986-87 \$m	1987-88 \$m	1988-89 \$m	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m	1993-94 \$m
<b>RECURRENT</b>								
<b>Taxes, Fees and Fines</b>								
Stamp Duties	520.7	1,020.9 96.1%	1,496.2 46.6%	970.9 (-) 35.1%	737.2 (-) 24.1%	1,050.0 42.4%	1,100.0 4.8%	1,450.0 31.8%
Contract & Conveyances								
Other	785.9	937.2 19.3%	995.8 6.3%	1,072.4 7.7%	1,134.4 5.8%	1,327.3 15.2%	1,369.2 3.2%	1,452.8 6.1%
Total, Stamp Duties	1,306.6	1,958.1 49.9%	2,492.0 27.3%	2,043.3 (-) 18.0%	1,871.6 (-) 8.4%	2,377.3 27.0%	2,469.2 3.9%	2,902.8 17.6%
Payroll Tax	1,723.8	1,852.9 7.5%	2,052.2 10.8%	2,266.7 10.5%	2,583.2 14.0%	2,827.0 9.4%	3,060.0 8.2%	3,307.0 8.1%
Land Tax	345.6	413.3 19.6%	497.3 20.3%	627.4 26.2%	789.6 25.9%	737.0 (-) 6.7%	551.0 (-) 25.2%	496.0 (-) 10.0%
Business Franchise licences	531.9	571.8 7.5%	633.2 10.7%	912.3 44.1%	937.5 4.1%	1,085.4 15.8%	1,141.4 5.2%	1,201.0 5.2%
Other	1,436.4	1,567.3 9.1%	1,743.4 11.2%	1,927.4 10.6%	2,065.1 3.8%	2,132.4 3.3%	2,242.2 5.2%	2,399.7 7.0%
<b>Total, Taxes, Fees and Fines</b>	<b>5,344.3</b>	<b>6,363.4</b> 19.1%	<b>7,418.1</b> 16.6%	<b>7,777.1</b> 4.8%	<b>8,247.0</b> 6.0%	<b>9,159.1</b> 11.1%	<b>9,463.8</b> 3.3%	<b>10,307.5</b> 8.9%

Table 3.3: Budget Receipts 1986-87 to 1993-94 (con't)

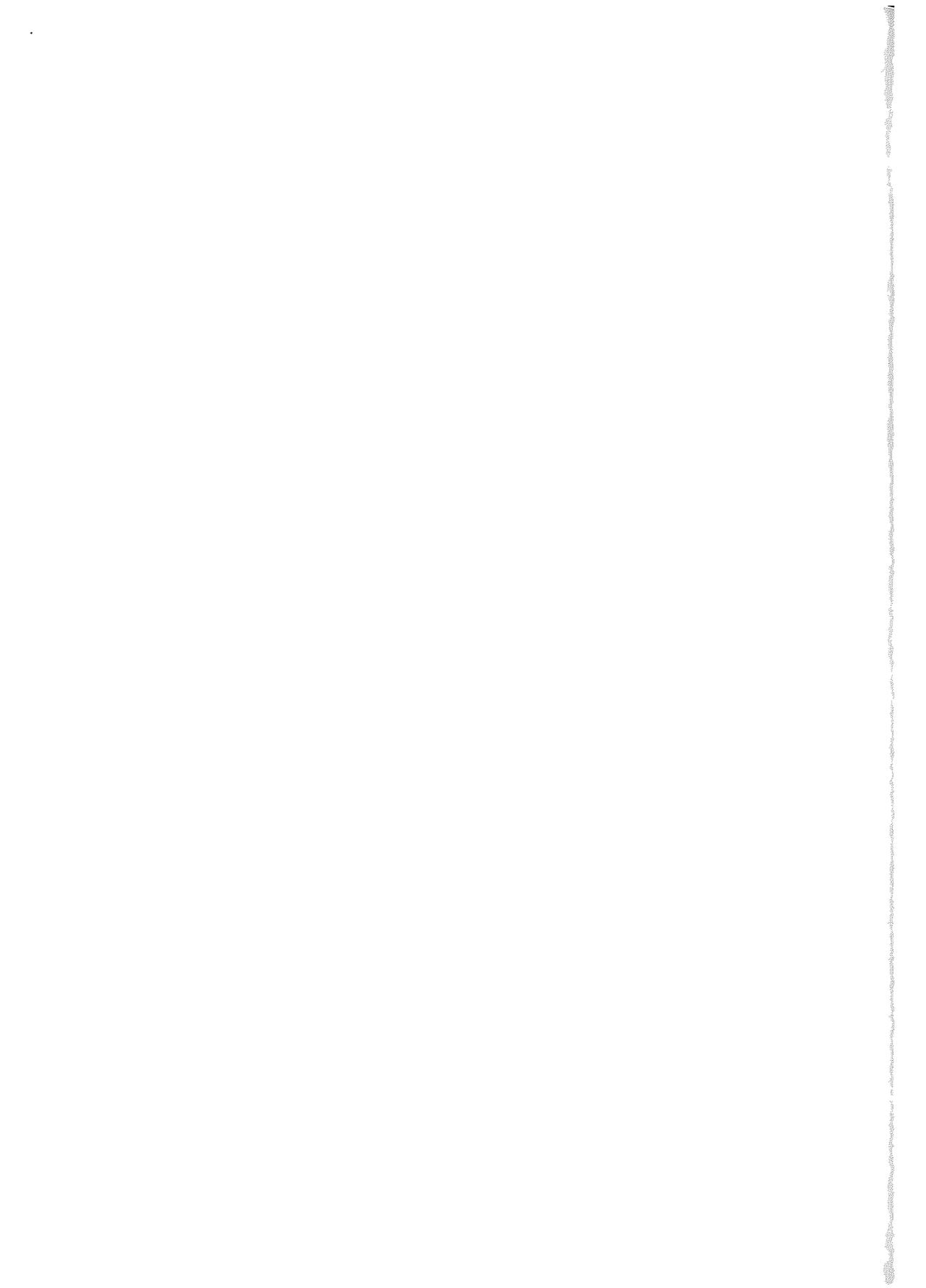
	1986-87 \$m	1987-88 \$m	1988-89 \$m	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m	1993-94 \$m
<b>RECURRENT (con't)</b>								
<b>Other State Receipts</b>								
Contribution from State Enterprises, etc	101.7	129.0 26.8%	261.4 102.6%	344.3 31.7%	590.1 71.4%	907.5 53.8%	925.2 2.0%	892.6 (-) 3.5%
Other	776.1	896.0 15.4%	912.5 1.8%	919.3 0.7%	871.2 (-) 5.2%	678.3 (-) 22.1%	586.8 (-) 13.5%	610.3 4.0%
<b>Commonwealth Funded Receipts</b>								
Financial Assistance Grant	3,350.0	3,594.9 7.3%	3,665.1 2.0%	3,668.4 0.1%	3,701.6 0.9%	3,627.9 (-) 2.0%	3,704.6 2.1%	3,787.9 2.2%
Specific Purpose Payments	1,495.0	1,579.1 5.6%	1,630.9 3.3%	1,745.6 7.0%	1,948.5 11.7%	2,152.1 10.4%	2,209.9 2.7%	2,287.4 3.5%
<b>TOTAL RECURRENT</b>	11,067.1	12,562.4	13,888.0	14,454.7	15,358.4	16,524.9	16,890.3	17,885.7
<b>CAPITAL</b>								
<b>State Receipts</b>								
Asset Disposal	...	...	148.6	82.9 (-) 44.2%	79.0 (-) 4.7%	1,983.1 2,410.3%	1,050.0 (-) 47.1%	150.0 (-) 85.7%
Other	29.2	36.3 24.3%	107.4 195.9%	37.3 (-) 65.3%	464.2 1,144.5%	182.2 (-) 60.7%	200.0 9.8%	70.0 (-) 65.0%

Table 3.3: Budget Receipts 1986-87 to 1993-94 (con't)

	1986-87 \$m	1987-88 \$m	1988-89 \$m	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m	1993-94 \$m
<b>CAPITAL (con't)</b>								
<b>Commonwealth Funded Receipts</b>	138.8	58.2 (-) 58.1%	86.3 48.3%	86.3	79.8 (-) 7.5%	98.7 23.7%	98.7	98.7
General Purpose Grant							...	...
Specific Purpose Payments	724.4	723.2 (-) 0.2%	678.4 (-) 6.2%	818.8 20.7%	998.3 21.9%	949.9 (-) 4.8%	997.4 5.0%	1,047.3 5.0%
State's Share of Commonwealth's New Loan Raisings	250.4	114.4 (-) 54.3%	86.3 (-) 24.6%	...	...	...	...	...
<b>TOTAL, CAPITAL</b>	1,142.8	932.1	1,107.0	1,025.3	1,621.3	3,213.9	2,346.1	1,366.0
<b>TOTAL, BUDGET RECEIPTS</b>	12,209.3	13,494.5	14,995.0	15,480.0	16,979.7	19,738.8	19,236.4	19,251.7

# **CHAPTER 4: BUDGET PAYMENTS**

- 4.1 Trends in Budget Payments**
- 4.2 Financial Information by Policy Area and Sector  
(The Blue Tables)**
- 4.3 Recurrent Payments by Functional Area**
  - 4.3.1 Law, Order and Public Safety**
  - 4.3.2 Education**
  - 4.3.3 Health**
  - 4.3.4 Welfare Services**
  - 4.3.5 Housing and Community Services**
  - 4.3.6 Recreation and Culture**
  - 4.3.7 Economic Services**
  - 4.3.8 General Administration**
  - 4.3.9 Other Purposes**
  - 4.3.10 Advance to the Treasurer**
- 4.4 Consolidated Fund Recurrent Forward Estimates**



## 4.1 TRENDS IN BUDGET PAYMENTS

### Introduction

This section provides a summary of recurrent and capital payments for the Budget Sector.

The Budget Sector comprises agencies which are wholly or largely dependent on appropriations from the "public purse" (principally State taxation revenue and Commonwealth grants) for their operations. It includes departments such as School Education, Health, Corrective Services and the State Pollution Control Commission and central agencies such as Treasury and Premier's Department.

While Budget Sector agencies are predominantly funded from the Consolidated Fund, most also have access to other sources of funds. In the main these would be Special Deposit Account balances, which may reflect user charges (particularly since the adoption, from 1 July 1991, of net appropriation budgeting), other income retained by the agency or past transfers from the Consolidated Fund.

In contrast, the Non Budget Sector consists of public sector agencies which are largely self financing, although there may be some limited subsidy from the Consolidated Fund. Some Budget Sector agencies may have discrete, commercial activities which largely cover their costs through user charges; these activities are also treated as Non Budget Sector.

A distinction needs to be drawn between payments and outlays. Payments are the total amount of cash expenditure. Outlays are payments less user charges and asset sales. Payments information shows the total level of cash resources expended while outlays shows the net level of payments after deducting recoveries of revenue.

For the presentation of the overall Budget position, outlays is the preferred presentation while at the individual policy area, policy sector and program level, total payments is the preferred approach as it shows the full level of cash resources devoted to an activity.

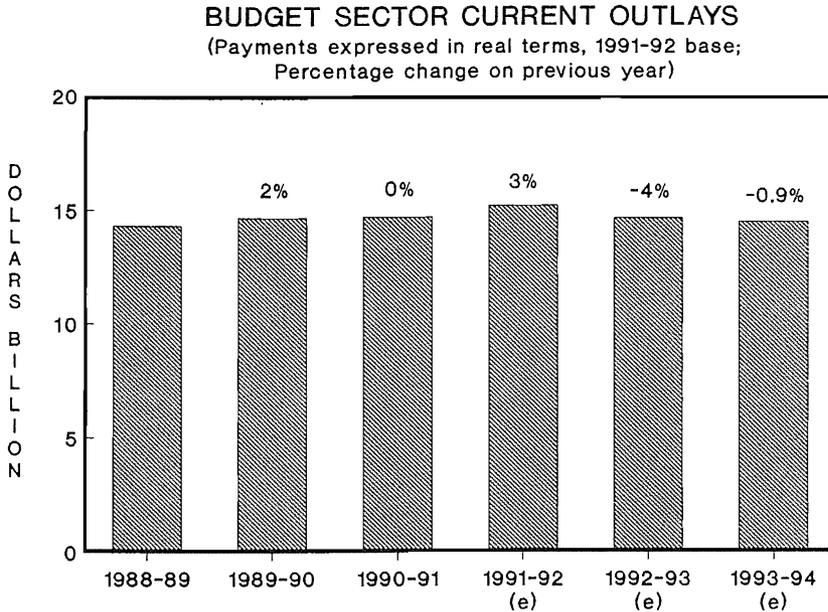
Outlays data however are not available at this stage on a consistent basis for the Budget Sector prior to 1988-89. Historical analysis covering a longer period therefore needs to be undertaken on a payments basis.

### Recurrent Trends

Budget Sector recurrent payments (funded from all sources) have increased by an average annual rate of 8.7 per cent over the past five years, a real increase of 1.0 per cent per annum. For 1991-92, recurrent payments are projected to increase by 6.8 per cent, a real increase of 3.2 per cent, while recurrent outlays are projected to increase by 7.0 per cent, a real increase of 3.4 per cent (see Figure 4.1).

Over the three year period to 1993-94, current outlays will decline by 1.3 per cent in real terms as the downsizing of departmental structures takes effect.

**Figure 4.1**



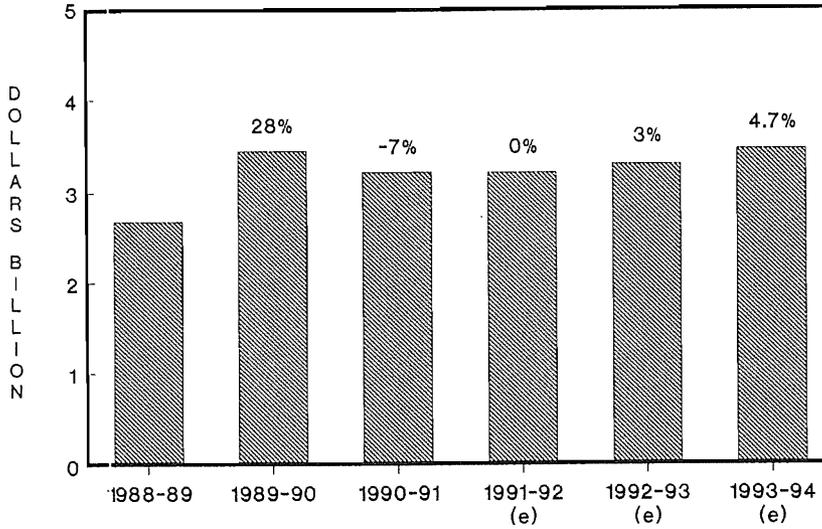
## Capital Trends

Total Budget Sector capital payments have increased by an average of 10.3 per cent per annum over the five years to 1990-91, a real increase of 2.5 per cent per annum. For 1991-92, capital payments are projected to decrease by 1.3 per cent in real terms, while capital outlays are forecast to increase by 0.3 per cent in real terms excluding the effect of the GIO asset sale proceeds.

Over the three years to 1993-94, the capital program will be held approximately constant in real terms. Outlays will show real increase over the same period, reflecting the impact on the 1990-91 base of the level of advances repaid to the Budget Sector (see Figure 4.2).

**Figure 4.2**

**BUDGET SECTOR CAPITAL OUTLAYS**  
 (Payments expressed in real terms, 1991-92 base;  
 Percentage change on previous year)

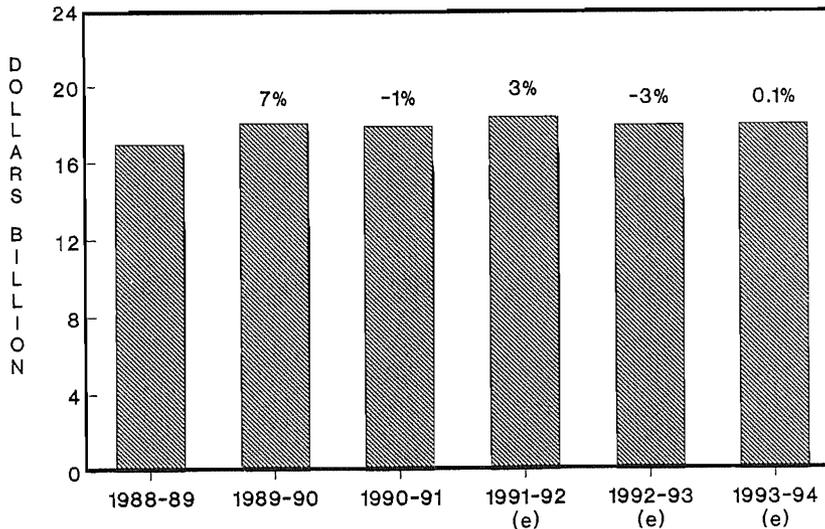


### Total Payments and Outlays

Budget Sector total payments (i.e. recurrent and capital) have increased by an average 9.0 per cent per annum over the five years to 1990-91, a real increase of 1.3 per cent per annum. For 1991-92, total payments are projected to increase by 0.2 per cent in real terms, while outlays are forecast to increase by 2.0 per cent in real terms (see Figure 4.3).

**Figure 4.3**

**BUDGET SECTOR TOTAL OUTLAYS**  
 (Payments expressed in real terms, 1991-92 base;  
 Percentage change on previous year)



## 4.2 FINANCIAL INFORMATION BY POLICY AREA AND SECTOR

The purpose of the following tables is to group programs with common policy goals. The tables have been compiled from the program statements presented in Budget Paper No. 3.

Table 4.1 shows the main financial aggregates (total payments, outlays and Consolidated Fund payments) for each policy area and policy sector.

The policy area/policy sector classification is a means of grouping similarly oriented programs and payments in a way that is independent of the traditional Ministerial/departmental structure. This has two advantages -

- it enables consistency to be maintained when portfolio and departmental structures change; and
- it allows for the payments and outlays of multi-faceted departments to be dissected and aggregated with like data in other organisations.

Policy areas represent the broadest areas of Government responsibility. Policy areas are aggregations of policy sectors, which are generally groups of related programs representing particular functions of Government. (In some instances, individual items in a program which are significant in size and which clearly belong to a different policy area/sector than does the program, have been separately classified.)

Program costs are allocated to the policy area/sector which they are considered to be primarily serving. It is inevitable that there will be a degree of arbitrariness in this procedure. An example of a dual purpose program is the Department of Corrective Services program "Development and Education Services for Prisoners" which could be classified to either the Education or the Law, Order and Public Safety functions.

Table 4.2 is an expansion of Table 4.1 showing the same aggregates but listing each program under the policy area and policy sector categories.

Table 4.3 lists the aggregates for each program under the organisational and Ministerial structure.

TABLE 4.1: FINANCIAL INFORMATION BY POLICY AREA AND POLICY SECTOR

All figures are expressed in \$M

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>1. LAW, ORDER AND PUBLIC SAFETY</b>												
Police	914.5	906.3	905.9	954.8	946.2	946.8	66.0	64.9	59.4	43.6	34.1	35.9
Law Courts and Legal Services	351.1	288.7	262.4	362.8	297.9	276.4	66.1	65.8	64.7	34.0	33.7	33.2
Corrective Services	263.2	244.0	248.5	297.5	272.6	274.6	111.5	107.3	110.0	113.8	111.2	111.4
Other (Including Fire Protection Services)	201.8	199.2	197.0	216.0	215.0	210.4	24.8	21.4	24.8	29.6	23.6	2.7
- Law, Order and Public Safety												
Total, Law, Order and Public Safety	1,730.6	1,638.2	1,613.8	1,831.1	1,731.7	1,708.2	268.4	259.4	239.5	221.0	202.6	183.2
<b>2. EDUCATION</b>												
Primary and Secondary Education	3,043.1	3,035.3	3,012.7	3,202.3	3,193.8	3,176.0	233.3	201.0	205.3	233.6	184.7	195.5
Tertiary and Vocational Education	673.0	588.0	575.1	752.1	640.0	634.6	144.6	135.7	130.6	118.3	111.0	118.3
Pre-School Education	8.6	8.3	8.3	8.6	8.2	8.2	0.0	0.0	0.0	0.0	0.0	0.0
Transportation of Students	347.4	347.3	347.4	384.0	384.0	383.9	0.0	0.0	0.0	0.0	0.0	0.0
Other Education (Including General Administration)	115.9	89.1	86.0	128.4	99.4	98.4	0.8	0.8	0.8	0.7	0.7	0.8
Total, Education	4,188.0	4,068.0	4,029.5	4,475.4	4,325.4	4,301.1	378.7	337.5	336.7	352.6	296.4	314.6
<b>3. HEALTH</b>												
Area Health Services and Other Health Services	3,751.9	3,257.2	3,241.9	3,934.3	3,386.5	3,406.6	278.4	274.2	269.8	283.0	265.9	256.4
Community and Other Support Services	143.6	106.6	106.6	145.8	106.8	106.8	17.1	17.1	14.4	10.1	10.1	10.1
Public Health (Including Inspection Services)	102.6	102.6	102.6	124.4	124.4	124.4	3.1	3.1	3.1	13.0	13.0	13.0
Other Health (Including General Administration)	54.9	54.8	54.8	46.7	46.7	46.7	2.9	2.9	2.9	3.3	3.3	3.3
Total, Health	4,053.0	3,521.2	3,505.9	4,251.2	3,664.4	3,684.5	301.5	297.3	290.2	309.4	292.3	282.8
<b>4. WELFARE SERVICES</b>												
Welfare Support Services	667.2	645.4	633.2	773.4	750.5	741.2	18.7	16.1	17.9	27.1	19.6	25.6
Social Security	257.4	257.4	257.4	262.6	262.6	262.6	0.0	0.0	0.0	0.0	0.0	0.0
Total, Welfare Services	924.6	902.8	890.6	1,036.0	1,013.1	1,003.8	18.7	16.1	17.9	27.1	19.6	25.6
<b>5. HOUSING AND COMMUNITY SERVICES</b>												
Housing (Including HomeSite Development)	22.8	22.8	22.8	31.7	31.7	31.7	602.4	389.4	395.5	638.7	416.5	424.9
Water and Sewerage	86.7	83.5	73.5	22.3	22.3	22.3	560.9	79.0	79.0	692.5	80.3	80.3
Protection of the Environment	133.0	131.6	121.5	150.1	148.4	133.0	70.3	24.2	24.8	101.9	39.0	36.7
Total, Housing and Community Services	242.5	237.9	217.8	484.1	482.4	467.0	1,233.6	492.6	499.3	1,433.1	535.8	541.9

TABLE 4.1: FINANCIAL INFORMATION BY POLICY AREA AND POLICY SECTOR

All figures are expressed in \$M

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE	
	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments
<b>6. RECREATION AND CULTURE</b>												
Recreation Facilities and Services	153.6	127.8	119.9	153.3	126.8	112.5	46.2	71.0	35.7	108.0	121.7	94.4
Cultural Facilities and Support of the Arts	139.0	117.2	114.0	135.5	119.3	113.4	34.1	24.4	22.8	25.4	25.3	23.0
Total, Recreation and Culture	292.6	245.0	233.9	288.8	246.1	225.9	80.3	95.4	58.5	133.4	147.0	117.4
<b>7. ECONOMIC SERVICES</b>												
Agriculture, Forestry and Fishing	333.5	317.4	300.5	343.3	327.6	310.3	101.5	59.8	24.1	107.7	58.6	36.4
Mining Manufacturing and Construction	159.1	185.0	65.4	128.0	123.1	97.3	1,932.5	1,813.7	1,736.8	1,972.1	1,765.8	1,751.7
Transport and Communication	188.7	93.3	193.3	1,203.5	200.0	186.6	444.5	12.5	14.6	657.1	22.2	22.2
Other Economic Services	184.4	84.4	175.5	203.5	200.0	186.6	444.5	12.5	14.6	657.1	22.2	22.2
Total, Economic Services	1,638.7	1,550.1	1,446.3	1,684.4	1,600.5	1,449.2	2,595.5	1,936.2	1,829.8	2,769.4	1,864.9	1,841.0
<b>8. GENERAL ADMINISTRATION (NEI)</b>												
Legislative Services	77.3	76.5	76.6	75.0	74.1	74.1	1.6	1.6	1.6	1.6	2.6	2.6
Financial and Fiscal Services	2,402.7	2,306.5	2,432.8	2,679.0	2,527.1	2,631.5	8.6	124.8	407.6	11.2	95.4	893.8
Other - General Administration	251.4	247.0	246.1	238.5	233.2	225.8	278.4	64.1	61.5	257.4	62.4	60.6
Total, General Administration (nei)	2,731.4	2,630.0	2,755.5	2,992.5	2,834.4	2,931.4	288.6	190.5	470.7	271.2	160.4	957.0
<b>9. OTHER PURPOSES</b>												
Natural Disasters Relief	62.0	62.0	62.0	43.0	43.0	43.0	0.0	0.0	0.0	0.0	0.0	0.0
Total, Other Purposes	62.0	62.0	62.0	43.0	43.0	43.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Subtotal</b>	15,743.9	14,748.9	14,659.0	16,752.5	15,607.0	15,480.1	5,165.3	3,625.0	3,742.6	5,517.2	3,519.0	4,263.5
Plus: Treasurer's Advance	...	...	...	100.0	100.0	100.0	...	...	...	...	...	...
Subtotal as per Financial Information by Minister, Organisation and Program	15,743.9	14,748.9	14,659.0	16,852.5	15,707.0	15,580.1	5,165.3	3,625.0	3,742.6	5,517.2	3,519.0	4,263.5
Less: Adjustment to place outlays on a consistent cash accounting and recognition of transactions between capital and recurrent under GES methodology	...	556.0	...	...	523.0	...	...	586.0	...	...	2,063.0	...
Total	564.0	...	...	645.0	...	...	(208.4)	...	...	(134.3)	...	...
<b>TOTAL</b>	15,179.9	14,192.9	14,659.0	16,207.5	15,184.0	15,580.1	5,373.7	3,039.0	3,742.6	5,651.5	1,456.0	4,263.5
<b>BUDGET SECTOR NON BUDGET SECTOR</b>	15,179.9	14,192.9	14,659.0	16,207.5	15,184.0	15,580.1	3,786.3	3,039.0	3,742.6	3,715.2	1,456.0	4,263.5
	...	...	...	...	...	...	1,587.4	...	...	1,836.3	...	...

TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>1. LAW, ORDER AND PUBLIC SAFETY</b>												
<b>1.1 Police</b>												
51.1.1 Crimes Against the Person	77,860	77,860	77,701	82,755	82,755	82,755	6,161	6,161	6,028	4,901	4,901	4,901
51.1.2 Crimes Against Property	153,896	153,896	153,582	163,568	163,568	163,568	12,176	12,176	11,912	9,683	9,683	9,683
51.1.3 Crimes of Vice	48,972	48,972	48,997	53,369	53,369	53,369	3,427	3,427	3,364	2,303	2,303	2,303
51.1.4 Maintaining Public Order	141,135	141,135	140,845	149,820	149,820	149,820	11,216	11,216	10,973	8,918	8,918	8,918
51.1.5 Traffic Supervision and Control	126,971	126,971	126,740	135,705	135,705	135,705	13,821	13,821	13,503	6,698	6,698	6,698
51.2 Personnel, Development and Education	12,421	12,421	12,421	13,344	13,344	13,344	2,516	2,516	2,516	83	83	83
51.2.1 Corporate Services	119,019	114,616	114,231	121,164	114,124	114,124	11,121	11,121	6,572	1,503	1,503	3,283
51.2.2 Operative Services	70,129	70,129	70,398	74,947	74,947	74,947	2,643	2,643	2,643	...	...	...
51.2.3 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	4,642	4,642	4,642	4,891	4,891	4,891	...	...	...	...	...	...
<b>Police</b>	914,489	906,342	905,873	954,823	946,200	946,800	65,981	64,881	59,411	43,626	34,090	35,870
<b>1.2 Law Courts and Legal Services</b>												
13.1.1.1 Legal Advice and Representation on behalf of the Crown (other than Criminal Prosecution)	13,881	12,433	12,433	13,971	12,471	12,471	446	446	446	397	397	397
13.1.1.2 Policy Development and Research Services to Government	5,739	5,739	5,625	6,006	6,006	5,909	69	69	69	60	60	60
13.1.1.3 Legal Aid Services (Public Defenders)	1,943	43	43	2,573	73	73	468	468	468	10	10	10
13.2.1 Policy and Consultation Services to the Community	2,745	2,745	2,891	2,793	2,793	2,660	5	5	5	30	30	30
13.3.1 Legal Compensation Services	40,117	40,117	28,051	36,944	36,944	27,853	507	507	507	0	0	0
13.4.1 Administrative Support Services	1,763	1,763	1,763	1,980	1,980	1,980	584	584	584	565	565	565
15.1.1.1 Legal Aid and Other Legal Services for Eligible Persons in Child Care and Protection Matters in Criminal Law Matters	1,632	1,322	1,066	1,386	1,067	798	...	...	...	...	...	...
15.1.1.2 Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	27,251	22,927	19,303	27,071	23,517	19,761	...	...	...	...	...	...
15.1.1.3 Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters	17,446	14,329	11,729	17,595	14,389	11,683	...	...	...	...	...	...
15.1.1.4 Legal Aid and Other Legal Services for Eligible Persons in Administrative Law Matters	2,849	2,436	2,087	3,033	2,608	2,248	...	...	...	...	...	...
15.1.1.5 Legal Aid and Other Legal Services for Eligible Persons in proceedings relating to Mental Health	530	520	506	884	874	864	...	...	...	...	...	...
15.1.1.6 Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships	19,298	15,807	12,899	19,064	15,472	12,443	...	...	...	...	...	...
15.1.1.7 Administrative and Legal Support Services	6,863	6,251	2,710	7,492	7,045	5,041	1,130	887	1,130	887	440	440
16.1.1 Crown Representation in Criminal Supreme Court Services	33,370	33,357	33,317	37,556	37,546	37,473	2,972	2,972	2,972	2,637	2,637	2,637
40.1.1.1 Land and Environment Court Services	19,041	5,919	5,859	19,910	4,410	4,330	1,490	1,490	1,490	1,775	1,775	1,775
40.1.1.4 District Court and Criminal Listing Services	4,171	3,627	3,627	4,607	3,907	3,907	28	28	28	10	10	10
	22,793	18,270	24,093	18,693	18,693	18,613	33,265	33,265	33,265	7,953	7,953	7,953



TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>2. EDUCATION</b>												
<b>2.1 Primary and Secondary Education</b>												
58.2.1 Board of Studies	39,738	39,656	39,656	44,136	44,054	44,054	513	513	513	365	365	365
59.1.1 General Primary Education	1,143,207	1,142,737	1,132,074	1,211,696	1,211,227	1,200,539	97,832	84,273	85,776	101,348	74,584	81,121
59.1.2 Education of Children with Disabilities in Government Primary Schools	175,572	175,456	175,285	175,196	175,070	174,969	...	...	...	...	...	...
59.1.4 Direct State Government Assistance to Non-Government Primary Schools and Pupils	90,392	90,392	90,392	102,300	102,300	102,300	...	...	...	...	...	...
59.2.1 General Secondary Education in Government Schools	1,302,467	1,295,335	1,283,818	1,346,840	1,339,047	1,332,090	134,703	115,936	118,726	126,198	104,076	108,400
59.2.2 Education of Children with Disabilities in Government Secondary Schools	27,368	27,357	27,346	27,779	27,769	27,755	...	...	...	...	...	...
59.2.3 Direct State Government Assistance to Non-Government Secondary Schools	133,194	133,194	133,194	147,530	147,530	147,530	...	...	...	...	...	...
59.3.1 Administrative, Professional and General Support Services	131,182	131,131	130,983	146,871	146,817	146,745	264	264	264	5,636	5,636	5,636
<b>Primary and Secondary Education</b>	3,043,120	3,035,258	3,012,748	3,202,348	3,193,814	3,175,982	233,312	200,986	205,279	233,547	184,561	195,522
<b>2.2 Tertiary and Vocational Education</b>												
12.2.1 Agricultural Education	4,420	3,520	3,520	4,096	2,946	2,946	607	607	607	1,391	1,391	1,391
39.1.1 Courses in Engineering and Technology	262,643	232,574	227,039	292,506	251,057	249,791	44,563	41,816	41,346	39,873	37,753	39,873
39.1.2 Courses in Allied Sciences	102,804	89,266	87,133	113,900	92,771	90,618	22,129	22,141	30,693	22,125	20,354	22,125
39.1.3 Courses in Fine and Applied Arts	74,686	65,297	64,070	83,586	71,214	70,691	15,714	14,745	14,116	13,294	12,450	13,294
39.1.4 Courses in Commercial and General Studies	228,371	197,196	193,298	257,950	217,252	215,256	48,786	45,778	43,797	41,632	39,029	41,632
<b>Tertiary and Vocational Education</b>	672,924	587,983	575,100	752,118	640,040	634,578	144,586	135,710	130,559	118,315	110,977	118,315
<b>2.3 Pre-School Education</b>												
59.1.3 Pre-School Education in Government Schools	8,627	8,267	8,256	8,590	8,223	8,218	...	...	...	...	...	...
<b>Pre-school Education</b>	8,627	8,267	8,256	8,590	8,223	8,218	...	...	...	...	...	...
<b>2.4 Transportation of Students</b>												
59.1.2 Education of Children with Disabilities in Government Primary Schools	11,558	11,558	11,558	12,043	12,043	12,043	...	...	...	...	...	...
59.2.2 Education of Children with Disabilities in Government Secondary Schools	7,706	7,706	7,706	8,030	8,030	8,030	...	...	...	...	...	...
63.1.2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	328,123	328,123	328,123	363,878	363,878	363,878	...	...	...	...	...	...
<b>Transportation of students</b>	347,387	347,387	347,387	393,951	393,951	393,951	...	...	...	...	...	...
<b>2.5 Other Education (Including General Administration)</b>												
38.2.2 Adult and Community Education	4,352	4,352	4,352	5,976	5,976	5,976	...	...	...	...	...	...
38.2.3 Adult Migrant English Education	28,980	1,593	1,593	31,197	2,161	2,161	...	...	...	...	...	...

TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
39.1.5 Support Services to Teachers and Students	16,527	16,527	16,351	18,681	18,681	18,731	...	...	...	...	...	...
39.1.6 Administrative Support Services	32,870	32,870	32,492	37,336	37,336	37,336	...	...	...	...	...	...
58.1.1 Policy Support Services	11,777	11,777	9,730	11,314	11,314	10,927	...	...	...	...	...	...
58.1.2 Policy Support Services Advisory Board	1,049	1,049	1,049	1,202	1,202	1,202	...	...	...	...	...	...
58.4.1 Office of Youth Affairs	7,103	7,103	7,103	7,921	7,921	7,921	...	...	...	...	...	...
58.5.1 Corporate Support Services	13,856	13,852	13,852	14,759	14,755	14,755	815	815	815	746	746	746
Other Education (Including General Administration)	115,914	89,123	85,988	128,386	99,346	96,400	815	815	815	746	746	746
<b>Total, Education</b>	<b>4,187,972</b>	<b>4,068,018</b>	<b>4,029,479</b>	<b>4,478,393</b>	<b>4,325,374</b>	<b>4,303,129</b>	<b>378,713</b>	<b>337,511</b>	<b>336,633</b>	<b>352,608</b>	<b>296,384</b>	<b>314,583</b>
<b>3. HEALTH</b>												
<b>3.1 Area Health Services and Other Health Services</b>												
35.2.3 Support for Area Health Services and Public Hospitals	3,158,999	2,752,474	2,737,147	3,246,970	2,789,045	2,809,146	282,835	248,612	244,188	255,071	237,918	228,366
35.2.5 Support for Dental Services	55,595	55,497	55,497	58,040	57,828	57,928	134	134	134	...	...	...
35.2.6 Services Mainly for the Psychiatrically Ill	248,734	230,437	230,437	262,777	244,174	244,174	25,440	25,440	25,440	28,000	28,000	28,000
35.2.9 Services Mainly for the Aged and Disabled	277,684	207,877	207,877	353,617	282,454	282,454	...	...	...	...	...	...
35.2.10 Prison Medical Service	10,320	10,309	10,309	12,879	12,868	12,868	...	...	...	...	...	...
Area Health Services and Other Health Services	3,751,932	3,257,194	3,241,867	3,934,283	3,386,469	3,406,570	278,409	274,186	269,762	283,071	265,918	256,366
<b>3.2 Community and Other Support Services</b>												
35.2.1 Health Transport	134,705	97,740	97,740	136,298	97,375	97,375	17,064	17,064	14,439	10,090	10,090	10,090
35.2.7 Support for Community Services	8,847	8,847	8,847	9,468	9,466	9,466	...	...	...	...	...	...
Community and other Support Services	143,552	106,587	106,587	145,764	106,841	106,841	17,064	17,064	14,439	10,090	10,090	10,090
<b>3.3 Public Health (Including Inspection Services)</b>												
35.1.1 Public Health Regulatory Services	13,264	13,264	13,264	14,957	14,957	14,957	153	153	153	50	50	50
35.1.2 Analytical, Clinical and Scientific Services	12,073	12,073	12,073	13,861	13,861	13,861	1,259	1,259	1,259	1,185	1,185	1,185
35.1.3 Health Promotion and Education	15,526	15,526	15,526	20,103	20,103	20,103	1,571	1,571	1,571	1,378	1,378	1,378
35.1.4 Blood Transfusion Service	18,043	18,043	18,043	19,303	19,303	19,303	...	...	...	...	...	...
35.1.5 External Research	3,670	3,670	3,670	4,767	4,767	4,767	...	...	...	...	...	...
35.2.2 Services Specifically for Drug and Alcohol Dependent Persons	34,671	34,667	34,667	44,696	44,696	44,696	148	148	148	400	400	400
35.2.6 Services Specifically for Aborigines (Inspection Services)	5,362	5,362	5,362	6,752	6,752	6,752	...	...	...	...	...	...
Public Health (Including Inspection Services)	102,609	102,605	102,605	124,441	124,441	124,441	3,131	3,131	3,131	13,013	13,013	13,013
<b>3.4 Other Health (Including General Administration)</b>												
35.2.4 External Health Services	7,279	7,279	7,279	7,227	7,227	7,227	...	...	...	...	...	...

TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES			
	1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE	
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays
35.3.1 Administration, Finance, Planning and Policy Development	47,618	47,584	47,584	39,477	39,443	39,443	2,911	2,911
Other Health (including General Administration)	54,897	54,863	54,863	46,704	46,670	46,670	2,911	2,911
<b>Total, Health</b>	<b>4,052,990</b>	<b>3,521,249</b>	<b>3,505,922</b>	<b>4,251,192</b>	<b>3,664,421</b>	<b>3,684,522</b>	<b>301,515</b>	<b>297,292</b>
<b>4. WELFARE SERVICES</b>								
4.1 Welfare Support Services								
36.1.1 Protection of Children	27,321	27,321	27,321	30,826	30,826	30,826	379	379
36.1.2 Substitute Care of Children	64,879	64,047	63,826	69,581	68,258	67,633	3,827	3,827
36.1.3 Family and Children's Services	79,734	79,692	79,694	99,576	99,534	97,496	1,284	1,284
36.2.1 Services for Disadvantaged Groups and Communities	75,671	75,607	62,832	88,913	88,849	83,993	164	164
36.2.2 Supported Accommodation	60,337	60,337	60,337	67,548	67,548	67,548	8	8
36.2.3 Services Mainly for the Developmentally Disabled	201,638	189,709	188,188	272,362	209,255	206,198	11,461	11,461
36.2.4 South Island and Administrative	14,523	14,523	14,523	16,879	16,879	16,879	40	40
36.3.1 Support Services	30,312	30,002	29,362	52,340	52,073	51,411	1,508	1,508
36.4.1 Home Care Services of New South Wales	91,318	83,718	83,646	96,590	88,490	88,420	...	...
37.1.1.2 Mortgage and Rent Assistance Program	23,461	23,461	23,461	28,764	28,764	28,764	...	...
Welfare Support Services	667,194	645,417	633,190	773,379	750,476	741,168	18,671	16,081
4.2 Social Security								
37.2.1 Rate Rebates for Pensioners	34,085	34,085	34,085	35,200	35,200	35,200	...	...
43.1.1.2 Rate Rebates for Pensioners of the Public Sector	42,814	42,814	42,814	43,000	43,000	43,000	...	...
43.1.2 Transport for Non-Commercial Passenger and Freight Services	180,686	180,686	180,686	184,447	184,447	184,447	...	...
Social Security	257,385	257,385	257,385	262,647	262,647	262,647	...	...
<b>Total, Welfare Services</b>	<b>924,579</b>	<b>902,802</b>	<b>890,575</b>	<b>1,036,026</b>	<b>1,013,123</b>	<b>1,005,815</b>	<b>18,671</b>	<b>16,081</b>
<b>5. HOUSING AND COMMUNITY SERVICES</b>								
5.1 Housing (Including Homeless Development)								
29.1.1.2 Land Management and Administration	13,565	13,565	13,565	23,621	23,621	23,621	2,772	6,100
37.1.1 Public and Community Housing	4,611	4,611	4,611	4,041	4,041	4,041	395,482	395,482
37.1.1.1 Government Schools	4,611	4,611	4,611	4,041	4,041	4,041	...	...
59.2.1 General Secondary Education in Public Servant Housing Authority Land Titles Office	4,611	4,611	4,611	4,041	4,041	4,041	...	...
Department of Housing Teacher Housing Authority	...	...	...	...	...	...	143	...
Housing (Including Homeless Development)	22,787	22,787	22,787	31,703	31,703	31,703	2,321	4,800
							199,085	199,085
							6,000	3,980
							602,386	389,382
							31,703	395,482
							638,665	416,485
							424,915	424,915

TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>5.2 Water and Sewerage</b>												
56.1.1.1 Country Towns Water Supply and Sewerage Schemes	23,524	23,514	23,514	22,319	22,309	22,309	78,996	78,996	78,996	80,347	80,347	80,347
Broken Hill Water Board	...	...	...	...	...	...	...	...	...	1,955	...	...
Runter Water Board	...	...	...	...	...	...	...	...	...	52,482	...	...
The Water Board	...	...	...	...	...	...	...	...	...	557,700	...	...
<b>Water and Sewerage</b>	23,524	23,514	23,514	22,319	22,309	22,309	560,860	78,996	78,996	692,484	80,347	80,347
<b>5.3 Protection of the Environment</b>												
4.3.1 Support Services	...	...	...	...	...	...	3,138	3,138	3,138	10,000	10,000	10,000
29.1.1.1 Policy Coordination and Support Activities	6,414	6,414	6,414	7,130	7,130	7,130	...	...	...	1,973	1,973	1,973
31.1.1 Research and Policy Development	4,679	4,679	4,679	4,705	4,705	4,705	228	228	228	5,212	5,212	5,212
31.1.1.2 Operations	18,704	18,704	18,704	22,979	22,979	22,979	2,076	2,076	2,076	1,544	1,544	1,544
31.1.1.3 Administrative Support Services	2,301	2,297	2,297	2,494	2,490	2,490	108	108	108	755	755	755
48.1.1.1 Promotion and Co-ordination of Environmental Planning and Assessment	22,280	20,915	19,892	25,204	23,562	20,713	342	342	342	87	87	87
48.1.1.2 Provision of Land for Public Purposes (other than for Environmental Heritage and Coastal Conservation)	10,029	10,029	10,029	9,087	9,087	9,087	834	834	834	20	20	20
48.1.1.3 Conservation of State's Environmental Heritage	1,449	1,449	1,449	1,147	1,147	1,147	600	600	600	628	628	628
48.1.1.4 Protection and Conservation of the Coastal Region	855	855	855	1,359	1,359	1,359	856	856	856	4,013	4,013	2,513
48.1.1.5 Administrative Support Services	5,934	5,934	5,934	7,374	7,374	7,374	673	673	2,329	81	81	
56.1.1.2 Coastline Hazards	2,995	2,993	2,993	3,435	3,433	3,433	2,777	2,777	2,777	2,500	2,500	2,500
56.1.1.3 Floodplain Management	6,644	6,638	6,638	6,660	6,654	6,654	9,106	9,106	9,106	8,750	8,750	8,750
56.1.1.4 Estuary Management	4,386	4,383	4,383	4,472	4,469	4,469	3,445	3,445	2,945	4,937	4,937	4,937
Waste Management Authority	...	...	...	...	...	...	7,097	7,097	...	39,979	...	...
Sydney Region Development Fund	...	...	...	...	...	...	39,042	39,042	...	22,973	...	...
<b>Protection of the Environment</b>	86,670	85,290	75,225	96,046	94,389	78,970	70,322	24,183	24,807	101,908	38,956	36,677
<b>Total, Housing and Community Services</b>	132,981	131,591	121,526	150,068	148,401	132,982	1,233,568	492,561	499,285	1,433,057	535,788	541,939
<b>6. RECREATION AND CULTURE</b>												
6.1 Recreation Facilities and Services												
4.2.2 Sydney Olympics 2000 Bid	672	672	672	6,600	6,600	6,600	...	...	...	60,000	60,000	60,000
28.1.2 Land Management and Administration	2,396	2,396	2,396	2,500	2,500	2,500	2,714	2,714	2,714	1,800	1,800	1,800
30.1.1.1 Natural and Cultural Resource Management	30,572	37,732	29,358	38,989	38,114	30,464	18,698	18,698	18,698	17,006	17,006	17,006
30.1.1.2 Recreation Area Management	5,804	2,834	2,600	3,523	3,199	1,299	333	333	333	289	289	289
30.1.1.3 Recreation Support Services	15,096	5,956	5,529	15,357	5,790	5,720	184	1,884	1,716	285	285	285
32.1.1.1 Domain Trust	14,383	12,843	11,885	14,722	12,807	12,237	1,262	1,262	1,262	702	702	702
34.1.1.1 Centennial Park Trust	2,598	2,598	3,128	3,790	3,365	3,603	603	603	603	751	751	751
34.1.1.2 Bicentennial Park Trust	961	705	906	1,007	1,016	1,89	189	189	212	847	847	847
56.1.1.5 NSW Waterways	2,013	2,010	2,010	1,839	1,836	5,351	5,351	5,351	5,351	5,270	5,270	5,270
60.1.1.1 Participation in Sport and Recreation	18,543	11,913	20,415	19,756	11,913	16,380	6,081	1,697	1,697	4,843	4,843	4,843
60.1.1.2 Excellence in Sport	10,273	9,938	7,511	9,142	8,673	6,266	3,793	3,635	1,993	6,771	6,771	6,771
60.1.1.3 Safety and Ethics in Sport and Recreation	3,992	2,492	1,519	4,135	2,339	1,590	...	...	...	...	...	...

TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$'000

	1990-91 ACTUAL				1991-92 ESTIMATE				1991-92 ESTIMATE			
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>60.1.4 Development, Control and Regulation of the Racing Industry</b>												
60.1.4.1 Administration	5,563	5,315	5,495	4,971	4,971	4,922	3,354	29,046	...	2,763	24,271	...
60.1.4.2 Marketing and Promotion	19,583	19,415	19,544	17,036	17,036	17,036	1,102	1,102	1,102	899	899	899
62.1.1.1 Marketing and Promotion	13,415	13,415	13,415	12,900	12,900	12,900	...	...	...	...	...	...
62.1.1.2 Marketing and Promotion	1,415	1,415	1,415	1,415	1,415	1,415	...	...	...	...	...	...
62.1.1.3 Visitor Information and Retail	3,071	2,232	2,232	17,430	17,430	17,430	...	...	...	...	...	...
62.1.1.4 Corporate Support Services	5,803	5,800	5,800	3,160	3,160	3,160	...	...	...	...	...	...
62.1.1.5 Zoological Parks Board	...	...	...	...	...	...	2,600	...	...	3,821	...	...
<b>62.2 Cultural Facilities and Services</b>	153,585	127,815	119,849	153,339	126,723	112,459	46,264	70,912	35,681	108,047	121,761	94,442
<b>6.2 Cultural Facilities and Support of the Arts</b>												
16.1.1 Policy Formulation and Review and Support of Cultural Activities	27,478	26,522	26,462	27,092	25,741	25,741	14,887	14,887	14,887	20,169	20,169	19,769
19.1.1 State Library	17,418	17,418	17,418	17,418	17,418	17,418	2,165	2,165	2,165	1,433	1,433	1,413
20.1.1 Australian Museum	16,057	14,968	15,110	12,900	12,900	12,900	2,485	2,485	2,485	1,796	1,796	1,822
21.1.1 Museum of Applied Arts and Sciences	24,512	22,920	23,276	23,926	21,050	21,050	1,975	1,975	1,975	1,235	1,235	599
22.1.1 Historic Houses Trust	5,344	4,391	4,353	5,991	5,037	4,775	1,492	1,492	1,492	1,010	1,010	358
23.1.1 Art Gallery	11,475	8,450	8,625	16,746	11,366	9,004	1,024	1,024	1,024	1,495	1,495	496
24.1.1 Archives Authority	3,312	3,181	3,181	3,340	3,215	3,215	...	...	...	...	...	...
25.1.1 New South Wales Film and Television Office	2,962	1,649	1,985	2,989	1,885	1,885	9,722	...	...	...	...	...
25.1.1.1 Film Museum Trust	...	...	...	...	...	...	...	...	...	...	...	...
<b>Cultural Activities and Support of the Arts</b>	129,033	117,134	114,023	135,445	119,310	113,405	34,070	24,425	22,838	25,369	25,299	23,024
<b>Total, Recreation and Culture</b>	282,638	244,949	233,872	288,784	246,033	225,864	80,334	95,337	58,519	133,416	147,060	117,466
<b>7. ECONOMIC SERVICES</b>												
<b>7.1 Agriculture, Forestry and Fishing</b>												
11.1.1 Assistance to Farmers	20,162	20,162	21,359	29,258	29,258	27,637	494	20,982	494	50	8,536	50
12.1.1 Plant Industries	68,008	67,601	51,819	66,768	66,568	53,604	1,839	1,839	1,839	1,786	1,786	1,786
12.1.1.1 Animal Production Services	18,634	18,227	17,311	17,808	17,608	16,777	162	162	162	162	162	162
12.1.1.2 Animal Health Services	28,876	27,455	26,564	27,245	27,125	25,449	2,914	2,914	2,914	2,279	2,279	2,279
12.1.1.3 Slaughter and Export Services	9,743	9,743	9,743	11,200	11,200	11,200	...	...	...	...	...	...
12.1.1.4 Support Services	13,462	13,462	13,701	17,751	17,681	17,681	4,237	4,237	4,237	3,750	3,750	3,750
12.1.1.5 Administrative Support Services	1,922	1,922	1,922	1,922	1,922	1,922	607	607	607	36	36	36
28.1.1 Conservation and Resource Planning	9,226	9,226	9,226	8,912	8,912	8,912	607	607	607	100	100	100
28.1.1.1 Corporate Support	15,114	15,114	15,114	14,179	14,179	14,179	5,793	2,234	2,522	3,191	2,784	1,752
44.1.1 Water Resource Management	46,723	34,626	35,886	48,330	35,018	35,018	312	312	312	199	199	114
44.2.1 Water Resource Development	13,042	12,455	13,042	12,761	12,174	12,174	...	...	...	...	...	...
44.2.2 Rural Water Supply and Associated Services	35,985	34,241	34,241	34,037	33,644	33,644	23,678	23,678	8,325	41,489	41,489	26,845
44.2.3 River Channel and Floodplain Protection	14,880	14,880	14,880	15,737	15,737	15,737	1,604	1,604	1,604	1,450	1,450	795
44.3.1 Subsidies to Other Water Supply	1,097	1,097	1,097	1,205	1,205	1,205	1,162	1,162	1,052	760	760	660
46.1.1 Fisheries Management	18,881	18,881	17,125	18,699	18,699	16,225	4,842	4,842	...	...	...	...
Commercial soil conservation activities	...	...	...	...	...	...	752	...	...	3,372	...	...
Sydney Market Authority	...	...	...	...	...	...	...	...	...	47,888	...	...
Forestry Commission of NSW	...	...	...	...	...	...	53,073	...	...	...	...	...
<b>Agriculture, Forestry and Fishing</b>	333,544	317,375	300,533	343,331	327,614	310,310	101,505	59,763	24,100	107,745	58,686	36,359

TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES			
	1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE	
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays
<b>7.2 Mining, Manufacturing and Construction</b>								
45.1.1 Mineral Resources Development	21,035	20,825	19,729	23,318	22,643	22,454	556	400
45.1.2 Public Affairs and Corporate Management	15,430	12,886	12,824	12,846	9,757	9,672	1,795	316
47.1.1 Compensation for Repurchase of Property Rights	2,228	2,228	2,320	2,428	2,428	2,418	48,186	26,100
49.1.1 Energy Utilization and Management	90,668	89,857	1,400	51,077	50,627	2,165	44	...
56.1.7 Civil Engineering - Special Projects	281	281	281	218	218	218	...	...
56.3.1 Minor Works and other Engineering and Associated Services	29,496	28,892	28,892	38,120	37,418	37,418	132	-8,364
56.3.1 Administrative Support Services	159,138	154,969	65,446	128,007	123,091	74,345	53,554	5,721
56.3.1 Manufacturing and Construction	2,841	2,839	2,839	2,978	2,976	2,976	2,815	3,013
56.1.6 Fishing and Government Facilities	175,339	164,605	172,985	185,300	157,504	168,014	736,476	798,339
57.1.1 Enhancement of Road System	38,410	45,244	48,206	181,649	150,163	67,837	644,918	465,803
57.1.2 Maintenance of Road System	201,942	201,942	201,942	122,761	122,761	122,761	62,411	48,965
57.1.3 Use of Road System	272,534	272,534	272,534	314,883	314,413	314,413	380,900	441,547
63.1.1 Contribution to the Transport Authorities for Operating Losses	188,233	188,233	188,233	182,700	182,700	182,700	...	...
63.1.2 Payments via the Department of Transport for Non-Commercial Passengers via the Department of Transport	17,965	17,917	18,147	19,259	19,250	19,250	28,035	33,591
63.1.4 Development, Co-ordination and Planning of Transport Activities	...	...	...	...	...	...	17,185	25,053
SRA - Non Commercial Maritime Services Board	...	...	...	...	...	...	15,732	...
State Rail Authority	...	...	...	...	...	...	85,169	110,576
- Commercial Activities	...	...	...	...	...	...	22,370	30,819
State Transit Authority	957,721	893,314	904,866	1,009,530	949,767	877,951	1,996,011	1,972,052
Transport and Communication	1,813,220	1,736,674	1,972,052	1,813,220	1,736,674	1,972,052	1,765,604	1,751,780
<b>7.4 Other Economic Services</b>								
7.1.3 Management and Administration of Statutory and Industrial Bailoffs	6,352	7,225	7,890	7,621	7,322	7,332	242	308
17.1.1 Compliance	17,217	17,139	17,133	15,345	15,167	15,149	1,145	2,043
17.1.3 Client Services	7,290	7,290	7,290	5,880	5,880	5,880	2,178	1,230
18.1.4 Operational Support	7,221	7,221	7,146	5,988	5,988	5,988	2,178	1,230
38.1.3 Information Services	26,268	23,414	21,091	25,596	23,096	22,906	3,420	11,689
38.1.1 Private Sector Industrial Relations	5,547	5,487	6,044	5,985	5,985	5,985	52	210
38.2.1 Conciliation and Arbitration	4,910	4,690	7,146	6,986	6,986	6,986	435	526
38.2.1 Vocational Training and Employment	48,683	48,595	44,266	57,666	57,591	50,591	265	527
38.3.1 Policy Development and Co-ordination	6,287	6,287	1,896	1,896	1,896	1,896	3,660	37
38.3.2 Management Services	11,176	10,972	10,732	11,906	11,676	11,401	3,420	1,919
40.1.2 Industrial Commission Services	3,113	3,113	3,113	3,660	3,660	3,660	3,29	10
42.2.1 Development and Regulation of Co-operative Type Organisations	3,911	3,911	3,911	3,851	3,851	3,484	...	...



TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
8.3.1.1 Assistance to Authorities and Other Bodies	635	635	635	613	613	613	...	...	323,691	...	...	817,952
9.1.1.1 Debt Servicing Costs	1,723,489	1,628,446	1,722,615	1,878,368	1,727,711	1,878,213	...	...	...	...	...	...
9.1.1.2 Refunds and Remissions of Crown Revenue	6,631	6,631	6,631	3,210	3,210	3,210	...	...	75,265	...	...	64,672
9.1.1.3 Other Service-wide Activities	604,996	604,996	637,428	720,404	720,404	675,521	76	116,190	76	30	...	30
26.1.1.1 Policy and Development	1,177	1,071	1,071	1,435	1,341	1,341	...	...	...	...	...	...
26.1.1.2 Establishment of Casino	3,359	3,362	3,362	4,456	4,456	4,456	355	355	...	166	...	166
26.2.1.1 Non-Monopoly Gaming Compliance	1,851	1,801	1,801	2,469	2,417	2,417	63	63	...	182	...	182
26.2.1.2 Information and Technology Services	935	935	935	1,101	1,101	1,101	...	...	...	...	...	...
26.2.1.3 Liquor and Machine Gaming Revenue Assessment	1,692	1,692	1,431	2,142	2,142	919	...	...	...	...	...	...
60.1.1.4 Development, Control and Regulation of the Racing Industry	2,402,664	2,306,450	2,432,790	2,679,003	2,527,139	2,631,535	8,641	124,831	407,597	11,187	95,364	893,723
<b>Financial and Fiscal Services</b>												
5.5 Other - General Administration	5,344	5,344	6,344	7,720	7,720	7,720	520	520	520	21	21	21
4.1.1.2 Protocol and Hospitality Services	1,493	1,493	1,493	1,767	1,767	1,767	...	...	...	...	...	...
4.1.1.4 Oversight of Public Sector Management Performance	6,131	5,280	5,519	6,217	5,887	5,887	...	...	...	...	...	...
4.1.1.5 Equal Opportunity in Public Employment	1,249	1,150	1,022	1,359	1,233	1,233	14	14	14	15	15	15
4.1.1.6 Implementation of Government's Commercialization Policies	1,644	1,644	1,644	1,673	1,673	1,673	...	...	...	...	...	...
54.2.1.1 Co-ordination of Major Community Projects	5,832	5,832	5,832	2,833	2,833	2,733	...	...	...	...	...	...
4.2.1.3 Policy and Advisory Services on Aboriginal Affairs	49,671	49,671	49,434	49,962	49,962	49,962	...	...	...	...	...	...
4.2.1.4 Information Policies	545	532	502	...	...	...	...	...	...	...	...	...
4.3.1 Support Services	33,217	33,212	33,217	21,000	20,975	20,954	2,054	2,054	2,054	5,333	5,333	5,333
6.1.1.1 Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities	4,056	4,056	4,056	4,287	4,286	4,286	52	50	51	...	...	...
8.1.1.3 Economic and Statistical Analysis and Advice and Inter-governmental Financial Relations	3,107	3,107	3,107	3,234	3,234	3,234	139	139	139	126	126	131
10.1.1.1 Financial Relations	8,723	8,723	8,723	8,875	8,875	8,875	...	...	...	...	...	...
26.1.3.1 Corporate Service Communities	2,045	2,042	2,042	2,878	2,878	2,878	...	...	...	...	...	...
26.3.2.2 Public Charity Fundraising Standards	1,145	1,145	1,145	1,102	1,102	1,102	6	6	6	6	6	6
27.1.1.1 Policy Development and Co-ordination	13,935	13,935	13,935	11,547	11,547	11,547	322	322	322	798	798	798
28.1.1.2 Land Management and Administration	49,350	47,607	46,830	57,992	55,067	50,575	3,014	2,686	1,200	2,493	2,193	1,463
28.1.1.4 Corporate Support	9,371	9,371	9,371	9,272	9,272	9,272	11,379	11,379	11,379	1,297	1,297	1,297
38.1.1.2 Public Sector Industrial Relations	5,914	5,914	5,762	4,721	4,721	4,721	57	57	57	15	15	15
42.1.1.1 Development, Oversight of and Assistance to Local Government	10,595	10,470	10,338	12,752	12,671	10,318	96	96	96	909	909	909
43.1.1.1 Property Services Group	11,563	11,563	11,563	10,272	10,272	10,272	14,665	14,665	14,665	24,616	24,616	24,616
50.1.1.1 Subsidy to the Darling Harbour Public Buildings - Construction and Maintenance	19,180	19,180	19,180	15,760	15,760	15,760	8,100	8,100	8,100	3,678	3,678	3,678
56.2.1 Public Buildings - Construction and Maintenance	5,228	4,974	4,974	2,789	2,686	2,686	24,054	24,054	22,915	23,454	23,454	22,354

TABLE 4.2: FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR, AND PROGRAM

All payments expressed in \$'000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
58.3.1 Women's Co-ordination Unit	1,521	1,521	1,521	1,703	1,703	1,703	...	...	...	...	...	...
Public Works Department	...	...	...	...	...	...	...	...	...	...	...	...
- Commercial Activities	...	...	...	...	...	...	3,293	...	...	5,149	...	...
Registry of Births, Deaths and Marriages	...	...	...	...	...	...	4,881	...	...	7,400	...	...
Police Department	...	...	...	...	...	...	616	...	...	1,595	...	...
Property Services Group	...	...	...	...	...	...	20,108	...	...	20,443	...	...
Local Government Borrowing Program	...	...	...	...	...	...	185,000	...	...	160,000	...	...
Other - General Administration	251,409	246,992	246,050	238,522	233,205	225,787	278,370	64,142	61,518	257,362	62,475	60,650
<b>Total, General Administration (net)</b>	<b>2,731,983</b>	<b>2,630,000</b>	<b>2,785,411</b>	<b>2,992,543</b>	<b>2,894,431</b>	<b>2,931,423</b>	<b>288,609</b>	<b>190,571</b>	<b>470,713</b>	<b>271,150</b>	<b>160,440</b>	<b>956,974</b>
<b>9. OTHER PURPOSES</b>												
9.1 Natural Disasters Relief												
9.4.1 Natural Disasters Relief	61,963	61,963	61,963	43,000	43,000	43,000	...	...	...	...	...	...
Natural Disasters Relief	61,963	61,963	61,963	43,000	43,000	43,000	...	...	...	...	...	...
<b>Total, Other Purposes</b>	<b>61,963</b>	<b>61,963</b>	<b>61,963</b>	<b>43,000</b>	<b>43,000</b>	<b>43,000</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Subtotal</b>	<b>15,743,876</b>	<b>14,748,861</b>	<b>14,658,965</b>	<b>16,752,524</b>	<b>15,607,006</b>	<b>15,480,114</b>	<b>5,165,324</b>	<b>3,625,016</b>	<b>3,742,642</b>	<b>5,517,231</b>	<b>3,519,002</b>	<b>4,263,456</b>
Plus: Treasurer's Advance	...	...	...	100,000	100,000	100,000	...	...	...	...	...	...
<b>Subtotal as per Financial Information by Minister, Organisation and Program</b>	<b>15,743,876</b>	<b>14,748,861</b>	<b>14,658,965</b>	<b>16,852,524</b>	<b>15,707,006</b>	<b>15,580,114</b>	<b>5,165,324</b>	<b>3,625,016</b>	<b>3,742,642</b>	<b>5,517,231</b>	<b>3,519,002</b>	<b>4,263,456</b>
Less: Adjustment to place outlays on recurrent GFS basis	...	556,000	...	...	523,000	...	...	586,000	...	...	2,063,000	...
: Adjustment for double counting and reclassification of transactions between capital and recurrent under GFS methodology	564,000	...	...	645,000	...	...	(208,400)	...	...	(134,300)	...	...
<b>TOTAL</b>	<b>15,179,876</b>	<b>14,192,861</b>	<b>14,658,965</b>	<b>16,207,524</b>	<b>15,184,006</b>	<b>15,580,114</b>	<b>5,375,724</b>	<b>3,039,016</b>	<b>3,742,642</b>	<b>5,651,531</b>	<b>1,456,002</b>	<b>4,263,456</b>
<b>BUDGET SECTOR</b>	<b>15,179,876</b>	<b>14,192,861</b>	<b>14,658,965</b>	<b>16,207,524</b>	<b>15,184,006</b>	<b>15,580,114</b>	<b>3,786,368</b>	<b>3,039,016</b>	<b>3,742,642</b>	<b>3,715,279</b>	<b>1,456,002</b>	<b>4,263,456</b>
<b>NON BUDGET SECTOR</b>	...	...	...	...	...	...	<b>1,587,356</b>	...	...	<b>1,936,252</b>	...	...

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES										CAPITAL WORKS AND SERVICES									
	1990-91 ACTUAL					1991-92 ESTIMATE					1990-91 ACTUAL					1991-92 ESTIMATE				
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund		
<b>THE LEGISLATURE</b>																				
<b>THE LEGISLATURE</b>																				
Parliamentary Representation - Legislative Council Operation of the Legislative Council	8,568	8,568	8,568	8,989	8,989	8,989	499	499	499	499	499	499	20	20	20	20	20	20		
Parliamentary Representation - Legislative Assembly Operation of the Legislative Assembly Executive Government	1,781	1,781	1,781	2,008	1,990	1,990	145	145	145	145	145	145	74	74	74	74	74	74		
	28,220	28,220	28,220	27,049	27,049	27,049	121	121	121	121	121	121	1,525	1,525	1,525	1,525	1,525	1,525		
	2,513	2,513	2,513	2,951	2,932	2,932	162	162	162	162	162	162	75	75	75	75	75	75		
	1,315	1,315	1,315	1,444	1,444	1,444	...	...	...	...	...	...	...	...	...	...	...	...		
	42,397	42,397	42,397	42,441	42,404	42,404	927	927	927	927	927	927	1,694	1,694	1,694	1,694	1,694	1,694		
Parliamentary Government	1,442	1,442	1,442	1,678	1,678	1,678	5	5	5	5	5	5	20	20	20	20	20	20		
Parliamentary Library	2,043	2,031	2,031	3,366	3,259	3,259	...	...	...	...	...	...	20	20	20	20	20	20		
Hansard	3,364	2,997	2,997	3,920	3,511	3,511	13	13	13	13	13	13	260	260	260	260	260	260		
Building Services	1,761	1,511	1,511	1,822	1,572	1,572	6	6	6	6	6	6	10	10	10	10	10	10		
Catering Services	3,482	3,423	3,423	4,669	4,611	4,627	7	7	7	7	7	7	555	555	555	555	555	555		
Special Services																				
Parliamentary Support Services	12,092	11,410	11,423	15,455	14,631	14,647	31	31	31	31	31	31	865	865	865	865	865	865		
	54,489	53,807	53,820	57,896	57,035	57,051	958	958	958	958	958	958	2,559	2,559	2,559	2,559	2,559	2,559		
<b>Total, THE LEGISLATURE</b>																				
<b>Total, THE LEGISLATURE</b>	54,489	53,807	53,820	57,896	57,035	57,051	958	958	958	958	958	958	2,559	2,559	2,559	2,559	2,559	2,559		
<b>PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS</b>																				
<b>CABINET OFFICE</b>																				
Services for the Premier and Cabinet	6,344	6,344	6,344	7,720	7,720	7,720	520	520	520	520	520	520	21	21	21	21	21	21		
Services for the Premier and Cabinet	6,344	6,344	6,344	7,720	7,720	7,720	520	520	520	520	520	520	21	21	21	21	21	21		
	6,344	6,344	6,344	7,720	7,720	7,720	520	520	520	520	520	520	21	21	21	21	21	21		
<b>Total, CABINET OFFICE</b>	6,344	6,344	6,344	7,720	7,720	7,720	520	520	520	520	520	520	21	21	21	21	21	21		

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$'000

	RECURRENT SERVICES										CAPITAL WORKS AND SERVICES									
	1990-91 ACTUAL					1991-92 ESTIMATE					1990-91 ACTUAL					1991-92 ESTIMATE				
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund					
<b>PARLIAMENTARY COUNSEL'S OFFICE</b>																				
Legislative and Legal Services	3,100	3,030	3,030	3,592	3,522	3,522	596	596	596	15	15	15	15	15	15					
Legislative and Legal Services	3,100	3,030	3,030	3,592	3,522	3,522	596	596	596	15	15	15	15	15	15					
<b>Total, PARLIAMENTARY COUNSEL'S OFFICE</b>	<b>3,100</b>	<b>3,030</b>	<b>3,030</b>	<b>3,592</b>	<b>3,522</b>	<b>3,522</b>	<b>596</b>	<b>596</b>	<b>596</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>					
<b>PREMIER'S DEPARTMENT</b>																				
Services for the Governor's Establishment	1,376	1,376	1,376	1,492	1,492	1,492	11	11	11	11	11	11	12	12	12					
Protocol and Hospitality Services	1,493	1,493	1,493	1,767	1,767	1,767	...	...	...	...	...	...	...	...	...					
Services for the Leaders of the Opposition	855	855	855	780	780	780	15	15	15	15	15	15	15	15	15					
Oversight of Public Sector Management Performance	6,131	5,280	5,519	6,217	5,887	5,887	...	...	...	...	...	...	...	...	...					
Equal Opportunity in Public Employment	1,249	1,150	1,022	1,359	1,233	1,233	14	14	14	14	14	14	15	15	15					
Implementation of Government's Commercialisation Policies	1,644	1,644	1,644	1,673	1,673	1,673	...	...	...	...	...	...	...	...	...					
Services for Administration of Government	12,748	11,798	11,909	13,288	12,832	12,832	40	40	40	40	40	40	42	42	42					
Co-ordination of Major Community Projects	5,832	5,832	5,832	2,833	2,833	2,733	...	...	...	...	...	...	...	...	...					
Sydney Olympics 2000 Bid Policy and Advisory Services on Aboriginal Affairs	672	672	672	6,600	6,600	6,600	...	...	...	...	...	...	60,000	60,000	60,000					
Implementation of Freedom of Information Policies	49,671	49,671	49,434	49,962	49,962	49,962	...	...	...	...	...	...	...	...	...					
Co-ordination of Community Relations Support Services	545	522	502	...	...	...	...	...	...	...	...	...	...	...	...					
Support Services	56,720	56,697	56,440	59,395	59,395	59,295	...	...	...	...	...	...	60,000	60,000	60,000					
Support Services	33,217	33,212	33,217	21,000	20,975	20,954	5,192	5,192	5,192	5,192	5,192	5,192	15,333	15,333	15,333					
Support Services	33,217	33,212	33,217	21,000	20,975	20,954	5,192	5,192	5,192	5,192	5,192	5,192	15,333	15,333	15,333					
<b>Total, PREMIER'S DEPARTMENT</b>	<b>102,685</b>	<b>101,707</b>	<b>101,566</b>	<b>93,683</b>	<b>93,202</b>	<b>93,081</b>	<b>5,232</b>	<b>5,232</b>	<b>5,232</b>	<b>5,232</b>	<b>5,232</b>	<b>5,232</b>	<b>75,375</b>	<b>75,375</b>	<b>75,375</b>					

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>INDEPENDENT COMMISSION AGAINST CORRUPTION</b>												
Investigation, Community Education and Prevention of Corruption	11,054	11,054	10,954	12,854	12,854	12,802	1,141	1,141	1,141	1,372	1,372	1,372
Investigation, Community Education and Prevention of Corruption	11,054	11,054	10,954	12,854	12,854	12,802	1,141	1,141	1,141	1,372	1,372	1,372
<b>Total, INDEPENDENT COMMISSION AGAINST CORRUPTION</b>	<b>11,054</b>	<b>11,054</b>	<b>10,954</b>	<b>12,854</b>	<b>12,854</b>	<b>12,802</b>	<b>1,141</b>	<b>1,141</b>	<b>1,141</b>	<b>1,372</b>	<b>1,372</b>	<b>1,372</b>
<b>CUSTOMER'S OFFICE</b>												
Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities	4,056	4,056	4,056	4,287	4,286	4,286	52	50	51	...	...	...
Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities	4,056	4,056	4,056	4,287	4,286	4,286	52	50	51	...	...	...
<b>Total, CUSTOMER'S OFFICE</b>	<b>4,056</b>	<b>4,056</b>	<b>4,056</b>	<b>4,287</b>	<b>4,286</b>	<b>4,286</b>	<b>52</b>	<b>50</b>	<b>51</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>STATE ELECTORAL OFFICE</b>												
Management and Administration of Parliamentary Elections Funding of Parliamentary Election Campaigns	17,005	17,005	17,005	4,468	4,468	4,468	18	18	18	...	...	...
Electoral Services	17,384	17,384	17,384	11,199	11,199	11,199	18	18	18	...	...	...
<b>Total, STATE ELECTORAL OFFICE</b>	<b>17,384</b>	<b>17,384</b>	<b>17,384</b>	<b>11,199</b>	<b>11,199</b>	<b>11,199</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>...</b>	<b>...</b>	<b>...</b>

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES															
	RECURRENT SERVICES				1991-92 ESTIMATE				1990-91 ACTUAL				1991-92 ESTIMATE			
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	
<b>TRAVEL</b>																
Budget Analysis, Preparation and Control	5,801	5,778	5,778	5,611	5,589	5,589	920	920	920	920	920	920	929	929	936	
Financial Accounting and Accounting Policy	10,652	10,596	10,596	11,636	11,611	11,611	198	198	198	198	198	198	175	175	181	
Economic and Statistical Analysis and Advice and Inter-Governmental Financial Relations	3,107	3,107	3,107	3,234	3,234	3,234	139	139	139	139	139	139	126	126	131	
Economic Policy and Advice	19,560	19,481	19,481	20,481	20,434	20,434	1,257	1,257	1,257	1,257	1,257	1,257	1,230	1,230	1,248	
Stamp Duty Collection	14,130	14,106	14,106	16,240	16,217	16,217	2,810	2,810	2,810	2,810	2,810	2,810	2,611	2,546	2,599	
Pay-roll Tax Collection	7,988	7,965	7,965	8,700	8,777	8,777	1,551	1,551	1,551	1,551	1,551	1,551	1,504	1,504	1,536	
Land Tax Collection	17,111	16,260	16,260	18,716	17,805	17,805	2,390	2,390	2,390	2,390	2,390	2,390	5,255	5,255	5,297	
Business Franchise Licences	2,177	2,176	2,176	1,789	1,787	1,787	280	280	280	280	280	280	192	185	192	
Revenue Collection	41,406	40,507	40,507	45,545	44,586	44,586	7,031	7,031	7,031	7,031	7,031	7,031	9,642	9,490	9,624	
Assistance to Authorities and Other Bodies	635	635	635	813	813	813	...	...	...	...	...	...	...	...	...	
Assistance to Authorities and Other Bodies	635	635	635	813	813	813	...	...	...	...	...	...	...	...	...	
Natural Disasters Relief	61,963	61,963	61,963	43,000	43,000	43,000	...	...	...	...	...	...	...	...	...	
Natural Disasters Relief	61,963	61,963	61,963	43,000	43,000	43,000	...	...	...	...	...	...	...	...	...	
<b>Total, TRAVEL</b>	<b>123,564</b>	<b>122,586</b>	<b>122,586</b>	<b>109,839</b>	<b>108,833</b>	<b>108,833</b>	<b>6,288</b>	<b>6,288</b>	<b>6,288</b>	<b>6,288</b>	<b>6,288</b>	<b>6,288</b>	<b>10,872</b>	<b>10,720</b>	<b>10,872</b>	
<b>CROWN TRANSACTIONS</b>																
Debt Servicing Costs	1,723,489	1,628,446	1,628,446	1,878,368	1,727,711	1,878,213	21,197	21,197	21,197	21,197	21,197	21,197	19,657	19,657	817,952	
Refunds and Remissions of Crown Revenue	6,631	6,631	6,631	3,210	3,210	3,210	...	...	...	...	...	...	...	...	...	
Other Service-wide Activities	604,996	604,996	637,428	720,404	720,404	675,521	...	...	...	...	...	...	...	...	...	
Service-wide Payments and Services	2,335,116	2,240,073	2,366,674	2,601,982	2,451,325	2,556,944	21,197	137,387	398,956	21,197	137,387	398,956	19,657	103,986	882,624	
<b>Total, CROWN TRANSACTIONS</b>	<b>2,335,116</b>	<b>2,240,073</b>	<b>2,366,674</b>	<b>2,601,982</b>	<b>2,451,325</b>	<b>2,556,944</b>	<b>21,197</b>	<b>137,387</b>	<b>398,956</b>	<b>21,197</b>	<b>137,387</b>	<b>398,956</b>	<b>19,457</b>	<b>103,986</b>	<b>882,624</b>	

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments
<b>ETHNIC AFFAIRS COMMISSION</b>												
Services for Ethnic Communities	8,273	6,959	7,219	8,682	6,959	6,507	...	...	...	...	...	...
Services for Ethnic Communities	8,273	6,959	7,219	8,682	6,959	6,507	...	...	...	...	...	...
<b>Total, ETHNIC AFFAIRS COMMISSION</b>	<b>8,273</b>	<b>6,959</b>	<b>7,219</b>	<b>8,682</b>	<b>6,959</b>	<b>6,507</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Total, PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS</b>	<b>2,611,576</b>	<b>2,513,193</b>	<b>2,639,813</b>	<b>2,953,838</b>	<b>2,699,900</b>	<b>2,804,894</b>	<b>37,044</b>	<b>153,232</b>	<b>414,802</b>	<b>107,312</b>	<b>191,489</b>	<b>970,279</b>
<b>MINISTER FOR AGRICULTURE AND RURAL AFFAIRS</b>												
<b>RURAL ASSISTANCE AUTHORITY</b>												
Assistance To Farmers	20,162	20,162	21,359	29,258	29,258	27,637	494	20,982	494	50	8,536	50
Assistance To Farmers	20,162	20,162	21,359	29,258	29,258	27,637	494	20,982	494	50	8,536	50
<b>Total, RURAL ASSISTANCE AUTHORITY</b>	<b>20,162</b>	<b>20,162</b>	<b>21,359</b>	<b>29,258</b>	<b>29,258</b>	<b>27,637</b>	<b>494</b>	<b>20,982</b>	<b>494</b>	<b>50</b>	<b>8,536</b>	<b>50</b>
<b>DEPARTMENT OF AGRICULTURE</b>												
Plant Industries	68,008	67,601	51,818	66,768	66,568	53,604	1,839	1,839	1,839	1,796	1,796	1,796
Animal Production Services	18,634	18,227	17,131	17,808	17,608	16,777	162	162	162	182	182	182
Animal Health Services	28,876	28,757	26,564	27,245	27,125	25,449	2,914	2,914	2,914	1,279	1,279	1,279
Quarantine and Export Services	9,243	9,243	9,243	11,100	11,100	11,100	...	...	...	...	...	...
Support Services	19,711	19,164	20,106	19,441	18,661	19,652	4,237	4,237	4,237	3,750	3,750	2,750
Agricultural Services	144,472	142,992	124,862	142,362	141,082	126,582	9,152	9,152	9,152	7,007	7,007	6,007
Agricultural Education	4,420	3,520	3,520	4,096	2,946	2,946	607	607	607	1,391	1,391	1,391
Agricultural Education	4,420	3,520	3,520	4,096	2,946	2,946	607	607	607	1,391	1,391	1,391
Administrative Support Services	13,962	13,701	13,701	17,751	17,606	17,606	32	32	32	36	36	36
Administrative Support Services	13,962	13,701	13,701	17,751	17,606	17,606	32	32	32	36	36	36
<b>Total, DEPARTMENT OF AGRICULTURE</b>	<b>162,854</b>	<b>160,213</b>	<b>142,083</b>	<b>164,209</b>	<b>161,634</b>	<b>147,134</b>	<b>9,791</b>	<b>9,791</b>	<b>9,791</b>	<b>8,434</b>	<b>4,749</b>	<b>7,434</b>

**Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)**  
All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES							
	1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE					
	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund				
<b>DEPARTMENT OF AGRICULTURE (cont'd)</b>												
SYDNEY MARKET AUTHORITY	...	...	...	...	...	...	...	...				
Total, NON BUDGET SECTOR	...	...	...	...	...	...	...	...				
Total, MINISTER FOR AGRICULTURE AND RURAL AFFAIRS	183,016	180,375	163,442	193,467	190,892	174,771	11,037	30,773	10,285	11,856	13,285	7,484
<b>ATTORNEY GENERAL, MINISTER FOR CONSUMER AFFAIRS AND MINISTER FOR ARTS</b>												
<b>ATTORNEY GENERAL'S DEPARTMENT</b>												
Legal Advice and Representation on behalf of the Crown (other than Criminal Prosecution)	13,881	12,433	12,433	13,971	12,471	12,471	446	446	446	446	397	397
Policy Development and Research	5,739	5,739	5,625	6,006	6,006	5,909	69	69	69	69	60	60
Legal Aid Services (Public Defenders)	1,943	43	43	2,573	73	73	468	468	468	468	10	10
Legislative and Legal Services	21,563	18,215	18,101	22,550	18,550	18,453	983	983	983	983	467	467
Policy and Consultation Services to the Community	2,745	2,745	2,991	2,793	2,793	2,660	5	5	5	5	30	30
Policy and Consultation Services to the Community	2,745	2,745	2,991	2,793	2,793	2,660	5	5	5	5	30	30
Legal Compensation Services	40,117	40,117	28,051	36,104	36,104	27,815	...	...	...	...	10	10
Legal Compensation Services	40,117	40,117	28,051	36,104	36,104	27,815	...	...	...	...	10	10
Administrative Support Services	3,470	3,463	3,463	3,530	3,523	3,523	507	507	507	507	60	60
Administrative Support Services	3,470	3,463	3,463	3,530	3,523	3,523	507	507	507	507	60	60
Total, ATTORNEY GENERAL'S DEPARTMENT	67,895	64,540	52,606	64,977	60,970	52,451	1,495	1,495	1,495	1,495	567	567

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>DEPARTMENT OF CONSUMER AFFAIRS</b>												
Compliance	8,352	7,925	7,890	7,621	7,322	7,332	242	242	242	308	308	308
Client Services	17,217	17,139	17,153	15,345	15,167	15,149	1,145	1,145	1,145	2,043	2,043	2,043
Policy	2,290	2,290	2,290	1,880	1,880	1,884	***	***	***	***	***	***
Operational Support	7,221	7,221	7,146	5,988	5,988	5,890	2,178	2,178	2,178	1,290	1,290	1,290
Encourage Development and Observance of Fair Trading Principles and Standards	35,080	34,575	34,479	30,834	30,357	30,255	3,565	3,565	3,565	3,641	3,641	3,641
<b>Total, DEPARTMENT OF CONSUMER AFFAIRS</b>	<b>35,080</b>	<b>34,575</b>	<b>34,479</b>	<b>30,834</b>	<b>30,357</b>	<b>30,255</b>	<b>3,565</b>	<b>3,565</b>	<b>3,565</b>	<b>3,641</b>	<b>3,641</b>	<b>3,641</b>
<b>MINISTRY FOR THE ARTS</b>												
Policy Formulation and Review and Support of Cultural Activities	27,913	26,562	26,462	27,092	25,741	25,741	14,887	14,887	14,887	20,169	20,169	19,769
Policy Formulation and Review and Support of Cultural Activities	27,913	26,562	26,462	27,092	25,741	25,741	14,887	14,887	14,887	20,169	20,169	19,769
<b>Total, MINISTRY FOR THE ARTS</b>	<b>27,913</b>	<b>26,562</b>	<b>26,462</b>	<b>27,092</b>	<b>25,741</b>	<b>25,741</b>	<b>14,887</b>	<b>14,887</b>	<b>14,887</b>	<b>20,169</b>	<b>20,169</b>	<b>19,769</b>
<b>STATE LIBRARY</b>												
State Library	37,478	35,013	33,731	39,061	36,296	35,395	2,165	2,290	2,165	1,433	1,433	1,413
State Library	37,478	35,013	33,731	39,061	36,296	35,395	2,165	2,290	2,165	1,433	1,433	1,413
<b>Total, STATE LIBRARY</b>	<b>37,478</b>	<b>35,013</b>	<b>33,731</b>	<b>39,061</b>	<b>36,296</b>	<b>35,395</b>	<b>2,165</b>	<b>2,290</b>	<b>2,165</b>	<b>1,413</b>	<b>1,433</b>	<b>1,413</b>
<b>AUSTRALIAN MUSEUM</b>												
Australian Museum	16,057	14,968	12,410	16,300	14,720	12,290	2,805	2,782	2,100	1,295	1,295	595
Australian Museum	16,057	14,968	12,410	16,300	14,720	12,290	2,805	2,782	2,100	1,295	1,295	595
<b>Total, AUSTRALIAN MUSEUM</b>	<b>16,057</b>	<b>14,968</b>	<b>12,410</b>	<b>16,300</b>	<b>14,720</b>	<b>12,290</b>	<b>2,805</b>	<b>2,782</b>	<b>2,100</b>	<b>1,295</b>	<b>1,295</b>	<b>595</b>

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>JUDICIAL COMMISSION</b>												
Judicial Commission of New South Wales	1,763	1,763	1,763	1,980	1,980	1,980	584	584	584	565	565	565
Judicial Commission of New South Wales	1,763	1,763	1,763	1,980	1,980	1,980	584	584	584	565	565	565
<b>Total, JUDICIAL COMMISSION</b>	<b>1,763</b>	<b>1,763</b>	<b>1,763</b>	<b>1,980</b>	<b>1,980</b>	<b>1,980</b>	<b>584</b>	<b>584</b>	<b>584</b>	<b>565</b>	<b>565</b>	<b>565</b>
<b>LEGAL AID COMMISSION</b>												
Legal Aid and Other Legal Services for Eligible Persons in Child Care and Protection Matters	1,632	1,322	1,066	1,386	1,067	798	...	...	...	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	27,251	22,927	19,303	27,071	23,517	19,761	...	...	...	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters	17,446	14,329	11,729	17,595	14,389	11,683	...	...	...	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Administrative Law Matters	2,849	2,436	2,087	3,033	2,608	2,248	...	...	...	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Proceedings relating to Mental Health	530	520	506	884	874	864	...	...	...	...	...	...
Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships	19,298	15,807	12,899	19,064	15,472	12,443	...	...	...	...	...	...
Administrative and Legal Support Services	6,863	6,251	2,710	7,492	7,045	5,041	1,130	887	...	1,130	887	440
Legal Aid and Other Legal Services	75,869	63,592	50,300	76,525	64,972	52,838	1,130	887	...	1,130	887	440
<b>Total, LEGAL AID COMMISSION</b>	<b>75,869</b>	<b>63,592</b>	<b>50,300</b>	<b>76,525</b>	<b>64,972</b>	<b>52,838</b>	<b>1,130</b>	<b>887</b>	<b>...</b>	<b>1,130</b>	<b>887</b>	<b>440</b>
<b>OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS</b>												
Crown Representn in Criminal Prosecutions	33,370	33,357	33,317	37,556	37,546	37,473	2,972	2,972	2,972	2,637	2,637	2,637
Crown Representn in Criminal Prosecutions	33,370	33,357	33,317	37,556	37,546	37,473	2,972	2,972	2,972	2,637	2,637	2,637
<b>Total, OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS</b>	<b>33,370</b>	<b>33,357</b>	<b>33,317</b>	<b>37,556</b>	<b>37,546</b>	<b>37,473</b>	<b>2,972</b>	<b>2,972</b>	<b>2,972</b>	<b>2,637</b>	<b>2,637</b>	<b>2,637</b>

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES														
	RECURRENT SERVICES					1990-91 ACTUAL					1991-92 ESTIMATE				
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>MUSEUM OF APPLIED ARTS AND SCIENCES</b>															
Museum of Applied Arts and Sciences	24,512	22,920	23,276	23,926	21,050	21,100	1,975	1,949	1,177	980	1,000	355			
Museum of Applied Arts and Sciences	24,512	22,920	23,276	23,926	21,050	21,100	1,975	1,949	1,177	980	1,000	355			
<b>TOTAL MUSEUM OF APPLIED ARTS AND SCIENCES</b>	<b>24,512</b>	<b>22,920</b>	<b>23,276</b>	<b>23,926</b>	<b>21,050</b>	<b>21,100</b>	<b>1,975</b>	<b>1,949</b>	<b>1,177</b>	<b>980</b>	<b>1,000</b>	<b>355</b>			
<b>HISTORIC HOUSES TRUST</b>															
Historic Houses Trust	5,344	4,391	4,353	5,991	5,037	4,775	1,492	1,463	1,485	1,016	876	396			
Historic Houses Trust	5,344	4,391	4,353	5,991	5,037	4,775	1,492	1,463	1,485	1,016	876	396			
<b>TOTAL HISTORIC HOUSES TRUST</b>	<b>5,344</b>	<b>4,391</b>	<b>4,353</b>	<b>5,991</b>	<b>5,037</b>	<b>4,775</b>	<b>1,492</b>	<b>1,463</b>	<b>1,485</b>	<b>1,016</b>	<b>876</b>	<b>396</b>			
<b>ART GALLERY OF NEW SOUTH WALES</b>															
Art Gallery	11,475	8,450	8,625	16,746	11,366	9,004	1,024	1,054	1,024	496	526	496			
Art Gallery of New South Wales	11,475	8,450	8,625	16,746	11,366	9,004	1,024	1,054	1,024	496	526	496			
<b>TOTAL ART GALLERY OF NEW SOUTH WALES</b>	<b>11,475</b>	<b>8,450</b>	<b>8,625</b>	<b>16,746</b>	<b>11,366</b>	<b>9,004</b>	<b>1,024</b>	<b>1,054</b>	<b>1,024</b>	<b>496</b>	<b>526</b>	<b>496</b>			
<b>ARCHIVES AUTHORITY OF NEW SOUTH WALES</b>															
Archives Authority	3,312	3,181	3,181	3,340	3,215	3,215	...	...	...	...	...	...			
Archives Authority of New South Wales	3,312	3,181	3,181	3,340	3,215	3,215	...	...	...	...	...	...			
<b>TOTAL ARCHIVES AUTHORITY OF NEW SOUTH WALES</b>	<b>3,312</b>	<b>3,181</b>	<b>3,181</b>	<b>3,340</b>	<b>3,215</b>	<b>3,215</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>			







Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>DEPARTMENT OF HEALTH</b>												
Public Health Regulatory Services	13,264	13,264	13,264	14,957	14,957	14,957	153	153	153	50	50	50
Analytical, Clinical and Scientific Services	12,073	12,073	12,073	13,861	13,861	13,861	1,259	1,259	1,259	1,185	1,185	1,185
Health Promotion and Education	15,526	15,526	15,526	20,103	20,103	20,103	...	...	...	...	...	...
Blood Transfusion Service	18,043	18,043	18,043	19,305	19,305	19,305	1,571	1,571	1,571	11,378	11,378	11,378
External Research	3,670	3,670	3,670	4,767	4,767	4,767	...	...	...	...	...	...
Public Health Services	62,576	62,576	62,576	72,993	72,993	72,993	2,983	2,983	2,983	12,613	12,613	12,613
Health Transport	134,705	97,740	97,740	136,298	97,375	97,375	17,064	17,064	14,439	10,090	10,090	10,090
Services Specifically for Drug and Alcohol Dependent Persons	34,671	34,667	34,667	44,696	44,696	44,696	...	...	...	...	...	...
Support for Area Health Services and Public Hospitals	3,158,999	2,752,474	2,737,147	3,246,970	2,789,045	2,809,146	252,835	248,612	244,188	255,071	237,918	228,366
External Health Services	7,279	7,279	7,279	7,227	7,227	7,227	...	...	...	...	...	...
Support for Dental Services	55,595	55,497	55,497	58,040	57,928	57,928	134	134	134	...	...	...
Services Specifically for Aborigines	5,362	5,362	5,362	6,752	6,752	6,752	148	148	148	400	400	400
Support for Community Services	8,847	8,847	8,847	9,466	9,466	9,466	...	...	...	...	...	...
Services Mainly for the Psychiatrically Ill	248,734	230,437	230,437	262,777	244,174	244,174	25,440	25,440	25,440	28,000	28,000	28,000
Services Mainly for the Aged and Disabled	277,684	207,877	207,877	353,617	282,454	282,454	...	...	...	...	...	...
Prison Medical Service	10,920	10,909	10,909	12,879	12,868	12,868	...	...	...	...	...	...
Delivery of Health Services	3,942,796	3,411,089	3,395,762	4,138,722	3,551,985	3,572,086	295,621	291,398	284,349	293,561	276,408	266,856
Administration, Finance, Planning and Policy Development	47,618	47,584	47,584	39,477	39,443	39,443	2,911	2,911	2,911	3,255	3,255	3,255
Administrative and Support Services	47,618	47,584	47,584	39,477	39,443	39,443	2,911	2,911	2,911	3,255	3,255	3,255
<b>TOTAL, DEPARTMENT OF HEALTH</b>	<b>4,052,990</b>	<b>3,521,249</b>	<b>3,505,922</b>	<b>4,251,192</b>	<b>3,664,421</b>	<b>3,684,522</b>	<b>301,515</b>	<b>297,292</b>	<b>290,243</b>	<b>309,429</b>	<b>292,276</b>	<b>282,724</b>

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>DEPARTMENT OF COMMUNITY SERVICES</b>												
Protection of Children	27,321	27,321	27,321	30,826	30,826	30,826	379	379	379	...	...	
Substitute Care of Children	64,879	64,847	63,826	68,581	68,258	67,633	3,827	3,827	3,808	3,481	3,481	
Family and Children's Services	79,734	79,692	79,694	99,576	99,534	99,496	1,284	1,284	1,284	7,764	6,219	
Child and Family Welfare	171,934	171,060	170,841	199,983	198,618	197,955	5,490	5,490	5,471	11,245	9,700	
<b>Services for Disadvantaged Groups and Communities</b>												
Supported Accommodation	73,671	73,607	62,832	88,913	88,849	83,993	164	164	164	765	765	
Services Mainly for the Developmentally Disabled	60,337	60,337	60,337	67,548	67,548	67,548	8	8	8	...	...	
Youth Services	201,638	188,709	188,188	222,362	209,255	206,198	11,461	11,461	9,313	12,370	12,370	
Community Welfare	14,523	14,523	14,523	16,879	16,879	16,879	40	40	40	...	...	
	350,169	337,176	325,880	395,702	382,531	374,618	11,673	11,673	9,525	13,135	13,135	
<b>Organisational and Administrative Support Services</b>												
Organisational and Administrative Support Services	30,312	30,002	29,362	52,340	52,073	51,411	1,508	-1,082	2,868	-6,793	2,747	
Home Care Service of New South Wales	91,318	83,718	83,646	96,590	88,490	88,420	...	...	...	2,000	...	
Home Care Service of New South Wales	91,318	83,718	83,646	96,590	88,490	88,420	...	...	...	2,000	...	
<b>TOTAL DEPARTMENT OF COMMUNITY SERVICES</b>	643,753	621,956	609,729	744,635	721,712	712,404	18,671	16,081	17,864	27,127	25,582	
<b>TOTAL MINISTER FOR HEALTH AND COMMUNITY SERVICES</b>	4,696,723	4,143,205	4,115,651	4,995,807	4,386,133	4,396,926	320,186	313,373	308,107	336,556	308,306	
<b>MINISTER FOR HOUSING</b>												
<b>OFFICE OF THE MINISTER FOR HOUSING</b>												
Public and Community Housing	13,565	13,565	13,565	23,621	23,621	23,621	395,482	395,482	395,482	424,915	424,915	
Mortgage and Rent Assistance Program	23,461	23,461	23,461	28,764	28,764	28,764	...	...	...	...	...	
Public and Community Housing	37,026	37,026	37,026	52,385	52,385	52,385	395,482	395,482	395,482	424,915	424,915	

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET CAPITAL PROGRAMS)  
All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES					1991-92 ESTIMATE						
	1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE	
Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	
<b>OFFICE OF THE MINISTER FOR HOUSING (contd)</b>												
Rate Rebates for Pensioners	34,085	34,085	34,085	35,200	35,200	35,200	35,200	35,200	35,200	35,200	35,200	35,200
Rate Rebates for Pensioners	34,085	34,085	34,085	35,200	35,200	35,200	35,200	35,200	35,200	35,200	35,200	35,200
<b>Total, OFFICE OF THE MINISTER FOR HOUSING</b>	<b>71,111</b>	<b>71,111</b>	<b>71,111</b>	<b>87,585</b>	<b>87,585</b>	<b>87,585</b>	<b>87,585</b>	<b>87,585</b>	<b>87,585</b>	<b>87,585</b>	<b>87,585</b>	<b>87,585</b>
<b>DEPARTMENT OF HOUSING</b>												
HUNTER DISTRICT WATER BOARD	...	...	...	...	...	...	...	...	...	...	...	...
THE WATER BOARD	...	...	...	...	...	...	...	...	...	...	...	...
Total, NON BUDGET SECTOR	...	...	...	...	...	...	...	...	...	...	...	...
<b>Total, MINISTER FOR HOUSING</b>	<b>71,111</b>	<b>71,111</b>	<b>71,111</b>	<b>87,585</b>	<b>87,585</b>	<b>87,585</b>	<b>1,072,571</b>	<b>395,482</b>	<b>395,482</b>	<b>1,234,182</b>	<b>424,915</b>	<b>424,915</b>
<b>MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER EDUCATION, TRAINING AND EMPLOYMENT</b>												
<b>DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION</b>												
Private Sector Industrial Relations	5,547	5,487	5,487	6,044	5,985	5,985	52	52	52	210	210	210
Public Sector Industrial Relations	5,914	5,914	5,762	4,721	4,721	4,721	57	57	57	15	15	15
Conciliation and Arbitration	4,910	4,690	4,690	7,146	6,986	6,986	435	435	435	526	526	526
Industrial Relations	16,371	16,091	15,939	17,911	17,692	17,692	544	544	544	751	751	751
Vocational Training and Employment	48,683	48,595	44,266	57,666	57,591	50,591	265	265	265	527	527	527
Adult and Community Education	4,352	4,352	3,818	5,976	5,976	5,967	...	...	...	...	...	...
Adult Migrant English Education	28,380	1,593	1,593	31,197	2,161	2,161	...	...	...	...	...	...
Other Education, Training and Employment Activities	81,415	54,540	49,677	94,839	65,728	58,119	265	265	265	527	527	527
Policy Development and Co-ordination	6,287	6,287	6,287	1,896	1,896	1,896	...	...	...	37	37	37
Management Services	11,176	10,972	10,732	11,906	11,676	11,401	3,420	3,420	3,420	1,919	1,919	1,919
Administrative Support Services	17,463	17,259	17,019	13,802	13,572	13,297	3,420	3,420	3,420	1,956	1,956	1,956
<b>Total, DEPARTMENT OF INDUSTRIAL RELATIONS EMPLOYMENT, TRAINING &amp; FURTHER EDUCATION</b>	<b>115,249</b>	<b>87,690</b>	<b>82,635</b>	<b>126,532</b>	<b>96,992</b>	<b>89,108</b>	<b>4,229</b>	<b>4,229</b>	<b>4,229</b>	<b>3,234</b>	<b>3,234</b>	<b>3,234</b>

**Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON-BUDGET SECTOR CAPITAL PROGRAMS)**  
All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES						1991-92 ESTIMATE					
	1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE	
Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	
<b>NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION</b>												
Courses in Engineering and Industrial Technology	262,643	232,574	227,039	292,506	251,657	249,791	44,563	41,816	41,346	39,873	37,753	39,873
Courses in Applied Sciences	102,804	89,396	87,173	113,980	96,771	95,984	34,916	32,764	30,693	22,125	20,354	22,125
Courses in Fine and Applied Arts	74,686	65,297	64,070	83,586	71,214	70,601	15,714	14,745	14,116	13,294	12,450	13,294
Courses in Commercial and General Studies	228,371	197,196	193,298	257,950	217,252	215,256	48,786	45,778	43,797	41,632	39,029	41,632
Support Services to Teachers and Students	16,527	16,527	16,351	18,681	18,681	18,731	....	....	....	....	....	....
Administrative Support Services	32,870	32,870	32,492	37,336	37,336	37,336	....	....	....	....	....	....
Technical and Further Education	717,901	633,860	620,423	804,039	693,111	687,699	143,979	135,103	129,952	116,924	109,586	116,924
<b>Total, NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION</b>	<b>717,901</b>	<b>633,860</b>	<b>620,423</b>	<b>804,039</b>	<b>693,111</b>	<b>687,699</b>	<b>143,979</b>	<b>135,103</b>	<b>129,952</b>	<b>116,924</b>	<b>109,586</b>	<b>116,924</b>
<b>Total, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER, EDUCATION, TRAINING AND EMPLOYMENT</b>												
	833,150	721,750	703,058	930,591	790,103	776,807	148,208	139,332	134,161	120,158	112,820	120,158
<b>MINISTER FOR JUSTICE</b>												
<b>DEPARTMENT OF COURTS ADMINISTRATION</b>												
Supreme Court Services	19,041	5,919	5,859	19,910	4,410	4,330	1,490	1,490	1,490	1,775	1,775	1,775
Industrial Commission Services	3,113	3,113	3,113	3,660	3,660	3,660	28	28	28	10	10	10
Land and Environment Court Services	4,171	3,627	3,627	4,607	3,907	3,907	28	28	28	10	10	10
District Court and Criminal Listing Services	22,793	18,330	18,270	24,093	18,693	18,613	33,265	33,265	33,265	7,953	7,953	7,953
Local Courts Services	63,974	44,766	44,338	68,147	49,147	48,667	16,561	16,561	16,561	14,994	14,994	14,994
Court Support Services	40,526	31,239	31,188	43,427	34,827	34,827	5,105	5,105	5,105	2,954	2,954	2,954
Community Justice Scheme	1,116	1,116	1,116	1,542	1,542	1,542	259	259	259	20	20	20
Legal Policy and Claims Services	1,952	1,952	1,551	1,669	1,669	1,629	178	178	178	10	10	10
Administrative Support Services	18,592	16,411	16,411	18,349	18,160	18,090	2,987	2,987	2,987	1,336	1,336	1,336
Administrative Support Services	175,278	128,473	127,473	185,404	136,015	135,265	59,902	59,902	59,724	29,062	29,006	29,006
<b>Total, DEPARTMENT OF COURTS ADMINISTRATION</b>	<b>175,278</b>	<b>128,473</b>	<b>127,473</b>	<b>185,404</b>	<b>136,015</b>	<b>135,265</b>	<b>59,902</b>	<b>59,902</b>	<b>59,724</b>	<b>29,062</b>	<b>29,006</b>	<b>29,006</b>

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES					1991-92 ESTIMATE						
	1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE		1990-91 ACTUAL		1991-92 ESTIMATE	
Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	
<b>DEPARTMENT OF CORRECTIVE SERVICES</b>												
Pre-Sentence Assessment of Offenders	5,097	5,097	5,286	5,497	5,497	5,497	5,497	5,497	5,497	5,497	5,497	5,497
Supervision of Convicted Offenders	14,968	14,968	15,443	14,320	14,320	14,320	14,320	14,320	14,320	14,320	14,320	14,320
Containment of Prisoners	115,014	108,638	113,107	146,933	140,696	140,696	146,933	140,696	146,933	140,696	140,696	146,933
Care and Welfare Services for Prisoners	23,570	23,566	21,570	25,055	25,050	25,050	25,055	25,050	25,055	25,050	25,050	25,055
Development and Education Services for Prisoners	34,996	23,132	23,693	38,078	20,452	22,019	38,078	20,452	38,078	20,452	22,019	38,078
Custody of Prisoners	173,580	155,336	158,370	210,066	186,198	187,765	210,066	186,198	210,066	186,198	187,765	210,066
Post-Custodial Services	5,494	5,494	5,636	6,133	6,133	6,133	6,133	6,133	6,133	6,133	6,133	6,133
Post-Custodial Services	5,494	5,494	5,636	6,133	6,133	6,133	6,133	6,133	6,133	6,133	6,133	6,133
Juvenile Justice	35,716	35,476	35,476	33,165	32,948	32,948	33,165	32,948	33,165	32,948	32,948	33,165
Juvenile Justice	35,716	35,476	35,476	33,165	32,948	32,948	33,165	32,948	33,165	32,948	32,948	33,165
Policy Advice and Co-ordination	3,735	3,735	3,832	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732	3,732
Internal Management Services	24,571	23,845	24,515	24,618	23,806	24,225	24,618	23,806	24,618	23,806	24,225	24,618
Support and Administration	28,306	27,580	28,347	28,350	27,538	27,957	28,350	27,538	28,350	27,538	27,957	28,350
<b>Total, DEPARTMENT OF CORRECTIVE SERVICES</b>	<b>263,161</b>	<b>243,981</b>	<b>248,558</b>	<b>297,531</b>	<b>272,634</b>	<b>274,620</b>	<b>297,531</b>	<b>272,634</b>	<b>297,531</b>	<b>272,634</b>	<b>274,620</b>	<b>297,531</b>
<b>Total, MINISTER FOR JUSTICE</b>	<b>438,459</b>	<b>372,424</b>	<b>376,031</b>	<b>482,935</b>	<b>408,649</b>	<b>409,885</b>	<b>482,935</b>	<b>408,649</b>	<b>482,935</b>	<b>408,649</b>	<b>409,885</b>	<b>482,935</b>
<b>MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR CO-OPERATIVES</b>												
<b>DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES</b>												
Development, Oversight of and Assistance to Local Government	10,595	10,470	10,338	12,752	12,671	10,318	12,752	12,671	12,752	12,671	10,318	12,752
Rate Rebates for Pensioners	42,614	42,614	42,614	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Development, Oversight of and Assistance to Local Government	53,209	53,084	52,952	55,752	55,671	53,318	55,752	55,671	55,752	55,671	53,318	55,752
<b>Total, MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR CO-OPERATIVES</b>	<b>106,418</b>	<b>106,168</b>	<b>105,904</b>	<b>121,554</b>	<b>121,342</b>	<b>103,636</b>	<b>121,554</b>	<b>121,342</b>	<b>121,554</b>	<b>121,342</b>	<b>103,636</b>	<b>121,554</b>
<b>Total, MINISTER FOR JUSTICE AND MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR CO-OPERATIVES</b>	<b>544,877</b>	<b>478,592</b>	<b>484,582</b>	<b>604,489</b>	<b>524,276</b>	<b>578,246</b>	<b>604,489</b>	<b>524,276</b>	<b>604,489</b>	<b>524,276</b>	<b>578,246</b>	<b>604,489</b>

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES (cont'd)</b>												
Development and Regulation of Co-operative Type Organisations	3,911	3,911	3,911	3,851	3,851	3,484	...	...	...	...	...	...
Development, Oversight of and Assistance to Local Government and Co-operatives	3,911	3,911	3,911	3,851	3,851	3,484	...	...	...	...	...	...
<b>Total, DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES</b>	<b>57,120</b>	<b>56,995</b>	<b>56,863</b>	<b>59,603</b>	<b>59,522</b>	<b>56,802</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>909</b>	<b>909</b>
<b>COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER</b>												
Property Services Group	11,563	11,563	11,563	10,272	10,272	10,272	14,665	14,665	14,665	14,665	24,616	24,616
Property Services Group	11,563	11,563	11,563	10,272	10,272	10,272	14,665	14,665	14,665	14,665	24,616	24,616
<b>Total, COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER</b>	<b>11,563</b>	<b>11,563</b>	<b>11,563</b>	<b>10,272</b>	<b>10,272</b>	<b>10,272</b>	<b>14,665</b>	<b>14,665</b>	<b>14,665</b>	<b>14,665</b>	<b>24,616</b>	<b>24,616</b>
PROPERTY SERVICES GROUP	...	...	...	...	...	...	20,108	...	...	...	20,443	...
<b>Total, NON BUDGET SECTOR</b>	<b>68,683</b>	<b>68,558</b>	<b>68,426</b>	<b>69,875</b>	<b>69,794</b>	<b>67,074</b>	<b>34,869</b>	<b>14,761</b>	<b>14,761</b>	<b>14,761</b>	<b>45,968</b>	<b>25,525</b>
<b>MINISTER FOR NATURAL RESOURCES</b>												
<b>DEPARTMENT OF WATER RESOURCES</b>												
Water Resource Management	46,723	34,626	35,886	48,330	35,018	35,018	5,793	2,234	2,522	2,522	3,191	2,794
Water Resource Management	46,723	34,626	35,886	48,330	35,018	35,018	5,793	2,234	2,522	2,522	3,191	2,794

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$'000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>DEPARTMENT OF WATER RESOURCES (contd)</b>												
Water Resource Development	13,042	12,455	13,042	12,761	12,174	12,761	312	312	312	199	199	114
Rural Water Supply and Associated Services	35,985	34,241	34,241	34,037	33,644	33,644	23,678	23,678	8,325	41,489	41,489	26,845
River Channel and Floodplain Protection	14,880	14,880	14,880	15,737	15,737	15,737	1,604	1,604	1,604	1,450	1,450	795
Rural Water Supply and Associated Services	63,907	61,576	62,163	62,535	61,555	62,142	25,594	25,594	10,241	43,138	43,138	27,754
Subsidies to Other Water Supply Organisations	1,097	1,097	1,097	1,305	1,305	1,305	...	...	...	...	...	...
Subsidies to Other Water Supply Organisations	1,097	1,097	1,097	1,305	1,305	1,305	...	...	...	...	...	...
<b>Total, DEPARTMENT OF WATER RESOURCES</b>	<b>111,727</b>	<b>97,299</b>	<b>99,146</b>	<b>112,170</b>	<b>97,878</b>	<b>98,465</b>	<b>31,387</b>	<b>27,828</b>	<b>12,763</b>	<b>46,329</b>	<b>45,932</b>	<b>29,506</b>
<b>DEPARTMENT OF MINERAL RESOURCES</b>												
Mineral Resources Development Public Affairs and Corporate Management	21,035	20,825	19,729	23,318	22,643	22,454	556	556	556	400	400	400
Mineral Resources	15,430	12,886	12,824	12,846	9,757	9,672	1,795	1,795	1,795	316	316	316
Mineral Resources	36,465	33,711	32,553	36,164	32,400	32,126	2,351	2,351	2,351	716	716	716
<b>Total, DEPARTMENT OF MINERAL RESOURCES</b>	<b>36,465</b>	<b>33,711</b>	<b>32,553</b>	<b>36,164</b>	<b>32,400</b>	<b>32,126</b>	<b>2,351</b>	<b>2,351</b>	<b>2,351</b>	<b>716</b>	<b>716</b>	<b>716</b>
<b>OFFICE OF FISHERIES</b>												
Fisheries Management	18,881	18,881	17,125	18,699	18,699	16,929	1,162	1,162	1,052	760	760	660
Fisheries Management	18,881	18,881	17,125	18,699	18,699	16,929	1,162	1,162	1,052	760	760	660
<b>Total, OFFICE OF FISHERIES</b>	<b>18,881</b>	<b>18,881</b>	<b>17,125</b>	<b>18,699</b>	<b>18,699</b>	<b>16,929</b>	<b>1,162</b>	<b>1,162</b>	<b>1,052</b>	<b>760</b>	<b>760</b>	<b>660</b>

Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	R E C U R R E N T S E R V I C E S						C A P I T A L W O R K S A N D S E R V I C E S					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>COAL COMPENSATION BOARD</b>												
Compensation for Repurchase of Property Rights	2,228	2,228	2,320	2,428	2,428	2,418	48,186	48,172	50,000	26,100	26,100	25,000
Compensation for Repurchase of Property Rights	2,228	2,228	2,320	2,428	2,428	2,418	48,186	48,172	50,000	26,100	26,100	25,000
<b>Total, COAL COMPENSATION BOARD</b>	<b>2,228</b>	<b>2,228</b>	<b>2,320</b>	<b>2,428</b>	<b>2,428</b>	<b>2,418</b>	<b>48,186</b>	<b>48,172</b>	<b>50,000</b>	<b>26,100</b>	<b>26,100</b>	<b>25,000</b>
Mining Museum Trust	...	...	...	...	...	...	9,722	...	...	...	...	...
Broken Hill Water Board	...	...	...	...	...	...	443	...	...	1,955	...	...
<b>NON BUDGET SECTOR</b>	...	...	...	...	...	...	<b>10,165</b>	...	...	<b>1,955</b>	...	...
<b>Total, MINISTER FOR NATURAL RESOURCES</b>	<b>169,301</b>	<b>152,119</b>	<b>151,144</b>	<b>169,461</b>	<b>151,405</b>	<b>149,938</b>	<b>93,251</b>	<b>79,513</b>	<b>66,166</b>	<b>75,860</b>	<b>73,508</b>	<b>55,882</b>
<b>MINISTER FOR PLANNING AND MINISTER FOR ENERGY</b>												
<b>DEPARTMENT OF PLANNING</b>												
Promotion and Co-ordination of Environmental Planning and Assessment	22,280	20,915	19,892	25,204	23,562	20,713	342	342	342	87	87	87
Provision of Land for Public Purposes (other than for Environmental Heritage and Coastal Conservation)	10,029	10,029	10,029	9,087	9,087	9,087	834	834	834	20	20	20
Conservation of State's Environmental Heritage	1,449	1,449	1,449	1,147	1,147	1,147	600	600	600	628	628	628
Protection and Conservation of the Coastal Region	855	855	855	1,359	1,359	1,359	856	856	856	4,013	4,013	2,513
Administrative Support Services	5,934	5,934	5,934	7,374	7,374	7,374	673	673	2,329	81	81	81
Environmental Planning and Conservation	40,547	39,182	38,159	44,171	42,529	39,680	3,305	3,305	4,961	4,829	4,829	3,329
<b>Total, DEPARTMENT OF PLANNING</b>	<b>40,547</b>	<b>39,182</b>	<b>38,159</b>	<b>44,171</b>	<b>42,529</b>	<b>39,680</b>	<b>3,305</b>	<b>3,305</b>	<b>4,961</b>	<b>4,829</b>	<b>4,829</b>	<b>3,329</b>

**Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)**  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>OFFICE OF ENERGY</b>												
Energy Utilisation and Management	90,668	89,857	1,400	51,077	50,627	2,165	44	44	...	...	...	...
Energy Utilisation and Management	90,668	89,857	1,400	51,077	50,627	2,165	44	44	...	...	...	...
<b>Total OFFICE OF ENERGY</b>	<b>90,668</b>	<b>89,857</b>	<b>1,400</b>	<b>51,077</b>	<b>50,627</b>	<b>2,165</b>	<b>44</b>	<b>44</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER</b>												
Subsidy to the Darling Harbour Authority	19,180	19,180	19,180	15,760	15,760	15,760	8,100	8,100	8,100	3,678	3,678	3,678
Subsidy to the Darling Harbour Authority	19,180	19,180	19,180	15,760	15,760	15,760	8,100	8,100	8,100	3,678	3,678	3,678
<b>Total COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES UNDER THE CONTROL OF THE MINISTER</b>	<b>19,180</b>	<b>19,180</b>	<b>19,180</b>	<b>15,760</b>	<b>15,760</b>	<b>15,760</b>	<b>8,100</b>	<b>8,100</b>	<b>8,100</b>	<b>3,678</b>	<b>3,678</b>	<b>3,678</b>
<b>TO OTHER GOVERNMENT BODIES</b>												
STONEY REGION DEVELOPMENT FUND	...	...	...	...	...	...	39,042	...	...	22,973	...	...
COUNTY COUNCILS BORROWING PROGRAM	...	...	...	...	...	...	10,524	...	...	5,600	...	...
ELECTRICITY COMMISSION	...	...	...	...	...	...	413,559	...	...	615,379	...	...
LOCAL GOVERNMENT BORROWING PROGRAM	...	...	...	...	...	...	185,000	...	...	160,000	...	...
STONEY COVE REDEVELOPMENT AUTHORITY	...	...	...	...	...	...	5,791	...	...	14,000	...	...
<b>Total, NON BUDGET SECTOR</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>653,916</b>	<b>...</b>	<b>...</b>	<b>817,932</b>	<b>...</b>	<b>...</b>
<b>Total, MINISTER FOR PLANNING AND MINISTER FOR ENERGY</b>	<b>150,395</b>	<b>148,219</b>	<b>58,739</b>	<b>111,008</b>	<b>108,916</b>	<b>57,605</b>	<b>665,365</b>	<b>11,449</b>	<b>13,061</b>	<b>826,459</b>	<b>9,507</b>	<b>7,007</b>

**MINISTER FOR POLICE AND EMERGENCY SERVICES**

**THE POLICE SERVICE OF NEW SOUTH WALES**

Crimes Against the Person	77,860	77,860	77,701	82,755	82,755	82,755	6,161	6,161	6,028	4,901	4,901	4,901
Crimes Against Property	153,896	153,896	153,582	163,568	163,568	163,568	12,176	12,176	11,912	9,683	9,683	9,683
Crimes of Vice	48,972	48,972	48,897	53,369	53,369	53,369	3,427	3,427	3,364	2,303	2,303	2,303



Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$'000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>DEPARTMENT OF BUSH FIRE SERVICES</b>												
Funding and Administration of Rural Firefighting Services	10,746	10,746	6,154	11,673	11,539	6,268	13,817	13,282	...	15,867	15,867	...
Funding and Administration of Rural Firefighting Services	10,746	10,746	6,154	11,673	11,539	6,268	13,817	13,282	...	15,867	15,867	...
<b>Total, DEPARTMENT OF BUSH FIRE SERVICES</b>	<b>10,746</b>	<b>10,746</b>	<b>6,154</b>	<b>11,673</b>	<b>11,539</b>	<b>6,268</b>	<b>13,817</b>	<b>13,282</b>	<b>...</b>	<b>15,867</b>	<b>15,867</b>	<b>...</b>
<b>STATE EMERGENCY SERVICE</b>												
Formation and Development of the Volunteer Organisation	7,141	7,141	4,905	5,521	5,521	4,808	694	553	694	1,102	962	1,042
Provision of District Emergency Management Officers at Police District Level	1,099	1,099	1,099	1,085	1,085	1,085	...	...	...	...	...	...
Planning and Co-ordination of Rescue Services and Emergency Management	1,138	988	988	1,227	1,117	1,117	...	...	...	...	...	...
Rescue Services and Emergency Management	9,378	9,228	6,992	7,833	7,723	7,010	694	553	694	1,102	962	1,042
<b>Total, STATE EMERGENCY SERVICE</b>	<b>9,378</b>	<b>9,228</b>	<b>6,992</b>	<b>7,833</b>	<b>7,723</b>	<b>7,010</b>	<b>694</b>	<b>553</b>	<b>694</b>	<b>1,102</b>	<b>962</b>	<b>1,042</b>
<b>Total, MINISTER FOR POLICE AND EMERGENCY SERVICES</b>	<b>1,100,579</b>	<b>1,089,915</b>	<b>1,087,282</b>	<b>1,152,985</b>	<b>1,143,453</b>	<b>1,139,453</b>	<b>89,720</b>	<b>85,174</b>	<b>89,677</b>	<b>71,887</b>	<b>56,390</b>	<b>37,170</b>
<b>MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS</b>												
<b>PUBLIC WORKS DEPARTMENT</b>												
Country Towns Motor Supply and Sewerage Schemes	23,524	23,514	23,514	22,319	22,309	22,309	78,996	78,996	78,996	80,347	80,347	80,347
Coastline Hazards	2,995	2,993	2,993	3,435	3,433	3,433	2,777	2,777	2,777	2,500	2,500	2,500
Floodplain Management	6,644	6,638	6,638	6,660	6,654	6,654	9,106	9,106	9,106	8,750	8,750	8,750
Estuary Management	4,386	4,383	4,383	4,472	4,469	4,469	3,445	3,445	3,445	4,937	4,937	4,937
NSW Waterways	2,013	2,010	2,010	1,839	1,836	1,836	5,351	5,351	5,351	5,270	5,270	5,270
Fishing and Government Facilities	2,841	2,839	2,839	2,978	2,976	2,976	2,815	2,815	2,815	3,013	3,013	3,013

**Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)**  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Cash Payments	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	
<b>PUBLIC WORKS DEPARTMENT (cont'd)</b>												
Civil Engineering - Special Projects, Minor Works and other Engineering and Associated Services	281	281	218	218	218	...	...	...	...	...	...	...
Civil Engineering	42,684	42,658	41,921	41,895	41,895	102,490	102,490	101,990	104,817	104,817	104,817	104,817
Public Buildings - Construction and Maintenance	5,228	4,974	2,789	2,686	2,686	24,054	24,054	22,915	23,454	23,454	22,354	22,354
Design, Construction, Maintenance and Management of Buildings	5,228	4,974	2,789	2,686	2,686	24,054	24,054	22,915	23,454	23,454	22,354	22,354
Administrative Support Services	29,496	28,892	38,120	37,418	37,418	2,973	132	2,145	5,721	-8,364	5,000	5,000
Administrative Support Services	29,496	28,892	38,120	37,418	37,418	2,973	132	2,145	5,721	-8,364	5,000	5,000
<b>Total, PUBLIC WORKS DEPARTMENT</b>	<b>77,408</b>	<b>76,524</b>	<b>82,830</b>	<b>81,999</b>	<b>81,999</b>	<b>129,517</b>	<b>126,676</b>	<b>127,050</b>	<b>133,992</b>	<b>119,907</b>	<b>132,171</b>	<b>132,171</b>
<b>ROADS AND TRAFFIC AUTHORITY</b>												
Enhancement of Road System	175,339	164,605	172,985	157,504	168,014	736,476	736,476	688,483	798,339	798,339	775,594	775,594
Maintenance of Road System	98,410	45,244	48,206	150,163	67,837	62,411	62,411	55,333	63,211	48,965	59,928	438,107
Use of Road System	273,749	209,849	221,191	307,667	235,851	1,443,805	1,403,470	1,324,924	1,327,453	1,287,453	1,273,629	1,273,629
Roads	273,749	209,849	221,191	307,667	235,851	1,443,805	1,403,470	1,324,924	1,327,453	1,287,453	1,273,629	1,273,629
<b>Total, ROADS AND TRAFFIC AUTHORITY</b>	<b>273,749</b>	<b>209,849</b>	<b>221,191</b>	<b>307,667</b>	<b>235,851</b>	<b>1,443,805</b>	<b>1,403,470</b>	<b>1,324,924</b>	<b>1,327,453</b>	<b>1,287,453</b>	<b>1,273,629</b>	<b>1,273,629</b>
<b>PUBLIC WORKS DEPARTMENT-COMMERCIAL ACTIVITIES</b>												
Total, NON BUDGET SECTOR	...	...	3,293	...	...	3,293	...	...	5,149	...	...	...
Total, MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS	351,187	286,373	297,715	449,779	389,666	317,850	1,576,615	1,528,146	1,451,974	1,466,594	1,407,360	1,405,800



Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>DEPARTMENT OF SCHOOL EDUCATION (cont'd)</b>												
General Secondary Education in Government Schools	1,307,078	1,299,946	1,288,429	1,350,881	1,343,088	1,336,131	134,703	115,936	118,726	126,198	104,076	108,400
Education of Children with Disabilities in Government Secondary Schools	35,074	35,063	35,052	35,809	35,799	35,785	...	...	...	...	...	...
Direct State Government Assistance to Non-Government Secondary Schools and Pupils	133,194	133,194	133,194	147,530	147,530	147,530	...	...	...	...	...	...
Secondary Education in Government and Non-Government Schools	1,475,346	1,468,203	1,456,675	1,534,220	1,526,417	1,519,446	134,703	115,936	118,726	126,198	104,076	108,400
Administrative, Professional and General Support Services	131,182	131,131	130,983	146,871	146,817	146,745	264	264	264	5,636	5,636	5,636
Administrative, Professional and General Support Services	131,182	131,131	130,983	146,871	146,817	146,745	264	264	264	5,636	5,636	5,636
<b>TOTAL DEPARTMENT OF SCHOOL EDUCATION</b>	<b>3,040,495</b>	<b>3,032,355</b>	<b>3,009,834</b>	<b>3,194,957</b>	<b>3,186,138</b>	<b>3,169,301</b>	<b>232,799</b>	<b>200,473</b>	<b>204,766</b>	<b>233,182</b>	<b>184,296</b>	<b>195,157</b>
<b>TEACHER HOUSING AUTHORITY</b>	...	...	...	...	...	...	6,000	...	...	3,980	...	...
<b>Total, NON BUDGET SECTOR</b>	...	...	...	...	...	...	6,000	...	...	3,980	...	...
<b>TOTAL MINISTER FOR SCHOOL EDUCATION AND YOUTH AFFAIRS</b>	<b>3,115,539</b>	<b>3,107,313</b>	<b>3,082,745</b>	<b>3,275,992</b>	<b>3,267,087</b>	<b>3,248,863</b>	<b>240,127</b>	<b>201,801</b>	<b>206,094</b>	<b>239,273</b>	<b>185,407</b>	<b>196,268</b>
<b>MINISTER FOR SPORT, RECREATION AND RACING</b>												
<b>DEPARTMENT OF SPORT, RECREATION AND RACING</b>												
Participation in Sport and Recreation	18,543	11,819	20,415	19,756	11,913	16,380	6,081	6,075	1,697	4,843	4,843	464
Excellence in Sport	10,273	9,938	7,511	9,142	8,673	6,266	3,793	3,655	1,993	8,771	7,798	6,129
Safety and Ethics in Sport and Recreation	3,992	2,490	1,519	4,135	2,339	1,530	...	...	...	...	...	...
Development, Control and Regulation of the Racing Industry	1,692	1,692	1,431	2,142	2,142	919	3,354	29,046	...	2,763	24,271	...



Table 4.3 FINANCIAL INFORMATION BY MINISTER, ORGANISATION AND PROGRAM  
(INCLUDING NON BUDGET SECTOR CAPITAL PROGRAMS)  
All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1990-91 ACTUAL			1991-92 ESTIMATE			1990-91 ACTUAL			1991-92 ESTIMATE		
	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund	Total Payments	Cash Outlays	Con Fund
<b>MINISTER FOR TRANSPORT</b>												
<b>DEPARTMENT OF TRANSPORT</b>												
Contribution to the Transport Authorities for Operating Losses	201,942	201,942	201,942	122,761	122,761	122,761	...	...	...	...	...	...
Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	786,603	786,146	786,146	868,218	867,748	867,748	380,900	380,900	380,900	441,547	441,547	441,547
Payments via the Department of Transport for Redundancies and Other Costs	189,233	189,233	189,233	182,700	182,700	182,700	...	...	...	...	...	...
Development, Co-ordination and Planning of Transport Activities	17,965	17,917	18,147	19,259	19,250	19,250	28,035	28,035	28,035	33,591	33,591	33,591
Development, Co-ordination, Planning and provision of Transport Services	1,194,743	1,194,238	1,194,468	1,192,938	1,192,459	1,192,459	408,935	408,935	408,935	475,138	475,138	475,138
<b>Total, DEPARTMENT OF TRANSPORT</b>	<b>1,194,743</b>	<b>1,194,238</b>	<b>1,194,468</b>	<b>1,192,938</b>	<b>1,192,459</b>	<b>1,192,459</b>	<b>408,935</b>	<b>408,935</b>	<b>408,935</b>	<b>475,138</b>	<b>475,138</b>	<b>475,138</b>
MARITIME SERVICES BOARD OF N.S.W.	...	...	...	...	...	...	15,732	...	...	25,053	...	...
STATE RAIL AUTHORITY - COMMERCIAL	...	...	...	...	...	...	85,169	...	...	110,576	...	...
STATE RAIL AUTHORITY - NON-COMMERCIAL	...	...	...	...	...	...	17,185	...	...	...	...	...
STATE TRANSIT AUTHORITY	...	...	...	...	...	...	22,370	...	...	30,819	...	...
<b>Total, NON BUDGET SECTOR</b>	...	...	...	...	...	...	140,456	...	...	166,448	...	...
<b>Total, MINISTER FOR TRANSPORT</b>	<b>1,194,743</b>	<b>1,194,238</b>	<b>1,194,468</b>	<b>1,192,938</b>	<b>1,192,459</b>	<b>1,192,459</b>	<b>549,391</b>	<b>408,935</b>	<b>408,935</b>	<b>641,586</b>	<b>475,138</b>	<b>475,138</b>
<b>TOTAL FOR MINISTERS</b>	<b>15,743,876</b>	<b>14,748,861</b>	<b>14,658,965</b>	<b>16,752,824</b>	<b>15,607,006</b>	<b>15,480,114</b>	<b>5,186,521</b>	<b>3,646,213</b>	<b>3,742,642</b>	<b>5,536,888</b>	<b>3,538,659</b>	<b>4,263,456</b>
Plus: TREASURY'S ADVANCE	...	...	...	100,000	100,000	100,000	...	...	...	...	...	...
Double count between agencies	...	...	...	...	...	...	21,197	21,197	...	19,657	19,657	...
<b>FINANCIAL INFORMATION BY POLICY AREA, POLICY SECTOR AND PROGRAM (Table 4.2)</b>	<b>15,743,876</b>	<b>14,748,861</b>	<b>14,658,965</b>	<b>16,852,824</b>	<b>15,707,006</b>	<b>15,580,114</b>	<b>5,165,324</b>	<b>3,625,016</b>	<b>3,742,642</b>	<b>5,517,231</b>	<b>3,519,002</b>	<b>4,263,456</b>

### 4.3 RECURRENT PAYMENTS BY FUNCTIONAL AREA

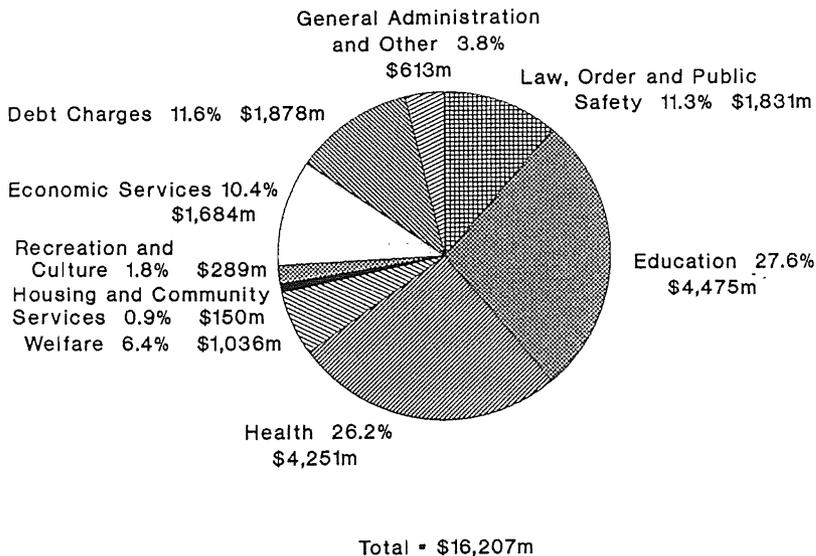
Total recurrent payments, which include payments from sources other than the Consolidated Fund, are projected to increase by 6.8 per cent in 1991-92, compared with the anticipated inflation rate of around 3.5 per cent.

While the Consolidated Fund is the major source of funding for Budget Sector agencies, there are nevertheless significant recurrent revenues (some \$627 million in 1991-92) available to Budget Sector bodies from other sources. This is particularly the case since the introduction of net appropriation budgeting from 1 July 1991, whereby agencies are able to retain moneys received from charging for goods and services provided.

Any proper analysis of the level of resources devoted to the various expenditure areas needs to take such other sources into account. Total payments for recurrent services on a broad functional basis (by policy area) are shown in Figure 4.4 together with the share of the total budget for the respective areas.

**Figure 4.4**

#### TOTAL RECURRENT PAYMENTS, 1991-92 BY POLICY AREA



The following statements in respect of recurrent payments within the various functional (policy) areas refer to trends in the level of total payments over recent years. They include a comparison in real terms since 1986-87, the Government's strategies and commitments and other factors relating to payments in the respective areas. Highlights of the 1991-92 Budget allocations for each policy sector are also briefly outlined.

In 1991-92 payments will increase markedly in real terms in the areas of Housing and Community Services, Welfare Services and General Administration. Additionally payments in the areas of Law, Order and Public Safety, Education and Health will increase in real terms while the areas of Recreation and Culture and Economic Services will show real declines.

The substantial real increase in the level of payments on General Administration reflects the increased pressures that the Government is facing in the areas of debt charges and superannuation.

## **4.3.1 LAW, ORDER AND PUBLIC SAFETY**

### **Background**

#### **INTRODUCTION**

The funding provided under this policy area is predominantly to meet the cost of maintaining the State's police service, courts administration and corrective services. The area also includes related expenditure for the State Emergency Service, NSW Crime Commission, NSW Fire Brigades, Department of Bushfire Services, the Independent Commission Against Corruption, Office of the Director of Public Prosecutions, Legal Aid Commission of NSW and the Attorney General's Department.

#### **EXPENDITURE TRENDS**

Significant real growth in funding for the law, order and public safety area has occurred over the last five years as illustrated in Figure 4.10. This trend reflects the past result of demographic changes, the hardening in community attitudes towards law and order, with demands for a greater application of resources, and the propensity for increased litigation.

#### **Courts**

Costs in the Law Courts and Legal Services policy sector have increased significantly in recent years as a result of the Judicial remuneration award, Local Courts staff grading restructure and the \$15 million, three-year program (\$5 million in 1991-92) for implementation of initiatives to overcome the backlog of cases waiting to be heard.

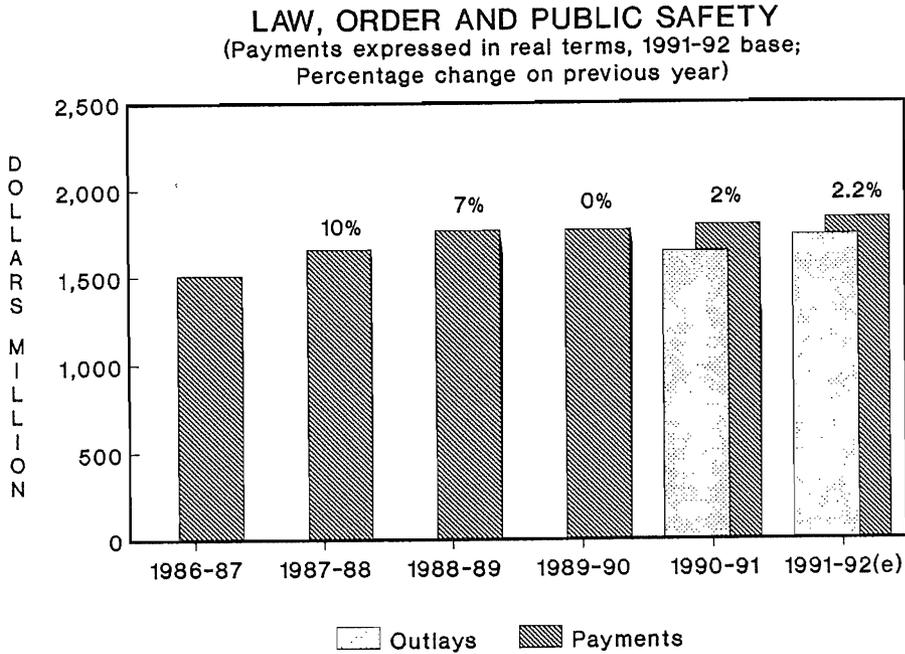
#### **Corrective Services**

This policy sector has experienced increasing costs because of additional inmate numbers, the opening of new and expanded institutions and the consequential increase in custodial staff.

#### **Police**

The increased level of expenditure in the Police policy sector in recent years is due mainly to the increase in the numbers of police over the period and new awards for commissioned and noncommissioned police officers. During 1990-91 the Government fulfilled the commitment to appoint an effective 1600 additional police over its first term in office.

**Figure 4.5**



Total payments for law, order and public safety will increase by 21.5 per cent in real terms over the five year period to 1991-92 with the projected real increase in the current year being 2.2 per cent.

**RECENT DEVELOPMENTS**

**Courts**

The major review of Courts administration undertaken during 1988-89 identified the main causes of delay in the system and developed strategies to both address the problem of Court backlogs and to reduce arrears to an acceptable level. A specific provision of \$5 million has been provided in each year for the three years commencing in 1989-90, to enable the implementation of a number of initiatives to overcome the immediate backlog problem.

This increased funding has already provided for the appointment of additional acting Judges and Magistrates, increases in staffing in key areas and the extension of arbitration and mediation schemes. In addition, work is continuing in the further development of information systems to establish a firm base for future management decisions and to assist in the extension of caseload management techniques throughout the Court system. The enhanced systems will also provide for the more efficient utilisation of Court facilities through more effective cost recovery in non criminal cases.

The Downing Centre, comprising 16 new courtrooms and associated administrative facilities, was opened in January 1991 and the new Campbelltown Court complex, now nearing completion, is to come on stream during 1991-92. These facilities should further assist in relieving court backlogs.

As part of the June 1991 restructure the courts administration function was separated from the Attorney General's Department and established as the Department of Courts Administration. In addition this responsibility was brought under a single Ministerial portfolio with the Department of Corrective Services.

These developments should both assist more effective administration of the courts and improved linkages between courts and corrective services. A future development in this area, illustrating the potential for reform, is the proposal to link prisons with courts by video facilities to avoid the need for transportation of prisoners to courts.

## **Corrective Services**

Over recent years, a variety of factors have impacted on the already serious overcrowding problem in the State's prisons. These include increased levels of police activity, which have resulted in a higher arrest rate for offences involving gaol sentences, changes to criminal law and decisions related to life sentence release, as well as changes to Court and sentencing procedures.

Suitable alternatives to full-time imprisonment are also being pursued, including expanding the Community Service Order legislation to encompass Family Law Court and other Federal offenders, the opening of more Day Attendance Centres and a home detention scheme. The Department of Corrective Services has introduced a number of measures to meet its obligations, including -

- Legislation passed to "contract out" certain Departmental operations.
- Tendering for the design, construction and management by private enterprise of a 600 bed institution at Junee.
- Restructure of the Department of Corrective Services in the areas of Human Resources and Legal Services Administration, and the formation within the Strategic Services Division of a multi-disciplined policy unit which has enhanced the Department's policy making ability.
- Opening of Lithgow Correctional Centre, the first new maximum security institution in the State for 20 years.
- Implementation of an innovative Ethnic Affairs Strategic Plan.

- Review of custodial primary training course, including upgraded curriculum and reduced training time.
- Establishment of a fully privatised prison industry at St Heliers, Muswellbrook - a first in Australia.

## **Police**

Since the present Government came to office, considerable improvements have been achieved within the Police Service, including the implementation of regionalisation of the Service, the introduction of community based policing patrols and the expanded use of telecommunications interceptions to aid in crime detection. Further significant productivity improvements are now also flowing from changes in working conditions negotiated under the new Police Awards. These initiatives, together with the successful completion of the four-year program for the appointment of additional police and the release of police from extraneous duties, have substantially increased the effective number of police available for active duties.

Community Based Policing remains the key operational strategy of the Police Service. Police operations are now orientated towards serving the community. Better relationships are now being built with local communities through the deployment of beat police and increased police participation in local forums and activities.

One thousand police are now deployed on beats. The local Patrol is the centrepiece of service delivery. The response to this strategy of community based policing has been marked by increased public satisfaction with the Police Service and a reduction in the rate of reported crime.

## **Other**

The role and powers of the State Drug Crime Commission were expanded in late 1988-89 to cover such things as organised crime and civil forfeiture of assets and as a result the Commission's name has been changed to the less specific NSW Crime Commission. The key development in the last financial year was the establishment of the Civil Forfeiture Division in order to implement the Government's initiative in introducing the Drug Trafficking (Civil Proceedings) Act. This has led to a major increase in the Commission's operations.

The rescue and emergency services provided by Police, State Emergency Service, the Ambulance Service, various volunteer rescue services and the Fire Brigades were also the subject of a review during 1988-89. Under the new arrangements, responsibility for the co-ordination of all rescues throughout the State is vested in accredited Police, Fire Brigades, Ambulance and other emergency services units.

The Commonwealth and State Governments have recently signed an agreement for the future funding of the Legal Aid Commission of NSW. The objective will continue to be to ensure that the costs of legal aid are contained and that assistance is provided to those most in need.

The Independent Commission Against Corruption formally commenced operations during March 1989. Major achievements are the continued implementation of its Corruption Prevention Program, and the presentation to Parliament of its report on investigations into allegations of corrupt practices in the issue of drivers' licences.

## KEY ISSUES AND STRATEGY

### Police

A key requirement is more flexibility in the provision of police services with closer attendance to the needs of local communities. The Police Service recognises that the key to the success of its mission of "Police and the community working together to establish a safer environment by reducing violence, crime and fear" is to improve its operational management. This will be achieved by focusing on an increased use of crime prevention and the adoption of problem solving approaches to policing.

At the same time, the Service will be supporting the improvement in operational capacity through the implementation of an integrated strategic planning process and by adoption of the following strategies -

- Maximisation of the abilities of members of the Service through the development and implementation of an integrated Human Resources Plan.
- Improved management through the introduction of models of best professional practice, promotion of professional responsibility and provision of appropriate infrastructure.
- Increased responsiveness to the expectations of the Service's stakeholders by improving communications with members of the Service, the community and Government.

### Courts and Legal Services

The key issue currently facing the Department of Courts Administration is to improve the efficiency of and access to the Court system. This is being addressed by the provision of additional funds (\$5 million per year over three years, commencing in 1989-90) to enable measures to be implemented for the reduction of delays in the Courts, as well as by reform to improve the efficiency and effectiveness of court procedures and processes.

Court fees in non criminal cases have been adjusted to achieve greater cost recovery and as a means of rationalising the usage of court facilities. Also, with the introduction of "net appropriations" in 1991-92, court fees in non criminal areas are a significant component of the funds available for the provision of Court Services.

During 1990-91, the Office of the Director of Public Prosecutions assumed responsibility for the prosecution of defended indictable matters before local courts statewide, cutting the number of trials registered and thereby reducing significantly the backlog of cases in District Courts. Additional strategies adopted by the Office to further reduce delays include improved practices and procedures, enhanced liaison with police, greater use of technology and tighter deadlines for the preparation of matters.

## Corrective Services

In addressing the problem of overcrowding in the State's prison system various sentencing options as alternatives to imprisonment for the less serious offences are being explored, in addition to the provision of new and upgraded prison facilities. The following key measures are aimed at improved, more effective management of the prison system -

- Privatisation, with the successful contracting out of design, construction and management of the proposed Junee Prison and identification of other opportunities for contracting out.
- Continued implementation of unit and case management of prisoners and those on probation and parole.
- Allocation of substantial resources for consolidation and expansion of training to bring about the desired changes in attitudes and management practices.
- Reallocation of resources towards prisoner education, vocational training and support programs.

## 1991-92 Budget

### OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Police .....	914.5	954.8	+ 4.4
Law Courts and Legal Services .....	351.1	362.9	+ 3.4
Corrective Services .....	263.2	297.5	+ 13.0
Other (including Fire Protection Services) .	201.8	215.9	+ 7.0
<b>Total .....</b>	<b>1,730.6</b>	<b>1,831.1</b>	<b>+ 5.8</b>

A total sum of \$1,831.1 million has been provided for this policy area in 1991-92, an increase of \$100.5 million or 5.8 per cent over actual expenditure last year.

The major thrust of initiatives being undertaken within this area in 1991-92 is focused on the Government's commitment to increase the effectiveness of Police and the continuation and further development of strategies aimed at overcoming the problems of Court arrears and prison overcrowding. Details of both Budget funded and other initiatives being undertaken by individual organisations within this policy area follow.

## **POLICE**

The Police policy sector allocation has been increased by 4.4 per cent to \$950.0 million in 1991-92 and provides for the full year effect of the award increases to police and the full-year effect of the additional police recruited last year. An effective increase to the promised 1,600 additional police has been achieved by both increased police numbers and more effective use of existing police. The police service was effectively increased by 1,600 by the appointment of 1,071 additional police and by a range of initiatives, such as the introduction of flexible rosters and leave buy-back provisions, negotiated by the Government as part of the police pay increase package, to provide the balance of an effective 529 additional police.

The Government has also released police for active police duties over its first term by relieving them of clerical and other extraneous duties. This objective was undertaken through re-organisations, progressive civilianisation and the introduction of improvements in technology.

The capital program allows for the completion of the refurbishing of the Sydney Police Centre at a cost of \$7.7 million to provide more usable accommodation to permit the Police Service to rationalise its leased Sydney Central Business District office requirements. Details of the capital program are provided in Section 5.3.1.

Other initiatives in the Police Service area include -

- The progressive introduction of audio/video recording of police interviews, in conjunction with the Department of Courts Administration and the Office of the Director of Public Prosecutions, to provide more reliable and accurate evidence for the Courts.
- The allocation of financial and human resources in accordance with the strategy of Community Based Policing.
- The maintaining of over 1,000 police in beat policing roles, particularly in areas with high crime levels.
- The ongoing installation of sophisticated information technology linking police stations to the Police Service's central computer facility.

## **LAW COURTS AND LEGAL SERVICES**

The major review of Courts administration undertaken during 1988-89 identified the main causes of delay in the system and provided strategies to both address the problem of Court backlogs and reduce arrears to an acceptable level. One such strategy was additional resources for a three-year period to overcome the immediate backlog problem.

The increased funding is being used for the appointment of additional Judges and Magistrates, increases in staffing in key areas and the extension of arbitration and mediation schemes. The Downing Centre also came on stream during 1990-91, providing 16 new courts at a full year cost of \$8.6 million.

In addition to the backlog problem, there are a number of strategic reforms being implemented to improve the efficiency and effectiveness of the Courts system. The further development of information systems will continue during the course of the current year, establishing a firm base for management decisions and assisting in the extension of case flow management techniques throughout the Court system.

Court fees in non criminal cases are being increased in 1991-92, in line with a plan for moving to greater cost recovery over the next two to three years.

These initiatives, together with the other major reforms in court procedures and legal processes, are substantially improving the capacity of the Courts to cope with increasing workloads in a cost effective manner while maintaining the rights of the individual to a fair and equitable legal system.

Other features of the allocation provided for within this policy sector include -

- Funds have been made available (\$544,000 in 1991-92) to provide an extra Judge in both the Supreme Court and the Land and Environment Court as a result of increased workload.
- Additional funds (\$667,000 in 1991-92) have been provided for recurrent costs associated with the newly completed Campbelltown Court Complex and the Community Justice Centre.
- Funding of \$69.0 million has been allocated to the Legal Aid Commission to provide legal assistance over a wide range of Court proceedings.
- The provision of \$37.6 million to support the operations of the Office of the Director of Public Prosecutions - an increase of \$4.2 million over actual expenditure incurred last year. The increase is mainly due to the provision for allowances to witnesses, previously paid by the Police Service, and the additional operating costs that will be incurred following the opening of the Campbelltown Court complex.
- A Consolidated Fund contribution of \$27 million will make available total funds of \$35.4 million for the payment of compensation to victims of crime, which will be augmented from funding becoming available under the recently introduced confiscation of assets legislation in relation to drug trafficking offences.
- An allocation of \$2.0 million for the Judicial Commission of New South Wales.
- Exploration of the option of further consolidation of the Sydney District Court System with the assessment of the Downing Tower proposal to consolidate the Civil Court and locate in close proximity to the criminal courts.

## **CORRECTIVE SERVICES**

An amount of \$297.5 million has been provided for the Corrective Services policy sector, an increase of \$34.3 million over expenditure last financial year. This increase is due to the full year operation of Lithgow Correctional Centre, the John Morony Correctional Centre and Parklea Prison extensions coming on stream and to the significant increase in prison population, resulting in the need for additional custodial and support staff and additional expenditure on uniforms, food and other provisions for inmates.

## **OTHER**

### **NSW Crime Commission**

An allocation of \$9.4 million has been provided for the activities of the Commission this year. The powers of the Commission now include investigations into organised crime, rather than being limited solely to drug related offences.

The Commission is in the process of fully establishing a Civil Forfeiture Division to co-ordinate the measures taken under recent legislation providing for civil forfeiture of assets acquired from the proceeds of drug trafficking.

### **State Emergency Service**

An amount of \$7.8 million has been provided for the State Emergency Service. This allocation includes provision for training of volunteers, contributions towards volunteers' out-of-pocket expenses and a new program involving District Emergency Management officers assisting police at District level in the preparation, of counter-disaster plans and training.

The State Emergency Service is now responsible for the former organisational unit, the State Rescue and Emergency Services Board. In 1991-92 the State Rescue Policy and the provisional State Disaster Plan (DISPLAN) will be printed and distributed.

### **NSW Fire Brigades**

Total funding of \$174.2 million will be available to the Fire Brigades for 1991-92, compared to \$162.6 million in 1990-91.

NSW Fire Brigades recently adopted a Regional command structure and are rationalising overall administration to ensure efficiency and effectiveness of the whole organisation.

Initiatives to be undertaken during 1991-92 include -

- Completing the implementation of the consultants' recommendations regarding the contracting out and privatisation of certain Chullora Workshop activities.
- Improvements in equipment and clothing, including new breathing apparatus, protective gear and uniforms.
- Enhancing the Brigades' ability to respond to and control hazardous material incidents.

### **Department of Bush Fire Services**

At present the Department of Bush Fire Service is not fully on Budget. In 1991-92 the Consolidated Fund will provide an allocation of \$6.3 million which includes the State contribution of \$5.3 million (25 per cent) towards costs of the Bush Fire Fighting Fund. Councils also contribute 25 per cent to the Fund, while insurance companies contribute the balance.

The allocation to the Department includes \$687,000 for the control and prevention of bush fires and assistance to emergency and community organisations.

### **Independent Commission Against Corruption**

The allocation for the Independent Commission Against Corruption is \$12.9 million.

The Commission will continue its Corruption Prevention Program and implement a public education program concerning the detrimental effects of corruption.

## 4.3.2 EDUCATION

### Background

#### INTRODUCTION

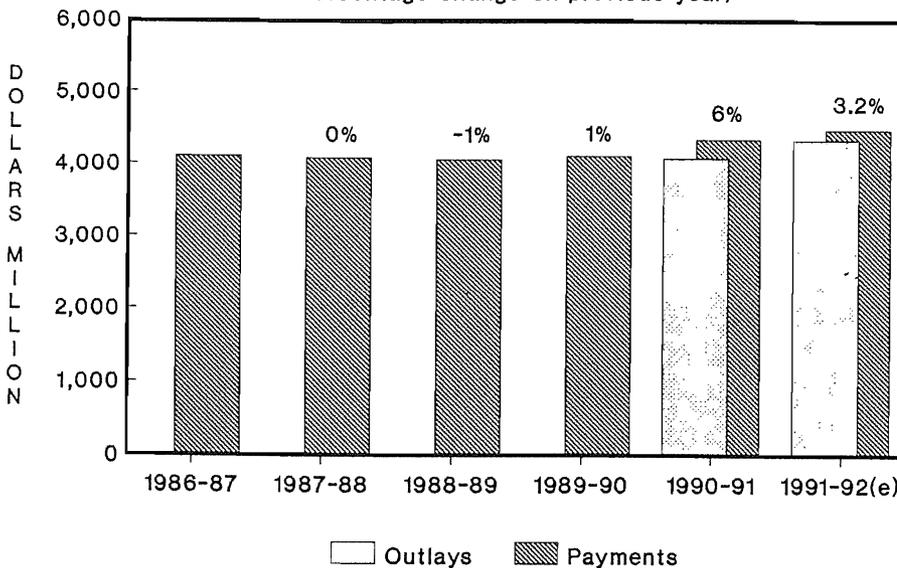
Funding is provided under this policy area to meet the cost of State run pre-schools, primary and secondary schools and financial assistance to non-government schools. The area also includes funding for the operation of Technical and Further Education Colleges and the non-tertiary program of the Conservatorium of Music.

#### EXPENDITURE TRENDS

Figure 4.6

#### EDUCATION

(Payments expressed in real terms, 1991-92 base;  
Percentage change on previous year)



It is expected that Education spending over the five years to 1991-92 will increase in real terms by 9.0 per cent.

Student numbers in Government schools have declined gradually since 1978 whereas non government school enrolments have steadily increased over the same period. The overall student population has remained relatively steady during that time.

From 1988 major reforms of the education system were introduced, aimed at devolving responsibility for education to the school level and achieving better educational outcomes. These included a four year plan of initiatives funded from reallocation of resources, implementation of schools renewal strategies, curriculum reform and basic skills testing.

From the 1992 school year per capita grants to non government schools will be increased from 23 per cent to 25 per cent of the cost of educating a student in a Government school.

TAFE in New South Wales remains the largest provider of post school education in Australia. Changes in the State's industrial and economic base are putting even greater pressures on the education and training infrastructure. As a result, during 1991 TAFE experienced significant increases in enrolments across a wide range of courses in both country and metropolitan areas.

Growth in TAFE has been targeted at educational programs in the 15 key industries identified in the State Economic Development Strategy.

Commercial activities, especially TAFE's international activities, have increased significantly. This has been balanced by increased numbers of economically and socially disadvantaged people gaining access to TAFE through changes to TAFE's policy of exemptions from payment of the Administration Charge.

As a result of these developments, recurrent expenditure in 1990-91 exceeded expected levels.

## **RECENT DEVELOPMENTS**

The Government is proceeding with the planned implementation of recommendations flowing from a number of major reviews of education in New South Wales.

### **Schools**

#### **Management Review of the New South Wales Education Portfolio**

Implementation of the Management Review of the Education and Youth Affairs portfolio concerning the Department of School Education is proceeding and is on target.

The major thrust of the recommendations is the devolution of the responsibility from the centre to regions and schools. The centre, which has reduced in size, will concentrate on policy and planning. Operational responsibilities now belong to the regions and schools and are being supported directly in their management and educational provision by Cluster Directors located in Education Resource Centres (about 4 per region). Education Resource Centres are being developed as the focus of educational support for the schools and communities they serve.

Implementation of the Management Review is being staged and is planned to be completed by December 1995.

## **White Paper on Curriculum - Excellence and Equity**

A White Paper which was released in November 1989, confirmed that a new Board of Studies would assume responsibility for curriculum development from Kindergarten to Year 12. The Education Reform Act, 1990 established the Board as the authority responsible for curriculum development from Kindergarten to Year 12. The Board has the power to manage its own staff. Membership is representative of a wide range of educational and other community groups.

The White Paper also established patterns of studies in Key Learning Areas (6 primary and 8 secondary) to be followed by all schools. It clarified requirements for the School and Higher School Certificates for future years, identified additional requirements to be met by students in years 7 to 10 in Government schools, confirmed the place of values in education and committed the Board of Studies and the Department of School Education to reviewing existing provisions for exceptionally gifted students.

Implementation of the White Paper recommendations is well advanced.

## **TAFE**

The changes introduced to TAFE following the Scott Report strengthened management skills, particularly in strategic planning, performance appraisal, finance, systems, human resources and marketing. These improvements have now been further refined by the removal of an excess layer of management (networks), and the establishment of eight regional Institutes of Technical and Further Education and three Institutes of Technology.

The regional Institute structure will encourage further devolution, facilitate the more effective use of TAFE's resources and put a greater emphasis on teaching.

Industry Training Divisions have enabled TAFE to improve its external relationships with customers. Training Divisions form part of the regional Institute structure in order to bring training closer to teaching. This should ensure the Institutes satisfy customer needs and maximise commercial income.

The placing of the Education Training Divisions in regional Institutes ensures appropriate emphasis on TAFE's role as a second-chance and community orientated provider.

Recognition of in-house training and the training programs offered by private providers has recently been strengthened by the establishment of the Vocational Education and Training Accreditation Board. It is anticipated that TAFE will be recognised as an authorised accrediting body under the Board's powers of delegation.

The new award for TAFE teachers allows for significant increases in productivity which will offset to some extent the substantial pay increases which have been handed down.

## **Office of Education and Youth Affairs**

The role of the former Ministry of Education changed significantly with the establishment in April 1991 of the Office of Education and Youth Affairs.

Following the transfer of Ministerial responsibility for Technical and Further Education from the portfolio, the Minister requested an Office of Public Management (OPM) review of the Ministry and the Department of School Education.

The new structure reflects a more focused role of assessing and advising of directions in education in NSW from an independent, non-operational perspective. It includes the identification of priority issues and the provision of strategic leadership for the portfolio.

## **KEY ISSUES AND STRATEGY**

### **Schools**

During 1991-92 the main issues to be addressed will be the implementation of key recommendations of -

- Management review of the New South Wales Education Portfolio;
- White Paper on Curriculum; and
- Office of Public Management Review of the Head Office of the Department of School Education.

The Schools Renewal Strategy proposed by the Management Review of the Portfolio is being implemented by a continuing process of devolution of responsibility to the school, cluster or regional level which is being supported by appropriate staff development provisions. Integral to this process is the progressive implementation of school based budgeting and local resource management in schools.

Implementation of the White Paper on Curriculum is well advanced and will continue over the next few years.

The Office of Public Management has recommended that the Head Office of the Department of School Education of New South Wales be significantly down-sized with further devolution of functions and resources to the Regional level. A new, smaller, Head Office establishment is planned to be implemented by 1 October 1991.

### **TAFE**

Major internal and external issues to be addressed in the 1991-92 financial year include -

- the move to competency based training as a result of industry restructuring. This has substantial implications for TAFE in the need to deliver all major vocational courses on a competency standards basis;
- the need for increased provision for literacy, English language and communication skills training, also a result of the restructuring process;
- the need to maintain a balance between generalist skills and occupation specific skills in entry level training;
- the development of new relationships with other training providers, including credit transfers with schools and universities and the better coordination of on and off the job training;

- the development of clear corporate and educational objectives and the formulation of performance measures to ensure efficiency and accountability;
- the further devolution of decision making to operational units;
- the continuing improvement in the quality of service to internal and external customers; and
- the expansion of TAFE's commercial activities while ensuring that the second chance and community provider roles are properly maintained.

### **Office of Education and Youth Affairs**

Priorities in 1991-92 include -

- Advice on the implications of changes in participation, including the recommendations in the "Finn Review" of Young People's Participation in Post Compulsory Education and Training. Implicit in these recommendations is the increasing of the participation rate of young people in post-compulsory education activities in the areas of education and training to 95 per cent. Issues requiring further analysis include the share of these additional young people between schools and TAFE colleges, and the cost implications of this increase;
- Teacher education issues, including teacher supply and demand, changes to pre-service and professional development programs and negotiations with the Commonwealth on the number of teacher education positions in higher education;
- Strategic and resource issues concerning the planning and implementation of new curriculum;
- Participation in major national reviews into Commonwealth and State relations in education that are to be considered by the November Special Premiers' Conference;
- Consolidation and extension of strategic management information systems in education;
- Development and co-ordination of advice on Commonwealth and State funding arrangements for schools; and
- Community consultation and co-ordination around policy and equity issues.

### **Board of Studies**

Some of the key issues relate to -

- Completion, publication and distribution of all syllabuses required by schools for implementation in 1992;

- Implementation of the first year of reporting grades for all subjects on the school certificate;
- Publication of teaching kits in some new syllabus areas;
- Development of a policy and strategy on vocational education;
- Finalisation of arrangements with TAFE and other education providers whereby students receive course credits for previously completed subjects in a similar course; and
- Development of curriculum, credentialling and support materials for students with disabilities.

## 1991-92 Budget Highlights

### OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Primary and Secondary Education .....	3,043.1	3,202.3	5.2
Tertiary and Vocational Education .....	672.9	752.1	11.8
Pre-School Education .....	8.6	8.6	...
Transportation of Students .....	347.4	384.0	10.5
Other (Including General Administration) ..	115.9	128.4	10.8
<b>Total .....</b>	<b>4187.9</b>	<b>4,475.4</b>	<b>6.9</b>

The allocation for Education in 1991-92 shows a 3.2 per cent real increase over 1990-91 expenditure levels. Funding for Primary and Secondary Education will increase by 1.6 per cent in real terms due to schools renewal, redundancy payments, the increase from 23 per cent to 25 per cent in per capita grants to non government schools and the full year effect of teacher award restructuring.

A slight increase in student numbers is expected in 1991 resulting mainly from increased primary enrolments.

The Tertiary and Vocational area reflects funding of the recent teachers' award, redundancy payments, expansion of commercial activities and increased Commonwealth specified training programs.

Factors contributing to the real increase of 6.8 per cent in the cost of transporting students include the continuing growth in the student numbers in Sydney's Western suburbs, dezoning of schools and the encouragement of students to continue to years 11 and 12 or to take up tertiary study at TAFE colleges.

The real increase of 7 per cent in the Other Education Sector is primarily due to increased Commonwealth funding for the Adult Migrant English Education Service.

## **Department of School Education**

1991-92 will see the continuation of the Government's four year initiatives plan, supported by further initiatives targeted to specific areas of emphasis in education.

### **Schools Renewal**

This is the second year of the five year \$50 million Schools Renewal Strategy Plan and \$23.7 million will be spent on its further implementation.

Initiatives that will be implemented in 1991-92 include -

- expansion of school based budgeting;
- provision of annual reports by schools;
- further devolution of authority to school principals on issues such as employment of casual teachers, industrial relations matters and building maintenance;
- local selection on merit;
- implementation of an external School Review process; and
- improvement in financial systems.

### **Excellence, Choice and Equity**

In keeping with the goal to "give recognition to individual or group performance", the Government has provided continued funding for the successful "Centres of Excellence" initiative and for special awards recognising outstanding achievement. Amongst the awards for excellence are -

- The Premier's Award;
- The Minister's Award for Excellence in Student Achievement; and
- The Minister's Award for Excellence in Teaching.

Technology High Schools were established as a major Government initiative to bring together schools, TAFE and business to provide a curriculum necessary for future citizens. A total of \$1.1 million has been provided for the continuation and expansion of Technology High Schools.

Sixteen Specialist Language High Schools were established throughout the State within the Multicultural Education Plan for 1991. An additional school will open in the Western Region in 1992.

Further initiatives in terms of Excellence, Choice and Equity include -

- ***Special Education***

Emphasis will be placed on the extension of services to students with disabilities and students with learning difficulties. There will be continued support for professional development of special education teachers, Special Education Support Centres and assistance to students in the transition from school to work. In addition, the purchase and trial of technological advances for students with disabilities will be undertaken. A total of \$19.4 million has been allocated for these initiatives in 1991-92 out of the \$223 million available for disabled students.

- ***Multicultural Education***

A comprehensive Multicultural Education Plan will provide greater scope for the study of languages and ongoing support for English as a Second Language. The Plan will also focus on increasing intercultural understanding and combating racism. A total of \$2.9 million has been provided in 1991-92.

- ***Aboriginal Education***

The Aboriginal Education Plan includes programs designed to increase Aboriginal student participation and retention rates, with particular attention to acquisition of the basic skills of literacy and numeracy. A total of \$8.4 million has been provided in 1991-92.

- ***Rural Education***

As part of the decentralisation of distance education the Government has established 17 new Distance Education Centres in strategic locations across the State, including Dubbo, Casino, Port Macquarie, Walgett and Tibooburra. The Open High School and the Learning Materials Production Centres have also been established to service the needs of Distance Education Centres and other schools. Communications technology facilities are being provided to all centres.

Programs which give students access to year 11 and 12 in remote country centres, using advanced teaching and communications technologies, will continue to be trialled. An amount of \$8.2 million has been provided for Rural Education initiatives in 1991-92.

- ***Gifted and Talented Students***

The Department has designed an initiative containing specific strategies to identify and provide for the development of talented and gifted students. The implementation plan encompasses a co-ordinated approach, linking schools, clusters and regions. A total of \$0.3 million has been provided in 1991-92.

## **Early Childhood Education**

The new Parents as Teachers Program is being piloted in 1991. This program, which is an educational program designed in the USA, intends to stimulate development of language, cognitive, social and motor skills in children, through the use of everyday experience. A sum of \$0.4 million has been allocated in 1991-92.

## **Curriculum Implementation in the Key Learning Areas**

Following the recommendations arising from the White Paper on the curriculum in New South Wales Schools, funding has been provided to implement Key Learning Areas Kindergarten to year six syllabuses. Funding has also been provided to increase the number of Field Studies Centres (\$0.26 million) and for the development of a system to extend the assignment of grades in the School Certificate to all subjects using a "performance description" for the various grades.

Curriculum development and State-wide assessment is the responsibility of the Board of Studies.

## **Teacher Education and Staff Development**

The Government has increased funding for formal Staff Development activities and provided funding for additional measures to attract, develop and train skilled, motivated teachers in the NSW Public Education System. In 1991-92, a total of \$12.7 million has been allocated to schools for the professional development of teachers. An additional allocation of \$2.2 million will be provided to implement a merit system of promotion, based on performance appraisal.

## **Business and Industry Links**

This initiative is aimed at building strong links with parents, business and Industry to provide curriculum and educational experiences which are relevant and responsive to the needs of the local community. An amount of \$0.67 million will be allocated in 1991-92.

## **Technology: Teaching and Administration**

In 1991-92, the Computer Education Program will continue to support the increased access of students to the potential of new information technology by providing direct grants to schools and consultancy support. Also, communications are to be improved with the installation of a facsimile machine in each State school at a recurrent cost of \$0.352 million.

## **Parents and Community Education and Participation**

An amount of \$0.534 million has been allocated in 1991-92 to support the expansion of School Councils through promotional activities in regions and establishment grants for new School Councils.

## **TAFE**

New courses and materials are being developed in TAFE to meet the needs of industry award restructuring in the fields of metals, building and textiles clothing and footwear. A total of \$2 million has been allocated to this in 1991-92.

TAFE will be responding to new training demands in previously under serviced industries such as Food Technology and Chemicals. A total of \$1 million has been allocated to this in 1991-92.

TAFE has a long standing commitment to the support of programs for students from non-English speaking backgrounds, for aboriginal students, for students with disabilities and for women. The maintenance and ongoing development of these programs has been allocated over \$25 million in 1991-92.

TAFE's international marketing plan identifies a range of opportunities for TAFE in the recruitment of full fee paying overseas students and in educational development projects in the Asia/Pacific Region. A total of \$0.9 million has been provided as seed funding in this area.

The investment of \$6 million in marketing will enable TAFE to position itself as a provider of high quality, commercial training programs. The returns on the sale of these new programs will allow TAFE to expand its range of short skill updating programs for industry and commerce.

Provision is made in the budget for the implementation of new management information systems which will allow TAFE to increase the utilisation of existing resources and improve the quality of service to students. New systems under development include a new student and course information program. This has a new student enrolment module and a new database of all major course subjects in TAFE.

Colleges, institutes and training divisions will be able to monitor student and employer satisfaction with their courses through a number of monitoring programs which have been included in the budget.

## **Office of Education and Youth Affairs**

### **Board of Studies**

An amount of \$6.3 million will be allocated for Kindergarten to year 12 syllabus development within the context of the Key Learning Areas.

Provision of \$0.7 million has been made for activities associated with the registration and accreditation of non-Government schools.

Operation of the 1991 Higher School Certificate, and the 1992 School Certificate is estimated to cost \$31.5 million.

### 4.3.3 HEALTH

## Background

### INTRODUCTION

Health care services in New South Wales comprise a diverse range of preventive, primary, secondary, tertiary and long term care provided in the community, in hospitals and in other institutional settings by the public, private and voluntary sectors.

Preventive care involves the provision of information on better health and the avoidance of illness and more pro-active educational initiatives promoting a healthy lifestyle. Primary care is concerned with the provision of services of first contact and includes general practitioners, accident and emergency services in hospitals, community health services and a host of other health care services. Secondary care includes services of a more specialised nature which primary care practitioners are unable to provide. Whilst these services are sometimes available in a community setting, they are more often provided at a hospital or specialist clinic.

Tertiary services require extensive use of skilled personnel and resources which are generally provided in teaching hospitals. Long term care refers to services such as those provided in nursing homes, small hospitals and to people in their own home or supported accommodation. These services generally support people with disabilities, chronic long term illnesses and the frail aged.

Since 1988, most public health services in New South Wales have been administered and provided through sixteen Area Health Services and Regions. Areas and Regions are funded on a population based Resource Allocation Formula and are responsible for the co-ordination and provision of the appropriate mix of preventive, primary, secondary and long term care for the people within their geographical boundaries. Because of their specialised nature, tertiary services are not provided in all Areas and Regions, but are available to all people in the State by referral from their local services. The aim has been to create a population health focus, with integration of service provision, including hospital services, community health and public health services.

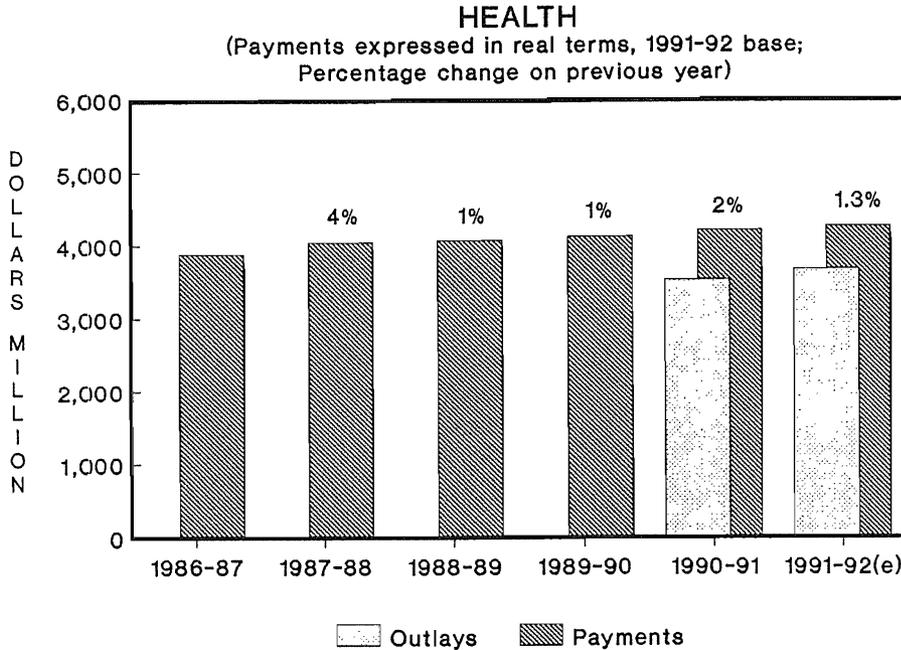
The total health allocation in 1991-92 is \$4.25 billion, of which \$3.9 billion, or over 90 per cent, is funding for Area Health Services and Regions. Health transport services, which are closely related to the provision of health services, account for a further 3.2 per cent of the current year's budget allocation.

The main roles of the central Head Office are to focus on strategic planning of State wide health services, management of global health issues and financial arrangements with the Commonwealth Government, and monitoring of the operations of Area Health Services and Regions. This involves the formulation of policy, development of planning guidelines, and the review and monitoring of the overall management and direction of the health system.

The Department's Head Office is also responsible for the administration of a number of state wide services, regulatory functions such as analytical, forensic and food inspection services, and grants to voluntary health organisations. This includes providing specialised advice relating to community health services for women, people of non-English speaking background, and Aborigines, and the centralised administration of a number of specific services such as state wide health promotion and education programs, the blood transfusion service and health professional registration services.

## EXPENDITURE TRENDS

Figure 4.7



Over the five years to 1991-92 total payments in the Health area will increase by 9.6 per cent in real terms. In addition, substantial productivity savings achieved over this period have been reinvested within the health system to improve the delivery of services.

As in all other advanced countries, the health system has experienced both excessive demand and cost factors in recent years which have contributed to some unacceptably long waiting times for admission to hospital. These demand and cost factors have been caused by the combined effect of population growth, ageing of the population and the greater number and cost of treatments made possible by advances in medical technology. Growing community demands from an increasingly well informed population have added to this pressure.

The Government has responded to this situation by providing the health system with real funding growth and encouraging increased productivity, both of which have helped to reduce these waiting times over the past year.

Major trends in health activity are shown below. The 1972 to 1981 period shows the long term trend, while the 1986 to 1991 period shows the more recent trends. The 1982 to 1985 period has been excluded because of the distortions from the doctors dispute and its aftermath.

### Trends In Demand and Cost Factors In Health

Factors	1986-87 to 1990-91	1972-73 to 1980-81
	% p.a.	% p.a.
Population growth	1.2	1.2
Adjusted admissions per capita	3.5	2.8
Average length of stay	(-) 5.3	(-) 2.2
Real cost per bed day	4.6	5.8
Total Demand/Cost Increases	4.0	7.6

In 1990-91 admissions grew by a further 4.1 per cent and non-inpatient occasions of service by an estimated 4 per cent compared to 1989-90. The extra 41,000 inpatients were able to be treated through continued improvements in medical management, reduced lengths of stay, and increased productivity.

### RECENT DEVELOPMENTS

Reform of the organisation and delivery of health services is being examined in the context of both the National Health Strategy Review, established by the Commonwealth Government, and the Special Premiers' Conference process. These processes provide an opportunity for New South Wales to work with the Commonwealth and other States to improve the efficiency and effectiveness of the health care system for all Australians.

The major focus of the National Health Strategy is reform of the financing, organisation and delivery arrangements for health services between levels of Government, including the reform of Medicare.

New South Wales has actively supported and participated in the process of the review and has taken a major role in setting the terms of the debate on a number of key issues. This has included holding a major conference to discuss the Area Health Service model, undertaking a review of outpatient and accident and emergency services on behalf of the National Health Strategy, and providing advice to the Review. The papers released by the Review have indicated support for many of the reform initiatives which have been pursued in this State, including population based funding, the adoption of the Area Health Service model, and greater integration of health services.

In relation to recommendations for the reform of public hospitals, financing arrangements are of critical importance. Issues which will impact on the future funding of health care include -

- the need for financing arrangements which meet the expected growth in demand for hospital and associated health services;
- the need to address the financing of hospital infrastructure and technological development; and
- the need to remove perverse incentives which inhibit the role of private hospitals in responding to the growth in demand for hospital services and encourage cost shifting between the State and Commonwealth sectors.

New South Wales is supportive of financing arrangements which build on current frameworks for promoting integrated services.

The Government is now in the third year of its ten year plan to redistribute resources from areas of declining population to those where growth is occurring, primarily in Western Sydney, Southern Sydney and the Central and North Coast Regions. This involves the detailed assessment of the health needs of each Area and Region on the basis of age and sex weighting, standardised mortality rate, tertiary admissions and cross-boundary and intersectoral flows of patients.

The 1991-92 Health Capital Works Program maintains the high level of commitment given by the Government to restructuring of health buildings and equipment. Health capital expenditure continues to be directed by the Department's strategic plan to ensure appropriate redistribution and upgrading of service delivery within the State. As part of the Resource Allocation Formula, capital works projects are also being primarily targeted to growth areas to ensure upgraded diagnostic and medical services are appropriately delivered. At the same time, specific programs and projects have been targeted to rectify existing substandard facilities and upgrade the high technology equipment necessary for modern health procedures. Section 5.3.3 provides further details on the Health capital program.

A new focus is the measurement of the performance of the health system in terms of health outcomes, rather than purely in terms of input or output measures which do not always give a good indication of the efficacy of expenditure. It is intended to set outcome criteria and performance targets for a wide range of parameters which will give an indication of the effectiveness of the health care system and identify clinical practices associated with optimal outcomes.

The Government's strategy to reduce hospital waiting lists has continued the emphasis of encouraging the development and use of private hospitals and day procedure centres. New private hospitals have been opened at North Sydney, Berkeley Vale and Lismore, while existing hospitals at Wahroonga, Ashfield, Penrith, Richmond and North Gosford have been significantly upgraded.

In addition, the John Hunter Hospital opened as a major teaching hospital in the Newcastle area.

Mental health services continue to receive a high priority following the commencement of the Mental Health Act. Community facilities have been funded in four Areas and two Regions, with a further four new facilities to be completed during the current financial year.

Significant gains have also been made in commercialisation and competitive tendering for non service delivery areas such as cleaning and catering, where total savings since 1988-89 amount to some \$35 million. There is further significant potential for improvements in this area.

Key performance indicators continue to be refined and activity and performance targets have been introduced for Areas and Regions. In addition, departmental reporting requirements for 1991-92 have been revised to dissect the major hospital program, "Support for Area Health Services and Public Hospitals", into nine sub-programs - this being the minimum consistent with the Central Administration's monitoring role.

These sub-programs reflect nationally accepted standards and will allow more appropriate budget control over the major expenditure program, as well as providing information on specific categories of public hospital activity. The sub-programs are Medical, Surgical, Obstetrics and Gynaecology, Paediatrics, Critical Care, Other inpatients, Accident and Emergency, Community Health, and Outpatients.

From 1 July 1991, with the introduction of net Budget appropriation, the Department has entered into Revenue Agreements with its Chief Executive Officers. The revenue sharing arrangements associated with these Agreements will focus on revenue collection procedures and better management of the level of receipts, with a percentage of the revenues collected in excess of individual Area and Regional budgets being retained for use on hospital services in those areas.

All Areas and a selection of Regional hospitals will proceed towards accrual accounting during 1991-92, joining the five pilot sites which prepared formal accounts on an accruals basis in 1990-91.

## KEY ISSUES AND STRATEGY

The Department has developed a strategic framework within which resource allocation decisions for both recurrent and capital allocations can be made. A key element of the strategy is that all Areas and Regions are moving towards self sufficiency in the delivery of primary and secondary health services. High level tertiary services will be provided at a limited and defined set of centres.

On a global level certain key trends are evident. The State's population is expected to increase by around 16 per cent by the year 2000 and, along with the ageing of the population, will put an increasing burden on the health system. While hospital admissions are projected to increase by around 20 per cent over this period, further reductions in the length of stay in hospital will continue to decrease the number of beds required.

This will require a major rationalisation of services in order to contain projected health costs. Strategies that are being developed in order to provide responsive, quality services within the confines of the finite resources available include -

- redistribution of facilities;
- changes in the mix of services;
- better utilisation of the private sector;
- improvements in the efficiency with which services are provided;
- increased support in health service research and improved information systems;
- increased attention to treatment outcomes to assist in the setting of priorities;
- development of the processes required for a fundamental review of programs; and
- finalisation of the Relative Efficiency Index and its continued development for health service funding.

Of necessity, particular emphasis is being placed on capital works to achieve these strategies and obtain an optimal use of available resources over the next decade.

## 1991-92 Budget Highlights

### OVERVIEW

The allocation for the Department of Health of \$4.25 billion represents a continuing commitment to rationalisation and upgrading of the Health system in difficult economic times. The allocation comprises 25.3 per cent of total State recurrent funding, making it the largest departmental recurrent allocation.

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Area Health Services and Other Health Services .....	3,751.9	3,934.3	+ 4.9
Community and Other Support Services ..	143.6	145.8	+ 1.5
Public Health Services .....	102.6	124.4	+ 21.2
Other .....	54.9	46.7	(-) 14.9
<b>Total .....</b>	<b>4,053.0</b>	<b>4,251.2</b>	<b>+ 4.9</b>

Total payments for the health sector will increase by 4.9 per cent in 1991-92, comprising an increase of 5.1 per cent in support from Consolidated Fund and growth in patient fees, other user charges and other hospital revenues of 3.6 per cent.

Further rationalisation and productivity savings will be achieved in 1991-92, without affecting direct care services, and applied to fund new and expanded health services. This funding is in addition to cost escalation required for maintaining existing activities.

Major initiatives in 1991-92 focus on the rationalisation of health services and the redistribution of funds to high growth, underfunded areas. As recently announced, this will result in the closures of hospitals at Marrickville and Parramatta, together with role changes for the Sydney and Royal South Sydney Hospitals and St Joseph's Hospital at Auburn.

With the opening of the John Hunter Teaching Hospital at Rankin Park, existing services in the Newcastle area will also require some rationalisation, including the recently announced closure of Wallsend Hospital, to enable the new facility to operate at its full capacity and to maximise Area funding provided under the Resource Allocation Formula.

A gradual reallocation of funds will also be co-ordinated with the opening of new and/or expanded hospitals in growth areas. These new facilities will be built as part of the Health capital works program, with funding assisted by the generation of additional funds from the sale of surplus health assets.

A continuing feature of the budget is the funding of new State wide services which will allow patients to benefit from the latest advances in technology. Superspecialty services provided at teaching hospitals will receive separate funding so that they can maintain the highest standards as centres of excellence.

### **Area Health Services and Other Health Services**

Savings achieved through rationalisation and productivity improvements within the total allocation of \$3.9 billion will be used to upgrade basic services and to redistribute resources to growth areas. Some specific areas for which additional funding is to be provided include -

- over \$1.0 million to enhance ambulatory care, the positron emission tomography facility, the andrology unit, and open heart surgery and ophthalmic surgery at the Royal Prince Alfred Hospital; and provide a multicultural co-ordinator for the Central Sydney Area.
- \$5.0 million (\$7.5 million per annum) for the commissioning of the clinical services block, St. George Hospital.
- \$0.9 million to commission a day surgery unit at Canterbury Hospital; to commission a hydrotherapy pool and provide additional junior medical staff at Sutherland Hospital; and to upgrade geriatric services, Southern Sydney Area Health Service.
- \$1.3 million to increase day only oncology and to enhance psychogeriatric services at the Prince of Wales Hospital; to expand the bone marrow transplant program and increase day only surgery at the Prince of Wales Children's Hospital; and to increase patient activity in cardiac catheterisation and cardiac vascular surgery at St Vincent's Hospital, Darlinghurst.
- \$1.0 million to upgrade the special care nursery and for a CT Scanner at Blacktown Hospital; to provide additional intensive care beds at Westmead Hospital; to provide Jobst pressure garments for burns patients and to increase inpatient oncology, stereotactic radiosurgery and community based services, such as women's health and child sexual assault counselling services, Western Sydney Area Health Service.
- \$2.0 million to open 18 additional beds, to upgrade pathology services and to enhance antenatal clinics and improve surgical throughput at Nepean Hospital; and to commission a High Dependency ward at the Blue Mountains District Anzac Memorial Hospital.
- \$1.0 million to expand outpatient services at the Health Services Building, Liverpool Hospital.

- \$3.0 million to enhance and upgrade hospital inpatient, orthopaedic, accident and emergency, outpatient and community health and support services, South Western Sydney Area Health Service.
- \$3.5 million to commission service developments at Gosford Hospital.
- \$2.0 million to increase acute inpatient activity and existing day only surgery, Central Coast Area Health Service.
- \$1.8 million (\$5.4 million per annum) to commission the Clinical Services Block at Lismore Hospital.
- \$2.2 million for increases in inpatient activity and oncology services at Hastings District Hospital; for increases in inpatient activity and to enhance orthopaedic and dental services at Coffs Harbour Hospital; and to enhance orthopaedic, paediatric and physiotherapy services at Tweed Heads District Hospital.

### **State Wide Services**

Additional state wide services to be funded during the year amount to \$17.6 million and include -

- \$2.8 million for the Brain Injury Program, directed at providing rehabilitation services.
- \$2.3 million for Ambulance Services.
- \$0.5 million for Drug and Alcohol Services.
- \$0.8 million for Community Nursing.
- \$0.8 million for Aboriginal Health Services.
- \$0.5 million for Cervical Cancer Screening.
- \$0.8 million for Prison Medical Services.
- \$1.0 million for various hospital and community based services (including Trauma Plan implementation, radiography training and bilingual counselling).

### **Other Special Provisions**

- an annual provision of \$53.5 million (up 9.7 per cent on 1990-91) to prevent the spread of the disease AIDS and to treat AIDS patients in the public health system. Roundly 56 per cent of this sum is being provided by the Commonwealth.

- \$15.0 million for the training of enrolled nurses and the provision of career development courses for graduate nurses and post basic courses for enrolled nurses.
- \$35.2 million Home and Community Care funding, principally for home nursing services. Further funds will be made available through the HACC program for any approved growth in services in 1991-92.
- Some \$262.8 million to provide ongoing services for the psychiatrically ill. This provision includes \$4.2 million to continue the implementation of the recommendations of the Barclay Report.
- \$353.6 million for services mainly for the aged and disabled. Included in this allocation is funding for both the HACC program and the provision of aids and appliances to disabled persons.
- Roundly \$12.9 million for medical and surgical services to inmates in State prisons.
- \$56.8 million (up 4.2 per cent) for the education of nurses at universities.

### **Community and Other Support Services**

It is important to recognise that most of the funds provided for community services have now been integrated into the "Support for Area Health Services and Public Hospitals" program. This has been done to ensure that the delivery of health services are undertaken in a co-ordinated manner, with a diverse range of community and hospital based services being networked under one structure.

\$145.8 million has been provided under this heading and comprises -

- \$136.3 million for health transport.
- \$9.5 million for the provision of grants and subsidies to non-government organisations for complementary health services.

### **Public Health Services**

The following provisions have been made for public health services -

- \$15.0 million to maintain and improve public health and environmental health standards.
- Some \$13.9 million to improve the detection, prevention and control of diseases.
- \$20.1 million to improve the level of awareness of individuals and the community concerning the benefits of a healthy lifestyle.

- \$19.3 million to ensure that an adequate supply of blood and blood related products is available to meet medical requirements through the Red Cross Blood Transfusion Service. Included in this allocation is some \$3.2 million to combat the spread of the disease AIDS, most of which will be spent on screening blood donations to detect the presence of the AIDS virus.
- Roundly \$4.8 million for grants to foster medical and health research.
- \$44.7 million for services specifically for drug and alcohol dependent persons including -
  - \$14.3 million for the joint State/Commonwealth program against drug abuse.
  - \$9.4 million for various drug abuse initiatives fully funded by the State.
  - \$4.5 million for grants to non-government organisations engaged in education, counselling and treatment of drug and alcohol addicted persons.
  - Almost \$15.0 million for services provided by Area Health Services and Public Hospitals specifically aimed at combating drug and alcohol abuse.
- \$6.8 million for the provision of supplementary health services to Aborigines, an increase of almost 26 percent on 1990-91. This allocation includes \$2.5 million for grants to non-government organisations for the provision of dental and drug and alcohol services and to conduct public health awareness programs. Funding for this program will continue to be increased over the next few years in line with a commitment to increase expenditure on Aboriginal Health to 1 per cent of the total Health Budget.

## Other

Other provisions include -

- over \$2.0 million for various grants to external health services and \$5.2 million for the Isolated Patients' Travel and Accommodation Assistance Scheme.
- \$39.5 million to maintain an effective administration and planning service and to support the implementation and review of Government health policy and programs, including the continuing development of upgraded management information systems.

## **4.3.4 WELFARE SERVICES**

### **Background**

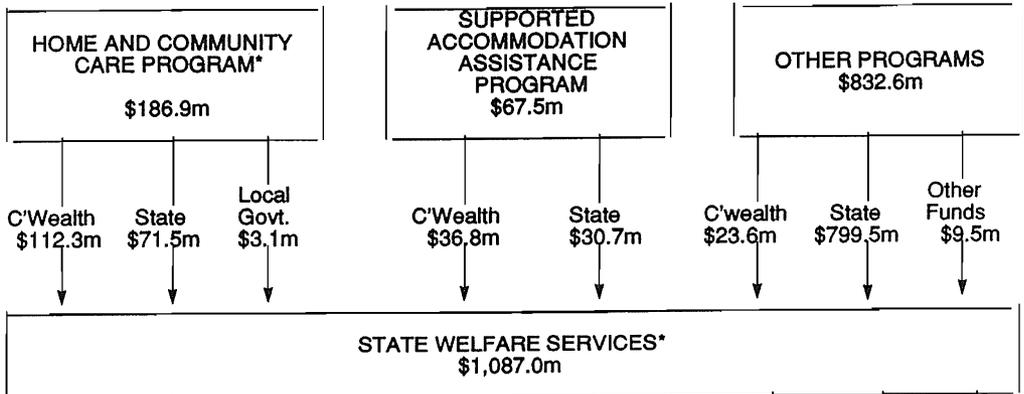
#### **INTRODUCTION**

Welfare expenditure essentially covers the operation of the Department of Community Services, which provides services for disabled people, children and families. Also included in this policy area is the provision of social security concessions to the needy. These are provided through a range of programs in a number of portfolios and include rate rebates for pensioners, transport concessions and mortgage and rent relief assistance.

Welfare funding involves a mixture of Commonwealth and State funds. Commonwealth funds come mainly from specific purpose joint Commonwealth/State agreements such as Home and Community Care, Supported Accommodation Assistance and Children's Services Programs.

These services are provided primarily by the Department of Community Services and the Home Care Service. In addition, services are provided by a wide range of voluntary organisations which receive Government grants.

The structure of welfare funding and delivery is summarised on the following page -

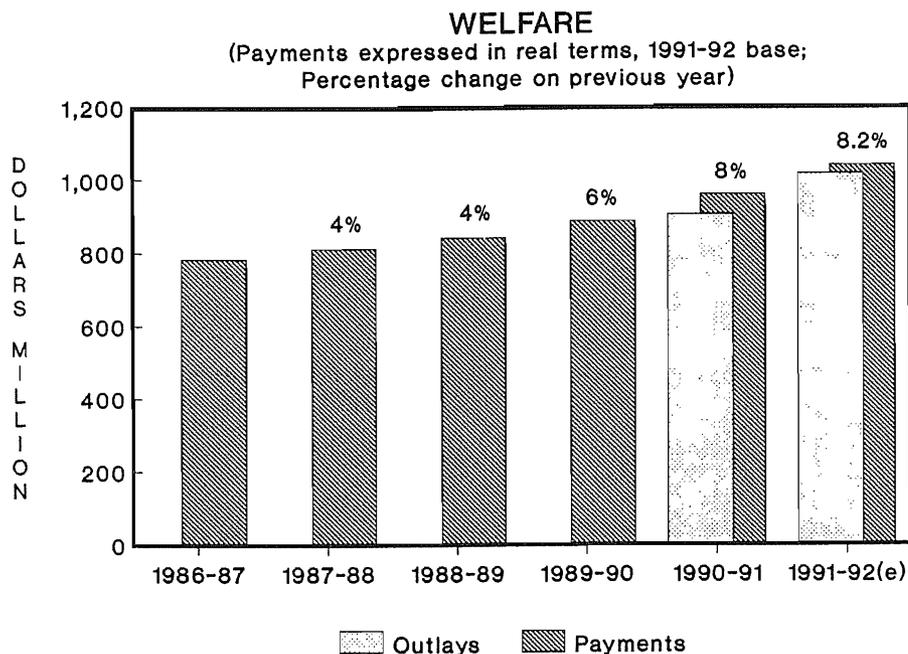


	\$m		\$m
C'wealth	\$112.3m	C'wealth	\$48.7m
State	\$71.5m	State	\$290.6m
Local Govt.	\$3.1m	Local Govt.	\$3.1m
<b>STATE WELFARE SERVICES*</b>		<b>STATE WELFARE SERVICES*</b>	
\$1,087.0m		\$1,087.0m	
C'wealth	\$124.0m	C'wealth	\$48.7m
State	\$611.1m	State	\$290.6m
Other Funds	\$9.5m	Local Govt.	\$3.1m
<b>DEPARTMENT OF COMMUNITY SERVICES</b>		<b>OTHER AGENCIES*</b>	
\$744.6m		\$342.4m	
	\$m		\$m
. Protection of Children	30.8	Department of Housing	
. Substitute Care of Children	69.6	. Mortgage and Rent Assistance Programs	28.8
. Family and Children's Services	99.6	. HACC program	6.9
. Services for Disadvantaged Groups and Communities	88.9	Office of the Minister for Housing	
. Supported Accommodation	67.5	. Rate rebates for pensioners	35.2
. Disability Services	222.4	Department of Local Government	
. Youth Services	16.9	. Rate rebates for pensioners	43.0
. Organisational Support	52.3	Department of Transport	
. Home Care Service	96.6	. Payments via the Minister of Transport for Non-Commercial Passenger Services	184.4
		. HACC program	6.1
		Department of Health	
		. HACC program	34.9
		Local Government Sector	3.1
<b>TOTAL</b>	<b>744.6</b>	<b>TOTAL</b>	<b>342.4</b>

\* Includes \$51 million spent on the Home and Community Care Program by Departments in other policy areas.

## EXPENDITURE TRENDS

Figure 4.8



Over the five years to 1991-92, welfare service payments have increased by 32.3 per cent in real terms. The 1991-92 allocation allows for real growth of 8.2 per cent over last year.

In recent years, the Department of Community Services has undergone a major reallocation of funding from lower to higher priority areas. This has been achieved through better targeting of services and has enabled many programs to be enhanced at no additional cost to Government.

A further contributory factor to the real increase in recent years is the marked increase in the level of funding provided as rate rebates and transport concessions to pensioners. This trend is not surprising given the ageing population of New South Wales and payments are expected to grow even further in future years.

In the 1991-92 financial year the Department of Community Services will achieve economies by restructuring administration, introducing fees and user charges, contracting out of some services, transferring some administrative functions to the Health Department and restricting the use of institutional care. These strategies have been designed so that the number of direct client staff and the number of direct client service outlets are maintained. The consolidation of these strategies will ultimately lead to a more localised and more responsive service, more cost effective delivery and some additional services in the Home and Community Care, Supported Accommodation and Children's Services Programs.

The strong growth in Welfare Services funding in 1991-92 reflects -

- underexpenditure in 1990-91 and the consequent carry forward of funds into 1991-92.
- growth in the joint Commonwealth/State funded Home and Community Care and Supported Accommodation Assistance Programs.
- the provision of a special once off allocation of \$10 million to assist those most affected by the recession, and
- additional monies to meet redundancy payments.

## **RECENT DEVELOPMENTS**

- The Juvenile Justice Program has been transferred to the Department of Corrective Services.
- The Department will encourage a further move to specialised foster care and will be promoting programs to recruit or train foster carers for difficult to place, behaviourally disturbed children and adolescents. A small review group has been established to examine various models of care for these children.
- A strategic plan for the delivery of services to people with disabilities will be finalised during the year. This plan will set the direction over the next five years for the Disability Services Program.
- A major review of Children's Services funding is currently in progress. This review will make recommendations on installing more appropriate arrangements for the administration and funding of Children's Services. Its principal aim is to ensure that resources are more equitably shared among community based services throughout the State and that services are not disadvantaged because of administrative processes.
- During 1990-91 a review of the Community Services Grants Program was completed. Its aim was to provide a framework for the restructuring of family and community services grants. In conjunction, and with the co-operation of non-Government organisations, the first stage of this program will be implemented in 1991-92.

## KEY ISSUES AND STRATEGY

- The impact of the worsening economic situation will place considerable strain on the community and will generate a higher demand for welfare services. A number of programs will be expanded to meet this demand from savings generated through restructuring.
- The Department of Community Services has now been placed under the same Minister as the Department of Health to ensure that services in general will be better focused and better co-ordinated.
- The program structure of the Department has been reviewed and a new structure will be implemented in 1991-92. The focus of this review has been on outputs, outcomes, costs, linkages with other agencies, service delivery mechanisms and linkages with the Health Department.
- In 1991-92 the Department will move to an Area Management model. There will be 20 geographic areas (Local Government area based) and 4 Divisional Offices will replace the existing 7 Regions. The Central Office will be restructured to better reflect accountabilities for program areas.
- Up to 600 staff positions will be shed in 1991-92. This has come about by the elimination of administrative duplication, contracting of some services, elimination of waste and reduction in organisational structure.

## 1991-92 Budget

### OVERVIEW

The table below sets out total payments in 1990-91 and estimated expenditure for 1991-92.

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Welfare Support Services .....	667.2	773.4	15.9
Social Security .....	257.4	262.6	2.0
<b>Total .....</b>	<b>924.6</b>	<b>1,036.0</b>	<b>12.0</b>

## Special Recession Support Measures

In recognition of the growing number of families and individuals who have been adversely affected by the worsening employment situation and difficult economic times a special once off Recession Support allocation of \$10 million is to be made available in 1991-92. These additional funds will be used primarily, but not exclusively, to provide direct assistance, support and guidance to non traditional welfare clients, many of whom have never known unemployment and require assistance to support families and meet commitments generated in more favourable financial circumstances.

Specific Recession Support initiatives are -

- the provision of a total of \$4 million in block grants to community based organisations, including Careforce, the St Vincent de Paul Society, Wesley Mission, the Sydney City Mission, the Salvation Army, the Smith Family and Centacare to provide assistance in both urban and rural areas to those individuals and families falling within the target group.
- once-off supplementation of \$2 million to non-government organisations providing emergency cash assistance to those in need. This amount approximates the funding provided by the Commonwealth, which has primary responsibility for this area, in the current calendar year.
- an amount of \$1.75 million to provide mortgage and rent relief assistance to the unemployed. This amount will be in addition to the \$21.1 million already allocated for this purpose in 1991-92 and will be administered through the Department of Housing.
- a total of \$2 million to provide additional support to existing welfare agencies, and
- an amount of \$250,000 to fund a toll free credit line which will provide financial crisis counselling.

In addition to these measures, there will be an exemption from Land Tax granted to approved boarding houses and the introduction of an Outplacement and Retraining Assistance Scheme for displaced Public Sector employees. Further details on these initiatives are provided in Sections 3.2 and 4.3.7 of this document respectively.

## Protection of Children

Funding of \$30.8 million (up \$3.5 million or 12.8 per cent on 1990-91 expenditure) has been provided for projects associated with the protection of children from abuse and exploitation, including child protection projects (\$2.5 million), financial assistance (\$0.5 million) and Child Sexual Assault Program (\$0.8 million).

An amount of \$400,000 has been allocated towards the implementation of recommendations arising from the Child Protection Council's report on the Physical Abuse and Neglect of Children.

## **Substitute Care of Children**

An amount of \$69.6 million (up \$4.7 million or 7.2 per cent on 1990-91 expenditure) for services involving the care of children separated from their parents has been provided in 1991-92. Programs funded include grants to community based residential care organisations (\$13.8 million), child support allowances for foster parents (\$13.7 million) and family group homes (\$1.0 million).

## **Family and Children's Services**

Funding of \$99.6 million (up \$19.9 million or 25.0 per cent on 1990-91 expenditure) has been allocated to assist the community to provide a range of children's services, including pre-school and day care services (\$62.1 million), vacation care (\$2.4 million) and early childhood projects (\$2.7 million).

Additional funds of \$1.9 million will be provided to enable the payment of special needs pre-school subsidies to address the growing demand from people in economic difficulty, from non-English speaking backgrounds and for children with a disability.

An amount of \$11.3 million is provided to assist community organisations working with families to overcome difficulties relating to stress, lack of social support and other factors.

In January 1991, a two year \$1 million program called the Family and Community Development Strategy was established to encourage community funded organisations to move toward an integrated approach to service delivery, including family and community centres.

This program, which will continue in 1991-92, is seen as an innovative approach to co-ordinated service delivery in New South Wales and involves two interconnected strategies -

- Funding of short term development workers to increase access to mainstream community services by people of non-English speaking backgrounds.
- Provision of training workshops and resources to enhance service delivery for families with children and adolescents.

## **Services for Disadvantaged Groups and Communities**

These services are directed at promoting and improving access to local and regional welfare services which enhance the quality and participation in community life of the elderly, the disabled, Aborigines and other disadvantaged groups. Specific funding is also made available to provide financial and other assistance to families and individuals in special need as a result of declared disasters.

An amount of \$88.9 million (up \$15.2 million or 20.6 per cent on 1990-91 expenditure) has been allocated for services to disadvantaged groups and communities with the accent on access to services, integration, independence and equality in community life. Specific provisions include assistance to the disabled (\$7.2 million), community development projects (\$11.0 million) and the provision of financial assistance to the disadvantaged (\$3.0 million).

## Home and Community Care Program (HACC)

The Home and Community Care Program is jointly funded by the Commonwealth and State Governments. The Program is targeted at frail aged people and people with disabilities and their carers, who live in their own homes.

In 1991-92 the Government will provide an increase in recurrent funding of 7.1 per cent for the Home and Community Care Program. Total estimated expenditure in 1991-92 amounts to \$186.9 million (including Community Options of \$13.1 million). The New South Wales State Government contribution will be \$71.5 million, up \$6.3 million on 1990-91.

These funds will enable the maintenance of all existing approved services as well as continued growth in new services.

The 1991-92 State Plan will target persons living in the community who, in the absence of basic maintenance and support services are at risk of premature or inappropriate long-term residential care. The services to be expanded are -

Home Help	- help with cleaning, cooking, banking, washing etc.
Home Maintenance	- changing light bulbs, fixing taps etc as well as arranging certain home modifications.
Food Services	- centre based meals, meals on wheels, neighbourhood buying services.
Community Respite Care	- for those caring for frail aged or younger disabled - giving them respite from that role.
Community Transport	- practical assistance with individual transport needs.
Community Paramedical Service	- for those needing physiotherapy and podiatry at home.
Community Nursing	- for those needing professional nursing attention at home.
Education, Information and Co-ordination	- to keep those who need care, fully informed about availability of services.

Estimated expenditure under the HACC program by the following agencies is -

	\$m
Department of Community Services	49.0
Home Care Service	86.9
Department of Health	34.9
Department of Housing	6.9
Department of Transport	6.1
Local Government Sector	3.1

HACC provides funds to a wide range of support services to assist the target group to continue to live independently and so avoid premature or inappropriate admission to residential care in hostels, nursing homes or hospitals.

The co-ordinating Minister in New South Wales is the Minister for Health and Community Services. The Program is administered through the Departments of Community Services, Health, Housing, Transport and the Home Care Service of New South Wales. The Capital Facilities Program is administered by the Department of Local Government for the expansion of existing facilities and the construction of new facilities.

Non-recurrent funds have been provided for the acquisition of community transport vehicles and for a range of equipment requirements for new and existing projects.

## **Supported Accommodation**

An amount of \$67.5 million (up \$7.2 million or 11.9 per cent on 1990-91 expenditure) will be spent on supported accommodation initiatives in 1991-92.

### **• *Supported Accommodation Assistance Program (SAAP)***

The Supported Accommodation Assistance Program is directed at providing short term, transitional or emergency housing for people in need. Within the overall program there are a number of specific sub programs including those directed at youth, women and the family.

The Supported Accommodation Assistance Program (SAAP) will receive growth funds in 1991-92 of \$3.2 million. The Government is keen to pursue new objectives for SAAP over the next five years. These objectives include developing and expanding models of services to improve the effectiveness and efficiency of existing services, the development of innovative models of service for homeless young people and to establish and evaluate new services to serve isolated and rural areas and to rectify gaps in service delivery.

The program was established on 1 January 1985. New South Wales entered into a new five year agreement with the Commonwealth on 1 July 1989, to continue this program.

High priority groups include -

- Aboriginal people;
- People of non-English speaking background;
- Youth, especially the chronically homeless and young girls at risk;
- Single women, especially young single women with babies;
- Homeless families;
- Homeless people who are drug dependent (while receiving appropriate support from other agencies);
- Homeless people with AIDS;
- Homeless people with physical, psychiatric or intellectual disabilities.

This Program is a joint Commonwealth/State Program which provides assistance to community groups to operate a variety of supported accommodation services and related support services to homeless people in crisis.

Funding will be provided to 377 projects, 134 under the Youth Supported Accommodation Program for crisis youth refuges, medium term supported houses and medium to long term multi-house schemes for young people 12-25 years of age and detached liaising support workers.

An amount of \$0.87 million in recurrent funding will be provided to the St Vincent de Paul Society to run a family crisis service at their Lewisham facility. This Centre can accommodate approximately 70 women and children.

The Women's Emergency Services Program funds 94 services State wide. The majority of these services are women's refuges which provide support for women and children escaping domestic violence. The other services provide accommodation and support for homeless women and children as well as continued support from follow-up workers after leaving the refuge. This includes the Women's Housing Program (WHP) which has a total of 22 schemes located throughout New South Wales.

The General Supported Accommodation Program provides, a range of accommodation services to men, women and their dependants. A total of 94 services are funded.

• ***Youth Social Justice Strategy***

New South Wales, in conjunction with the Commonwealth, has made funds of \$3.21 million available in 1991-92 to continue projects which increase the number and range of accommodation options for homeless young people up to 18 years of age. This funding promotes links between agencies and co-ordinates services with an emphasis on medium to long-term accommodation. The funding will also promote the development of innovative support services that relate to individual needs. A total of 38 services are funded.

**Disability Services**

Funds to the extent of \$222.4 million (up \$20.8 million or 10.3 per cent on 1990-91 expenditure) have been provided for the provision of services for the treatment and care of persons with developmental disabilities.

Strategies will include the provision of an extensive range of accommodation support and community based services for people with disabilities and their families.

In 1991-92 the Department will complete a program to provide community accommodation and support services for 135 adults with disabilities currently residing at Riverglade Centre, Gladesville.

Additionally, a special program to assist staff in the management of clients with challenging behaviour will be extended to the Western and South-Western suburbs of Sydney and to the North Coast area of New South Wales.

The Department is currently finalising a 5 year strategic plan for services to people with disabilities and initiatives resulting from this plan will be considered in the context of the 1992-93 budget.

## **Youth Services**

Funds of \$16.9 million (up \$2.4 million or 16.6 per cent on 1990-91 expenditure) have been provided for the co-ordination and improvement of welfare support services and facilities for employed young people. Major items are the community youth projects and adolescent support programs (\$9.2 million) and the National Campaign Against Drug Abuse (\$1.0 million).

## **Home Care**

The Home Care Service of New South Wales is a statutory authority responsible to the Minister for Health and Community Services through the Director-General of the Department of Community Services.

Estimated total expenditure by the Home Care Service in 1991-92 is \$96.6 million. This is an increase of \$5.3 million on 1990-91 expenditure. The Home Care Service is jointly funded by the Federal and State Governments under the HACC Program. The contribution by the two Governments to total expenditure is \$87.4 million of which New South Wales will provide \$35.4 million.

This year additional funds with a full year effect of \$3.0 million will be provided to Home Care to expand services. This will allow Home Care to provide an estimated additional 107,000 hours of assistance to approximately 1,300 new customers.

The objective of the Home Care Service is to provide consistent, high quality, cost efficient household based support services to frail or at risk aged people, younger people with disabilities, carers and families in crisis.

A separate business unit of the Home Care Service facilitates the development of accommodation options for the aged. This business unit commenced operation in 1990-91 with an injection of State Government funds. In 1991-92 the State Government will provide \$1.5 million for this initiative.

## **Organisational Support**

An amount of \$52.3 million has been provided (up \$22.0 million on 1990-91 expenditure) to provide executive and administrative support for the Department's welfare programs.

The allocation includes \$22.5 million for redundancy payments.

## **Mortgage and Rent Assistance Program**

The Mortgage and Rent Relief Scheme commenced in 1982-83 and assists the States to provide short-term assistance to low-income earners having difficulties in meeting mortgage repayments or private rental accommodation payments. The program was incorporated as a sub-program of the Commonwealth State Housing Agreement in 1984-85. Funds provided are on the basis of dollar for dollar matching by the States. A total of \$21.1 million has been provided for this scheme in 1991-92.

In 1990-91 the Commonwealth withdrew the First Home Owners Scheme and replaced it with the Home Deposit Assistance Program and included it under the Mortgage and Rent Assistance Program as a State delivered program. The scheme provides deposit assistance for home purchase to these in need. Commonwealth funding of \$7.7 million has been provided for this program in 1991-92.

**Social Security**

The social security provision of \$262.6 million includes the following -

- \$43.0 million for payment to Councils in respect of the State's share of concessions on Council rates payable by pensioners.
- \$35.2 million for payment of subsidies to the Sydney and Hunter Water Boards in respect of rebates on pensioners' water rates.
- \$184.4 million for the cost of travel concessions.

## 4.3.5 HOUSING AND COMMUNITY SERVICES

### Background

#### INTRODUCTION

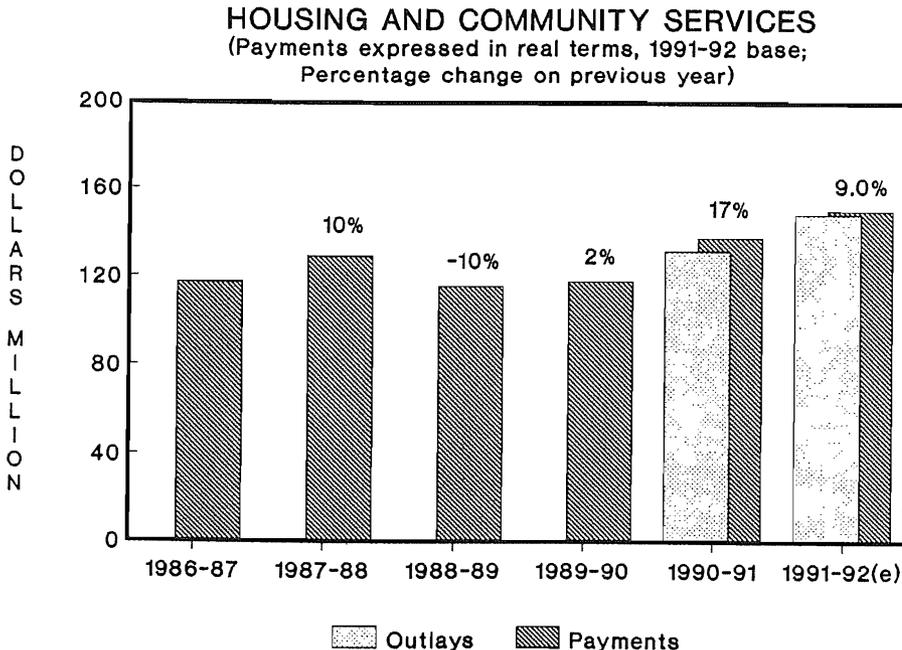
The policy area covers programs related to recurrent assistance provided through the Department of Housing, assistance to local government for water and sewerage schemes, protection of the environment and a number of planning initiatives.

Funding for Housing in the recurrent Budget mainly reflects the on-passing of Commonwealth recurrent payments. In past Budget Papers, total payments of the Department of Housing have reflected the operating costs of public rental housing, including the financing of rental rebates.

The Classification Task Force report identified the Department as a non budget sector entity which is predominantly self-funding in terms of its recurrent budget. Accordingly, the Department's recurrent expenditure is no longer included in the Budget Papers. Support from the Consolidated Fund for various housing initiatives and funding on-passed from the Commonwealth is now shown under an organisation titled "Office of the Minister for Housing".

#### EXPENDITURE TRENDS

Figure 4.9



Over the five years to 1991-92 recurrent payments in the Housing and Community Services Sector will increase by 27.9 per cent in real terms. This substantially reflects increases in the area, Protection of the Environment, relating to expanded community projects and assistance. The 1991-92 allocation represents a further 8.6 per cent increase in real terms which is largely related to initiatives in public housing and home purchase assistance.

## **RECENT DEVELOPMENTS**

### **• Protection of the Environment**

The Ministry for the Environment has progressed the establishment of the Environment Protection Authority to the stage of enabling legislation being presented to Parliament in May 1991. Although it passed the Lower House with amendments it was not debated in the Upper House before Parliament rose for the election. It is intended that the Administration Bill, the first stage of the EPA legislation will be resubmitted to Parliament in the Budget session. A second stage of substantive regulatory reform will be undertaken once the EPA is established to streamline and consolidate the environmental protection legislation in the State.

### **• Planning**

Recent initiatives have been -

- Planning studies in respect to the Murray River and North Coast Heritage.
- Restructure of the Heritage Assistance Scheme to involve a wider range of interest groups.
- Promotion and Development of Urban Consolidation Policy.
- Preparation of a Regional Environmental Plan for the City West Urban Strategy and major release areas.

## **KEY ISSUES AND STRATEGIES**

### **• Protection of the Environment**

The Environment Protection Authority is expected to be established during the 1991-92 financial year. The establishment of the Authority will involve the amalgamation of existing environmental regulatory functions and the provision of additional resources to enhance policy development, standard setting and monitoring.

The current source of funding for the functions to be undertaken by the Authority (including the State Pollution Control Commission and the Waste Management Authority) will be redirected to the Consolidated Fund.

## 1991-92 Budget

### OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Housing .....	22.8	31.7	+ 39.0
Water and Sewerage .....	23.5	22.3	(-) 5.1
Protection of the Environment .....	86.6	96.0	+ 0.8
<b>Total .....</b>	<b>132.9</b>	<b>150.0</b>	<b>+ 12.8</b>

### HOUSING

An amount of \$23.6 million has been made available to the Department of Housing to meet recurrent expenditures under this policy sector. These include the following -

- Initiatives in public housing and home purchase assistance for which the Department will meet associated conveyance, stamp duty and land tax payments totalling \$13 million. This amount is an \$8.5 million increase on last year's expenditure and reflects the cost of tax concessions associated with the Rent Buy Scheme and the Public Equity Partnership Arrangement for use of private sector funding to expand the availability of public housing.
- An allocation of \$6.9 million for the Department's share of the Home and Community Care Program.

### WATER AND SEWERAGE

#### Country Towns Water Supply and Sewerage

This program assists local government in providing safe and adequate water supply and sewerage schemes and associated services in areas not serviced by water boards.

The 1991-92 allocation of \$22.3 million covers the provision of program management services by the Government (\$6.9 million), payment of alternative funding, septic tank pump-out and debt charge subsidies (\$14.3 million) and statutory testing and investigation services (\$1.1 million).

## **PROTECTION OF THE ENVIRONMENT**

### **Public Works Department**

This policy sector covers services provided under the following programs in the allocation to the Minister for Public Works -

- Coastline Hazards
- Floodplain Management
- Estuary Management

The 1991-92 allocation of \$14.6 million provides for the cost of program management services by the Government (\$7.7 million) and the maintenance of public assets (\$6.5 million).

## **DEPARTMENT OF PLANNING**

Expenditure of \$25.2 million for the promotion and co-ordination of environmental planning and assessment, including \$8.5 million for Area Assistance Schemes is planned for 1991-92. The Area Assistance Schemes operate in Western Sydney, Hunter, Illawarra, Macarthur and Central Coast areas of the State. The funding for the scheme in these areas is to be maintained and the scheme is being extended to the North Coast region in 1991-92. Additionally, the Budget includes provision to meet the ongoing costs of projects initially established under these schemes in previous years. Effective from 1991-92 onwards, other than for previously approved projects, there will not be funding provided to agencies for ongoing support of projects. Any recurrent funding for projects, beyond their initial establishment phase, will need to be provided by the community or from within the existing allocation of the relevant agency. It will be important for the issue of ongoing funding arrangements to be reviewed at an early stage for each project.

Development of Geography Information System for the Coastal Region is to commence during 1991-92.

A comprehensive review of planning delegations is to be undertaken during 1991-92 with a view to devolving as far as practicable to local government.

### **State Pollution Control Commission**

An amount of \$30.2 million will be made available to the Commission in 1991-92, an increase of 17.5 per cent over 1990-91. The activities of the Commission will be fully incorporated into the proposed Environment Protection Authority which is expected to become operational during 1991-92.

## 4.3.6 RECREATION AND CULTURE

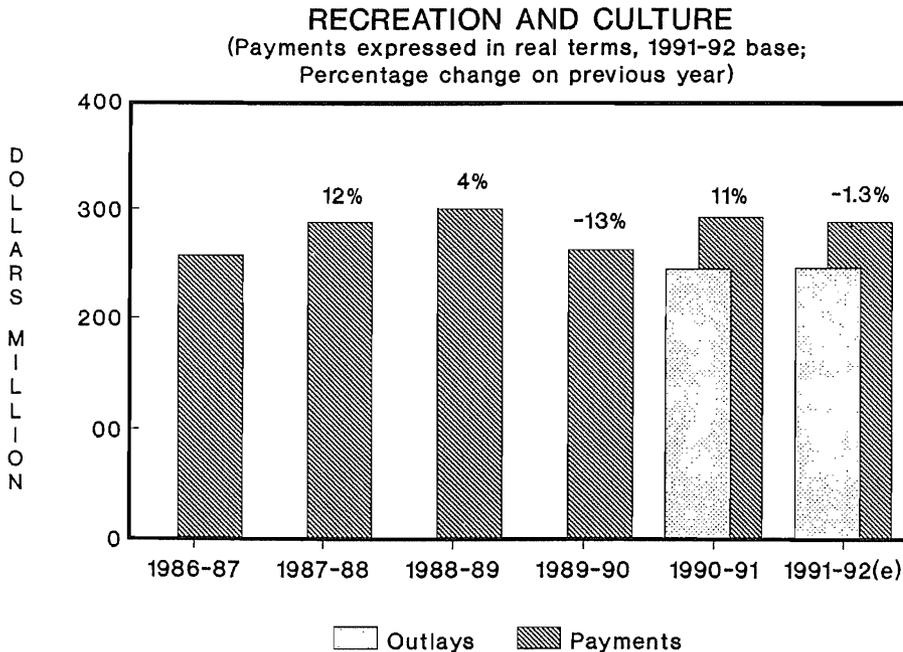
### Background

### INTRODUCTION

Funding is provided under this policy area to meet the cost of Recreation Facilities and Services, together with Cultural Facilities and Support of the Arts. The area includes funding for the cost of mounting Sydney's bid for the Olympic Games, the Department of Sport, Recreation and Racing, the Tourism Commission, the National Parks and Wildlife Service, Royal Botanic Gardens and Domain Trust, Bicentennial Park Trust, Centennial Park Trust and the Ministry for the Arts, inclusive of the State's cultural institutions.

### EXPENDITURE TRENDS

Figure 4.10



Total payments for Recreation and Culture will increase by 12.4 per cent in real terms over the five year period to 1991-92. The increase reflects the staffing and operating costs of the Powerhouse Museum, and of a number of redeveloped cultural institutions including the Art Gallery, the Australian Museum and the State Library.

## **RECENT DEVELOPMENTS**

### **Department of Sport, Recreation and Racing**

Work has been completed on the second and third floors of the Wentworth Park grandstand. These have been developed to accommodate State sporting associations, which transferred from outdated premises in Gloucester Street in the city. The move to Wentworth Park in September 1991, provided sporting associations with more modern office facilities and accommodation, as well as improved access and parking.

Licences administered by the Department have been completely reviewed and rationalised.

A Rugby League Academy has been completed at the NSW Academy of Sport with funding provided by the New South Wales Rugby League.

The Metropolitan West Regional Office of the Department has been relocated to Parramatta Stadium.

The method of management of the Sports Medicine Centre has been revised and reformed.

The motor racing circuit at Eastern Creek has become operational. The Department facilitated financing for the racing circuit's construction, to enable the running of the Australian Motor Cycle Grand Prix in New South Wales.

A \$2 million loan facility was provided through the State Bank in 1990-91, towards the cost of construction. The interest cost was subsidised through the Sport and Recreation Fund.

A computerised racing taxation system is being developed to assist in the collection and protection of racing revenue. It will also provide detailed statistics on the racing industry and be the most advanced racing taxation system in Australia, with potential for marketing to other States.

The operation of the Sporting Grounds Improvement Fund has been thoroughly revised with a view to more effective utilisation of available funds.

Various Acts relating to racing operations are in the course of review and legislative amendments will be recommended to accommodate new initiatives.

### **Tourism Commission**

Another successful marketing year - the first year of the 1990-91 to 1992-93 Marketing Strategy - was completed by the Commission which aims to encourage tourists to visit the State. Private sector support towards Commission funded projects was approximately \$4 million, which includes the Sydney Convention and Visitors Bureau.

Increased advertising expenditure by the Commission has led to a higher profile for NSW tourism. Some 400,000 travel brochures on NSW products were distributed to consumers. Over 570,000 enquiries were handled through the Commission's Travel Centres in Sydney, Melbourne, Brisbane and Adelaide. These Centres sold \$8.4 million of NSW travel products in 1990-91, an increase of 30 per cent over the previous year.

At 30 June 1991, ninety-nine (99) of the one hundred and fourteen (114) recommendations in the NSW Tourism Development Strategy had been implemented or are to be implemented as Government policy.

### **National Parks and Wildlife Service**

During 1990-91, the Service finalised its Corporate Plan for the 1991-94 triennium. The Plan identifies the key internal and external issues confronting the Service and formulates a range of strategies to address these issues.

During the year the process of implementing accrual accounting principles was activated. Tasks commenced included a major upgrading of the existing financial management system, commencement of the identification and valuation of infrastructure assets and the determination of employee related liabilities.

### **Parks and Gardens Trusts**

The Centennial Park Trust took over the management of E. S. Marks Field in 1990-91. With the acquisition of Moore Park in 1989-90, this has meant that the area under the control of the Trust has virtually doubled and has led to a major re-assessment of the Trust's organisational structure.

The continual development of the cycle/pedestrian network has meant that Bicentennial Park now has one of the most extensive cycle/pedestrian pathways in Sydney with a total length of 7.6 kilometres.

The Royal Botanic Gardens and Domain Trust's Sydney Tropical Centre was opened in September 1990. This building comprises the Arc and Pyramid Glasshouses.

### **Ministry for the Arts**

In 1990-91 a new formula was introduced for the disbursement of public libraries funding which streamlined the application process and increased the effectiveness of the available funds.

With the devolvement of recurrent building maintenance from the Public Works Department to individual agencies, a review of existing systems and resources available for asset maintenance was undertaken. This resulted in the development of an asset maintenance plan for landmark cultural buildings.

The Archives Authority moved the Records Management Office and the Government Records Repository off-budget in 1990-91 as the first step towards possible commercialisation of these functions.

The Hyde Park Barracks was transferred to the Historic Houses Trust as part of the consolidation and diversification of the Trust which now incorporates a public buildings division.

## **KEY ISSUES AND STRATEGIES**

### **Department of Sport, Recreation and Racing**

In the context of limited finances the broad strategy in 1991-92 to address the needs and demand for services will be by the rationalisation of resources, the targeting of activities towards those most in need and continued encouragement of and co-operation with private enterprise in the provision of programs and facilities.

### **Tourism Commission**

Through the finalisation of the Commission's Corporate Plan and a review of its organisation structure, the Commission has been able to identify the issues and strategies needed to be addressed across all functions. Some of these issues and strategies include -

- protection of the New South Wales share of tourism through integrated marketing campaigns;
- promotion of awareness of the importance of tourism to the New South Wales economy through focused awareness campaigns involving government, business and community leaders;
- facilitation of the growth of private sector tourism industry through assistance and advice to private sector operators; and,
- ensuring visitor information on New South Wales is readily accessible through a computerised information network and supply of appropriate literature.

### **National Parks and Wildlife Service**

Significant issues to be addressed in 1991-92 by the Service include the development and implementation of -

- Natural Heritage and Cultural Heritage Conservation strategies;
- strategies to provide and manage appropriate public use opportunities within the Service's park and reserve system, consistent with sound heritage conservation principles;
- the development of a more realistic pricing policy in respect to park entry and park use fees;
- effective financial planning and budgetary controls at all levels;
- a complete Information Technology strategy to provide for the effective co-ordination and control of service delivery; and
- application of performance management systems at all levels.

## Parks and Gardens Trusts

The Trusts will be pursuing activities which develop awareness of their operations. These will include the development of educational programs by the Royal Botanic Gardens and the continuation of development opportunities which will increase and diversify the revenue base of the Centennial Park Trust.

## Ministry for the Arts

With growing pressure on the State's budgetary position, it has become increasingly important for the Arts to develop and maximise alternative sources of revenues and achieve continued productivity improvements.

The Government has indicated to the State's exhibiting institutions that admission charges may be introduced as a source of additional revenues, although there remains the option to maintain free admissions if increased savings can be achieved or other user charges applied more effectively.

The Ministry's emphasis on asset management, reflected in the development of asset maintenance plans for those institutions occupying landmark heritage buildings, will ensure the conservation of those buildings, maximise their economic life and assist towards optimising the income streams generated by those institutions.

## 1991-92 Budget Highlights

### OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Olympics 2000 Bid .....	0.7	6.6	+ 843.0
Recreation Facilities and Services .....	152.9	146.7	(-) 4.0
Cultural Facilities and Support of the Arts .	129.1	135.5	+ 5.0
<b>Total .....</b>	<b>282.7</b>	<b>288.8</b>	<b>+ 2.2</b>

### Olympics 2000 Bid

An allocation of \$6.6 million has been provided as the Government's contribution in 1991-92 towards the cost of mounting Sydney's bid for the Olympic Games in the year 2000. It is estimated that total funding of \$20 million will be required to mount the bid and financial support will be sought from the public and the corporate sector.

To enhance Sydney's prospects, a new Aquatic Centre and Athletics Centre will be constructed at Homebush Bay at a cost of \$300 million. An allocation of \$60 million has been included in the 1991-92 Capital Program for commencement on these works.

## **DEPARTMENT OF SPORT, RECREATION AND RACING**

A total amount of \$38 million will be made available to the Department of Sport, Recreation and Racing for the purpose of encouraging individual fulfilment within the community through participation in sporting and recreational activities and fostering community esteem through excellence in sporting performance. Major features of the Department's 1991-92 allocation include -

- \$19.7 million to encourage participation in sport and recreation.
- \$9.1 million towards excellence in performance of New South Wales competitors in sporting events.
- \$4.1 million towards implementation within the community of safe practices in sport and recreation.
- \$1.6 million towards the conduct of learn to swim classes for all sectors of the community.

The total allocation of \$38 million includes \$13.2 million for the Sport and Recreation Fund.

This Fund supports and develops sporting and recreation facilities within the State and includes \$3.76 million for the capital assistance program. While the 2 July Financial Statement announced the Government's intention to suspend the Fund due to the State's budgetary difficulties, it was subsequently decided to maintain the Fund.

## **TOURISM COMMISSION**

An amount of \$25.5 million will be made available for the purpose of promoting and developing tourism to and within New South Wales, and also for co-ordinating the development of ventures relating to tourism. Major features of the Tourism Commission's 1991-92 allocation include -

- \$4.4 million for the provision of tourist information and sale of travel.
- \$3.0 million for relaunch of NSW "Larger Than Life" marketing program with a new advertising strategy, and a further \$1.5 million support from industry.
- \$1.3 million for the Sydney Convention and Visitors Bureau.
- \$0.4 million for the provision of grants to approved regional tourist associations for information centre services.

- \$1.0 million for a special Sydney marketing campaign with a further \$1.0 million support from industry.
- \$330,000 for the extension of "Sydney and Beyond" international product marketing initiatives, with a further \$0.9 million support from industry.
- \$375,000 for the establishment of a body to facilitate special events for New South Wales.
- \$200,000 for the preparation of a Tourism Master Plan.

### **NATIONAL PARKS AND WILDLIFE SERVICE**

Funding will enable the Service to continue its program of providing quality natural and cultural heritage experiences within the park estate.

A significant portion of the Service's budget will be allocated to achieving the goals of improving management performance and development across the organisation.

One of the most significant self-funded enhancements in 1991-92 is the implementation of accrual accounting. Although some limited budget funding was received, the Service will fund from its own sources further essential refinements - as well as ongoing staff training - that will be necessary for full conversion to accrual accounting.

Other significant in-house enhancements for 1991-92 include the funding of pest control, fire management and occupational health and safety programs.

### **PARKS AND GARDENS TRUSTS**

An amount of \$1.0 million has been made available for the maintenance and development of Bicentennial Park.

Funding of \$14.7 million has been provided for maintenance of the Royal Botanic Gardens, the National Herbarium, the Domain, and Mount Tomah and Mount Annan Gardens.

An amount of \$5.3 million has been made available for the management of Centennial Park, Moore Park and E.S. Marks Field.

### **CULTURAL FACILITIES AND SUPPORT OF THE ARTS**

Total funding of \$135.5 million has been provided in this area and includes

- \$16.3 million for the Australian Museum
- \$23.9 million for the Museum of Applied Arts and Sciences
- \$3.3 million for the Archives Authority

- \$16.7 million for the Art Gallery
- \$3.0 million for the New South Wales Film and Television Office
- \$12.6 million for the annual endowment to the Sydney Opera House Trust.
- \$9.3 million for grants to be made in support of cultural, literary, musical, dramatic and artistic activities.
- \$39.1 million for the State Library.
- An additional \$138,000 in 1991-92 and \$240,000 in 1992-93 will be provided to the Historic Houses Trust for exhibition development on the First Government House project. The project has been financed from the sale of development rights for this historical site.

## 4.3.7 ECONOMIC SERVICES

### Background

#### INTRODUCTION

The Economic Services policy area is divided into four policy sectors -

- The Agriculture, Forestry and Fishing Sector consists of the Department of Agriculture, Office of Fisheries, Department of Conservation and Land Management (Soil Conservation), Department of Water Resources and Rural Assistance Authority.
- The Mining, Manufacturing and Construction Sector encompasses minerals policy, licensing activities, engineering and construction services to the community and energy utilisation and management.
- Transport and Communication, includes the Roads and Traffic Authority, Department of Transport and subsidies to the various transport authorities.
- Finally, there are a number of other activities such as the Department of Industrial Relations, Employment, Training and Further Education, the Department of State Development and the Department of Conservation and Land Management (Other Activities).

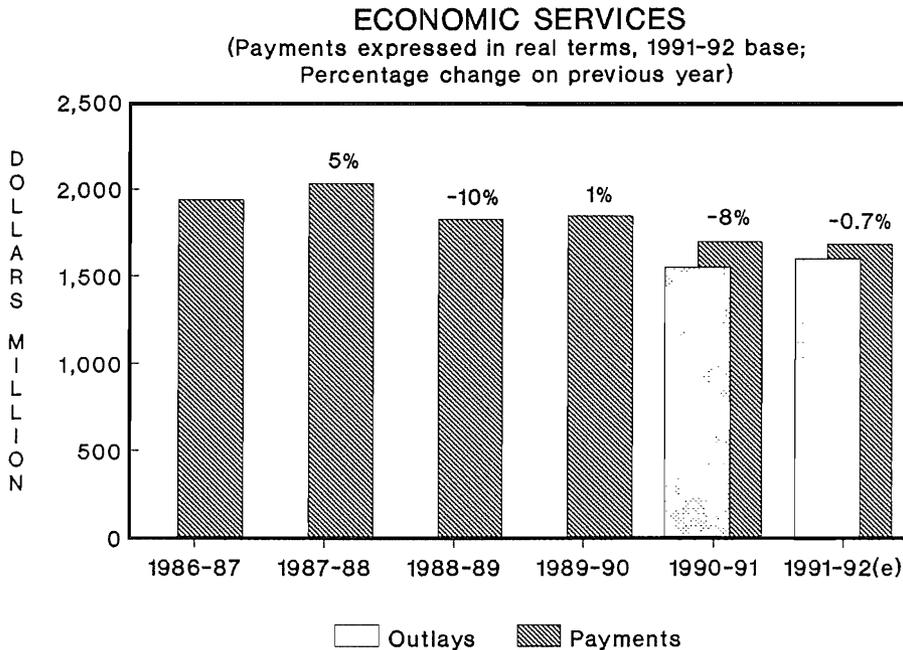
#### EXPENDITURE TRENDS

Over the five years to 1991-92 payments in the Economic Services area will decrease by 13.1 per cent in real terms.

By definition the Economic Services area, which provides economic services to specific areas of the community, is capable of greater application of the user pays principle and hence a higher level of self financing. Already initiatives have commenced in this area to place certain activities on a more commercial basis by the application of user charges, with receipts retained by agencies.

The Departments of Water Resources, Agriculture, Conservation and Land Management and the Office of Fisheries amongst other bodies, are introducing more self funding arrangements. Accordingly, payments for Economic Services from the Consolidated Fund are likely to decline in the future reflecting greater financial self-sufficiency in these areas.

Figure 4.11



## RECENT DEVELOPMENTS

### Agriculture

Significant recent developments include -

- Continued transfer of all Head Office functions of the Department to Orange, with new facilities ready for occupation in December 1991.
- Establishment of the Elizabeth Macarthur Agricultural Institute at Camden.
- Provision of a range of relief to areas and victims of extreme flooding, fire and droughts.
- Increased involvement with the private sector through Agsell so as to increase investment in the value-adding processing of agricultural products before export.
- Involvement of the private sector in various activities of the Department to promote and enhance available resources.

- Commercialisation and/or discontinuation of some activities outside Department's primary functions.

## **Fisheries**

Significant recent developments include -

- Creation of autonomous agency from 1 July 1991.
- Introduction of management plans for East Coast Prawn Trawl and Abalone Fisheries.
- Comprehensive review of fisheries legislation and regulation.
- Introduction of oyster lease data base.
- Continued research on North Coast rivers, investigating the effects of recreational and commercial fishing on fish stocks and loss of fish habitat.
- Negotiations with Australian Fisheries Service in Canberra on introduction of quotas in South East Trawl.

## **Rural Assistance Authority**

At 30 June 1991 the Authority had completed its second year of operations, after it assumed the functions of the former Rural Assistance Board and the Rural Industries Agency of the State Bank from 1 July 1989.

In view of the unprecedented number of natural disasters the main priority of the Authority will be the continued provision of relief assistance to primary producers.

## **Department of Water Resources**

Commercialisation of River Operations activities was introduced as from 1 July 1990. These activities involve the operation of rivers and regulation of flow from major water storage areas in order to supply the requirements of various downstream users. In recognition of the wider community interest in flood mitigation, recreational and environmental aspects, the government contributes 30 per cent of the cost of operations.

## **Department of Conservation and Land Management**

The Department of Conservation and Land Management, which was recently created, is responsible for advocating and leading the conservation and sustainable use of the State's land and forest resources by balancing the needs of the land, providing management services and maintaining natural resource information systems. The Department is an amalgamation of the former Department of Lands and Soil Conservation Service. At a later date, the Forest Division of the Forestry Commission, Land Titles Office and Valuer General's Department are to be included.

## Subsidies to Transport Authorities

Major developments in 1990-91 for the SRA included -

- continuation of SRA downsizing program with 2,240 (8 per cent) reduction in staff levels. This follows reductions of 4,271 (13 per cent) in 1989-90 and 3,604 (10 per cent) in 1988-89, making a total reduction over the three years of 10,115 (27 per cent);
- reduction of SRA's cash operating expenditure in 1990-91 by \$45 million in real terms and, relative to 1987-88, by \$314 million, both in 1990-91 prices. The cumulative savings over the three year period are \$728 million;
- reduction in the Government's cash contribution to SRA (for non-commercial payments and operating losses) by \$6 million in real terms and down by \$180 million relative to 1987-88, in 1990-91 prices. The cumulative saving over the three years, in real terms, is \$375 million;
- introduction of SRA community service obligation contracts with the Director General of the Department of Transport which took effect from 1 July 1991;

Major developments for the State Transit Authority include -

- reduction in employee members. The workforce has been reduced by a further 512, or 9.4 per cent;
- two additional Jet-cat vessels were introduced into the Manly-Circular Quay Service. The hydrofoils were retired from service;
- improved operating efficiency -
  - reduction in bus fleet size
  - increased fare protection activity
  - service reviews concluded on many routes
- conclusion of a contract with Department of Transport for the provision of community service obligations.

Major developments for the Maritime Services Board include -

- decline in the MSB's expenditure in 1990-91 by 13.6 per cent in real terms. This brings the reduction in expenditure since 1988-89 to 21.2 per cent in real terms; and
- increase in the number of tonnes handled through NSW ports per MSB employee by 63 per cent in the past year.

## **Department of State Development**

From 1 July 1991 State Development's economic services role was broadened by the transfer to it of responsibilities of the Business Support Unit, which was previously part of the former Business and Consumer Affairs agency. A fundamental review of programs is also being undertaken to enhance the new and enlarged Department of State Development's role of encouraging business development and competitiveness, and assisting business to locate and expand throughout the State.

State Development is committed to sustainable, dynamic business development for New South Wales in an international economy. This commitment is fostered through maintaining the lead for New South Wales in Australia and in the Asia/Pacific Region, by attracting, promoting and encouraging strategic, beneficial business for the State.

## **Department of Consumer Affairs**

The Department was formed on 1 July 1991 following changes to the machinery of Government. Major developments during 1990-91 under the former Department of Business and Consumer Affairs were -

- Proposals for uniform Consumer Credit legislation adopted by the Federal/State Standing Committee of Consumer Affairs Ministers in December 1990. A Credit Bill has consequently been drafted, and was released for public discussion earlier this month.
- The Building Disputes Tribunal was launched. It provides a low cost mechanism for housing claims and building matters.
- The Business Licence Administration Service (BLAS) commenced issuing master licences under the service station pilot scheme in May 1991. Under the master licence system businesses will be able to deal with a single authority in respect of Government requirements for operation of a business. Legislation was passed in November 1990 to enable the gradual phasing-in of master licences in other industries. The timing of the change over will depend on the completion of a new computer system to link BLAS with the various regulatory agencies.

The Business Licence Information Service (BLIS) is continuing to provide information on all Government licensing requirements and licensing regulations. BLIS won a Gold Award for technology in Government in 1990.

## **Department of Industrial Relations, Employment Training and Further Education**

During 1990-91, responsibility for the newly constituted Board of Adult and Community Education was transferred to the Department from the TAFE Commission. Responsibility for Adult Migrant English Education Services was transferred to the Department from the former Ministry of Education and Youth Affairs.

During the year stage one of the Public Sector Job Evaluation Project, which involved the preparation of benchmark descriptions and evaluations of approximately 1,000 public sector jobs as a necessary part of implementing the "Structural Efficiency Principle", was commenced.

The 1990-91 year also saw the enactment of industrial relations legislation to encourage employers and employees to jointly determine their conditions of employment through enterprise agreements and to provide for individual access to the industrial tribunal in the case of alleged unfair dismissal.

The Department implemented an enhanced range of skills training and employment generation projects during the year, in response to the deteriorating labour market conditions occurring as a result of the national economic recession. The programs are directed towards improving and consolidating vocational skills in those occupations likely to be in demand during the next two years.

The Department has actively sought to implement restructured vocational training arrangements. Apart from legislation to establish an independent vocational training accreditation authority (the Vocational Education and Training Accreditation Board), the Department has finalised recognition of a network of tripartite industry-level advisory bodies under the umbrella of the Industrial and Commercial Training Council. The Department has also participated in the national Review of Post-Compulsory Education, and joint State/Federal discussions on a competency-based vocational training system, mutual recognition in professional occupations, and government responsibilities and delivery of training and labour market programs.

### **Department of Mineral Resources**

The Department is a member of the Australian Minerals and Energy Council Working Groups investigating ecologically sustainable development; access to land for exploration and mining; the economic implications of expanding the National Park estate; and the State's Greenhouse Effect Strategy.

The Department has co-ordinated a number of industry task forces commissioned to investigate ways of increasing the level of mining and value adding processing in New South Wales. These strategic studies were -

- The Metallic Minerals Development Strategy
- The Industrial Minerals Development Strategy
- The Minerals Processing Development Strategy
- The Coal Development Strategy

## **KEY ISSUES AND STRATEGY**

### **Agriculture**

The key issues to be addressed include: increases in productivity, profitability and sustainability of agricultural industries; assistance with maximising opportunities for the development of these industries; and management of resources to protect the environment, consumers and long-term industry viability.

The strategies adopted by the Department to deal with these issues have been developed and included in a Strategic Plan with appropriate policies for action. They broadly involve continued research, advisory services and marketing services; as well as management improvement and continued review of functions for commercialisation.

## **Fisheries**

The key issues and strategies to be addressed include: the development of a corporate and strategic plan to maximise the efficiency and effectiveness of the Office of Fisheries; implement the necessary research to assist in the introduction of management plans to halt the decline in fish stocks and to ensure the recovery of inland, estuarine and offshore fish stocks; review the cost of operating the licensing and leasing functions; and to maintain control of the Pacific oyster.

## **Rural Assistance Authority**

The key issue is to maintain an efficient and effective delivery of rural assistance measures to the primary producers of New South Wales.

## **Water Resources**

Key issues include (i) the sustainable development of the water resource (via projects such as Total Catchment Management, the Natural Resources Management Strategy, Water Quality Research and Management, Drainage and Salinity works and the State Rivers Policy), and (ii) the introduction of business like practices and improved customer services - assisted for example by the creation of Irrigation Management Boards.

## **Department of Mineral Resources**

The Department's Corporate objectives flowing from its mission are -

- To further the State's economic development through the minerals sector.
- To encourage and advance the exploration for and assessment of the mineral resources of New South Wales.
- To promote the safe, responsible, effective and efficient production and use of minerals.
- To ensure a quality service to the Minister, Government, industry and the community and to provide support services to affiliated and associated organisations.
- To develop and maintain a highly skilled, motivated and professional workforce in a responsive, fair and business like organisation.

## **Office of Energy**

The Office of Energy was recently created and its role is to promote the responsible development, management and utilisation of the energy resources of the State.

## **Transport Authorities**

In accordance with the commercialisation of the Authorities and the explicit recognition of non-commercial services carried out by the Transport Authorities at Government direction, formal contracts have been established between the Director-General of Transport and the Transport Authorities in respect to community service obligations.

These contracts specify the services to be provided, the quantum of Government funding and relevant service standards and performance indicators. It is intended that this will improve the transparency and certainty of the Government/Authority relationship.

In addition, the capital program of the SRA Passenger Services is being reviewed with the objective to properly assess the relationship between the program and the achievement of operating economies.

The option of corporatising the State Transit Authority is still being reviewed. Consistent with its commercial charter, the Authority is working towards achieving a similar level of operating efficiency as the private sector.

## **Department of State Development**

A Fundamental Review of Programs is being undertaken by State Development during the second half of 1991. The Review will redefine State Development's key business activities and objectives, the restructuring of operational programs and activities and will result in a more effective allocation of resources and delivery of services.

Implementation of the Fundamental Review will enhance opportunities for maintaining NSW's position as a leading economy in the Asia/Pacific Region.

Subject to the outcome of this review, likely key issues will include:

- Integration of the Industry Sector Strategies that have previously been developed into a broad economic development strategy.
- Providing business economic advice to the Government and business agencies.
- Coordinating and providing key input to the reform of the public sector planning and approval process.
- Providing critical cross-agency management of major projects.
- Overcoming impediments to private sector participation in public infrastructure.
- Resourcing Regional Economic Development Councils and activities in the Hunter, Illawarra, South East/ACT and Western Sydney regions;
- Implementing and promoting a package of measures aimed at improving business competitiveness.

- Services to small business to link business clients with specialists in the public sector to improve the overall competitiveness of this sector.

## Department of Consumer Affairs

The review of consumer law is continuing, especially with the introduction of legislation reforming consumer credit laws. Options papers are being prepared in relation to door-to-door sales and lay-by sales. These papers will be released to encourage public discussion.

Uniform consumer credit legislation will be introduced which will take account of views expressed by the public on the draft Credit Bill which was recently released for discussion.

Co-operation with the Commonwealth is also continuing in regard to adoption of uniform consumer affairs standards.

A fundamental review of the Department's programs is being conducted to ensure efficient and effective service delivery.

## 1991-92 Budget

### OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Agriculture, Forestry and Fishing .....	333.5	343.3	+ 2.9
Mining, Manufacturing and Construction ..	159.1	128.0	(-) 19.5
Transport and Communication .....	977.7	1,009.5	+ 3.3
Other Economic Services .....	188.4	203.5	+ 8.0
Total .....	1,658.8	1,684.4	+ 1.5

## AGRICULTURE, FORESTRY AND FISHING

The following are some of the major allocations within this category -

- \$53.6 million for plant industry programs which are concerned with pastures and all field and horticultural crops, including the regulation of plant imports and exports. The allocation provides for the costs of research into crop diseases, pests, nitrogen deprivation in soils and other applied research, including safety and quality standards for fertilisers and cereals;

- \$42.2 million for animal industry programs, including the modified cattle tick control program and the Tuberculosis and Brucellosis Eradication campaigns. The State's involvement in these schemes is continuing to decrease due to the success of the eradication campaigns and the implementation of new control procedures;
- \$40.2 million for Support Services which comprises advisory services, grants to promote the advancement of agriculture and agricultural education, marketing services to improve performance by advice on commodity prospects, economic conditions and the development of agricultural prospects overseas;
- An amount of \$556,000 will be provided in 1991-92 under a State Rural Adjustment Scheme which is specially for cereal growers, i.e. growers of wheat, barley, triticale, ryecorn or rice crops;
- \$16.9 million for fish industry programs including \$380,000 for shark meshing of beaches;
- \$8.9 million for the Department of Conservation and Land Management to provide services for the benefit of the community in the areas of conservation of soil and farm water resources and rehabilitation of degraded lands. The allocation provides for the continuing restoration of Throsby Creek near Newcastle.
- \$98.4 million for the recurrent costs of the Department of Water Resources for management of the State's water resources, including maintenance and operation of major water storage areas, monitoring and regulation of stream flows and subsidy to irrigation areas. The allocation includes -
  - \$9.1 million as the State's share of the cost of the Murray Darling Basin Commission;
  - \$35.2 million for debt servicing costs of the Department of Water Resources capital borrowings;
  - \$2.2 million for the State's contribution towards the cost of the recently commercialised River Operations activities;
  - \$11.6 million for the State's subsidy to the Irrigation Areas and Districts; and
  - \$3.1 million for the State's contribution to Commonwealth water resources programs.
- Public good contribution to the Forestry Commission in 1991-92 will be \$14.2 million. This represents payment for the non-commercial services provided by the Commission on behalf of the Government, which include -
  - Wood technology services

- Wildlife and flora reserves
- Catchment management
- Recreational use of Forests
- Community fire protection
- Advisory services

## **MINING, MANUFACTURING AND CONSTRUCTION**

### **Department of Mineral Resources**

The Department's 1991-92 Budget allocation is \$36.2 million. The major expenditure will be incurred on operating costs. Other features are -

- \$2.3 million for the State's share of the costs of administration of the Joint Coal Board;
- \$1.3 million grant to the Geological and Mining Museum Trust;
- \$125,000 for primary and emergency rehabilitation of mined areas to eliminate danger to the public; and
- \$500,000 as special assistance to help clear the backlog of mining license and lease applications.

### **Office of Energy**

Major features of the Office's 1991-92 Budget allocation of \$50.1 million include -

- \$5.6 million to help under-privileged families, unemployed and low income earners meet electricity charges;
- \$7.3 million for the remote area power assistance scheme;
- \$3.6 million to County Councils in respect of concessions on electricity charges for pensioners;
- \$449,000 for the rural subsidy scheme;
- \$8.4 million for Central Darling Zone electrification;
- \$5.9 million special assistance to Councils; and
- \$6.8 million for energy research and development.

## TRANSPORT AND COMMUNICATION

The direct budget funding for transport service is as follows -

### Payments for Transport Services

	1990-91 Actual \$m	1991-92 Estimate \$m	% Change \$m
<b><u>Operating Subsidies</u></b>			
. SRA - City Rail	156.3	97.4	(-) 37.7
- Country Link	45.6	12.4	(-) 72.8
- Freight	...	12.9	n.a.
. STA	...	...	...
Sub total	<u>201.9</u>	<u>122.7</u>	(-) <u>39.2</u>
<b><u>Payment for Non Commercial Services</u></b>			
. SRA (1) - City Rail	135.5	175.8	+ 29.7
- Country Link	90.7	71.9	(-) 20.7
- Freight	87.2	124.6	+ 42.9
. STA (1) and (3)	231.7	227.0	(-) 2.0
. DOT (1)	241.5	268.9	+ 11.3
Sub total	<u>786.6</u>	<u>868.2</u>	+ <u>10.4</u>

	1990-91 Actual \$m	1991-92 Estimate \$m	% Change \$m
<b><u>Redundancies and Other</u></b>			
. Redundancies - SRA	133.7	134.0	+ 0.2
- STA	29.9	40.7	+ 36.1
. Superannuation - SRA	10.6	8.0	(-) 24.5
- STA	14.0	...	n.a.
Sub total	<u>188.2</u>	<u>182.7</u>	(-) <u>2.9</u>
Total	<u>1,176.7</u>	<u>1,173.6</u>	(-) <u>0.3</u>

(1) Includes subsidies for specific user groups reflected in other policy areas as follows -

Education \$363.9 million, Welfare \$184.4 million and Law, Order and Public Safety \$5.0 million.

(2) From 1991-92 the Crown has assumed responsibility for debt cost.

(3) The STA will be paying a dividend of \$58.4 million to the Government in 1991-92.

The above table provides information on all payments for transport services, including those payments that reflect in other policy areas.

In aggregate transport service payments are projected to decrease by 0.3 per cent.

The major features of the payments for transport services are -

- ***real decline in operating subsidies and payments for non commercial services***

SRA operating subsidies are projected to decline by 39.2 per cent, a real decline of \$86 million.

In part this decline reflects a change in method of assessing the level of operating subsidies and the costing of payments for non commercial services and hence it is more appropriate to consider the movement in the total level of Government payments. Total payments to SRA for both operating losses and for non commercial services are projected to decline 4 per cent or by \$38 million in real terms.

For the State Transit Authority, comparison between the two years is complicated by the change in approach to funding community service obligations (CSOs). For 1991-92 the payments for non commercial services have been restructured to reflect -

- an increase in funding to cover accrual costs such as for superannuation and depreciation. Previously the STA was only funded for cash costs.
- the provision of a payment for the return on assets.

The underlying philosophy for the restructure of the STA payments is to place the STA on a commercial basis in order to facilitate future corporatisation and competition with private sector bus operators.

When the 1991-92 CSO payment is placed on the same cash basis as for 1990-91, the level of payment is projected to decline by 2.0 per cent or by \$4.7 million in real terms.

Over the longer period, both the SRA and the STA have achieved substantial real savings as illustrated in the table below -

**Table 4.4: SRA and STA Operating Costs and Government Contribution  
1991-92 Prices**

	1988-89 \$m	1989-90 \$m	1990-91 \$m	1991-92 \$m	1992-93 \$m	1993-94 \$m
<b><u>SRA</u></b>						
Operating costs	1,851	1,719	1,673	1,598	1,516	1,491
- per annum savings since 1987-88	150	282	328	403	485	510
Government Contribution	703	543	537	495	408	345
- per annum savings since 1987-88	22	182	188	230	317	380
<b><u>STA</u></b>						
Operating Costs	440	358	372	341	313	311
- per annum savings since 1987-88	(-) 61	21	7	38	66	68
Government Contribution	220	181	161	169	161	156
- per annum savings since 1987-88	20	59	67	71	79	84

Through increased efficiency, services rationalisation and cost cutting the SRA has reduced its operating costs in real terms by \$403 million in 1991-92, compared to 1987-88 and this will increase to savings of \$510 million by 1993-94.

For the STA operating costs have declined by \$38 million in real terms between 1987-88 and 1991-92 and are projected to decline by \$68 million by 1993-94.

• ***Increase in costs of non commercial services***

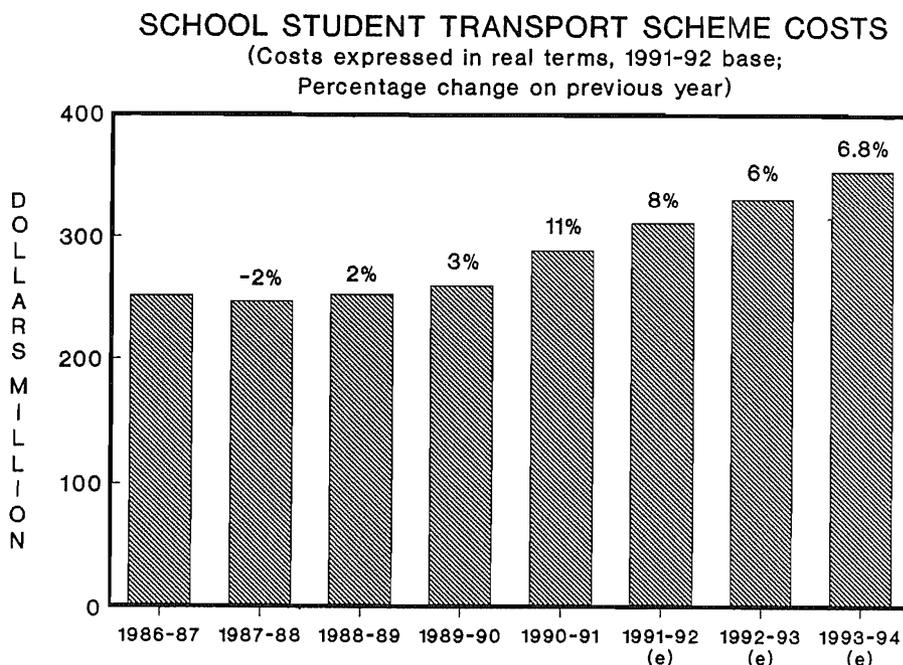
Payment for non commercial services are projected to increase by 10.4 per cent.

This reflects the impact of the ageing of the population on the level of demand for pensioner concessions as well as the strong growth in costs of the School Student Transport Scheme.

Over the five years to 1990-91 the Cost of the School Student Transport Scheme (including disabled students) has increased by 33.6 per cent in real terms.

In 1991-92 it is estimated that the Scheme cost will increase by 7.7 per cent or \$21.5 million in real terms and over the period to 1993-94 the cost of the scheme is projected to increase by \$60.1 million in real terms. The Government is giving consideration to a range of options to bring the cost of the scheme under control, while preserving its broad objectives.

**Figure 4.12**



• ***continued redundancies in the transport authorities***

Redundancy funding in 1991-92 will total \$182.7 million for the transport authorities, broadly similar to the level provided for in 1990-91.

Staff numbers for the SRA will decline by 1,323 in 1991-92, bringing total staff numbers reduction since June 1988 to 11,438.

For the STA staff numbers will decline by 587, bringing staff numbers reduction since June 1988 to 2,069.

**Government Support for Transport Authorities**

The payments information in the summary table for the SRA and the STA excludes a range of costs, most notably debt servicing costs. In the past the finance charges for the transport authorities have been shown under the Transport policy area to reflect the full cost of public support for the transport area.

In the period up to 1989-90 the SRA and STA were required to borrow to fund their capital payments. Given that the agencies were not able to cover operating costs from revenue, this approach simply resulted in a debt spiral, particularly for the SRA, that was outside the control of the individual authority.

In 1989-90 the financial structure of the SRA was reformed by the transfer of debt to the Crown, together with surplus property. The reason for this restructure was to reflect the philosophy that the financial accounts of the SRA should show what the organisation and its Board are truly accountable for. In this context, where non commercial capital works does not produce an economic return, the use of debt funding is inappropriate.

At the same time the Freight area of the SRA was established on a commercial basis, with an appropriate debt to equity ratio established. SRA Freight continues to borrow to fund its capital program. The STA has gradually moved towards a commercial, self funding position and is now, with the change of approach to funding its community service obligations, able to be classified as a commercial entity. In 1991-92 the STA will commence paying dividends.

As part of the financial restructure of the SRA the former finance charges were assigned to the Department of Transport in order to reflect the overall level of public support for transport services.

However, with the introduction of accrual accounting and budgeting this approach is no longer appropriate. The debt of the SRA is on the balance sheet of the Crown and similarly the finance charges need to be reflected in the accounts of the same entity.

Moreover, the previous presentation was not fully adequate as it did not reflect the opportunity cost of the capital employed.

A more comprehensive measure of the level of Government support for the transport authorities is presented in table 4.5 below.

**Table 4.5: Government Support for Transport Authorities**

		SRA \$m	STA \$m
<b><u>Net Expenditure for which Government Contributions are Paid</u></b>			
Operating Losses	Cityrail	97.4	
	Countrylink	12.4	
	Freight	12.9	
	Total	122.7	...
CSO Payments	Cityrail	175.8	
	Countrylink	71.9	
	Freight	124.6	
	Total	372.3	177.0
<b><u>Other Expenditure for which Funding is received from Government</u></b>			
redundancy	134.0	40.7	
other	11.2 <sup>(1)</sup>	36.9 <sup>(2)</sup>	
Total Net Expenditure for which Government Funding is received	640.2	254.6	
<b><u>unfunded operating expenditure</u></b>	209.8	13.1	
<b>TOTAL COST<sup>(3)</sup></b>	<b>850.0</b>	<b>267.7</b>	

(1) include \$8.0 million for retiring contribution to Government railways super fund transferred to SASs and interest on past 1/7/89 non commercial loan

(2) represents the return on assets.

(3) Note: opportunity cost of capital employed is not reflected in the above cost. Based on a SRA asset valuation of \$2,404,685 at 30 June 1990, there is an opportunity foregone (or "economic") cost to Government of \$276.5 million, assuming a real return on capital of 10 per cent. It should be noted that this asset valuation is based on historical costs and may not be a true reflection of the alternative value of these assets. For the STA the cost of assets employed in included is the cost.

### **Other Transport and Communication**

Total payments by the Roads and Traffic Authority are projected at \$1,694.4 million in 1991-92, including \$366.9 million for recurrent services, i.e. \$95.3 million for vehicle registration and driver licensing services, \$185.3 million to meet debt servicing costs and \$86.3 million for staff redundancy payments.

Provision has also been made within the Department of Transport of \$19.3 million to meet the ongoing costs of co-ordinating, developing and implementing transport policy including the regulation of private transport services and the administration of subsidy payments for transport concessions.

## **OTHER ECONOMIC SERVICES**

### **Department of State Development**

Major initiatives during the year will be -

- Co-ordinating and implementing the Industry Economic Strategies.
- Further rationalising the Department's overseas representation and contracting Austrade to represent the State's interest in some international markets.
- Capturing major telecommunications investments for New South Wales.
- Formalisation of sister state/business relationships with Korea, the Russian Republic and Colorado.
- Targeting potential business growth areas of aerospace, defence, and telecommunications.
- Identification of business opportunities from new technology in the information, scientific medical instruments and processed food industries.

### **Department of Consumer Affairs**

An allocation of \$30.8 million has been provided in 1991-92 for the new Department of Consumer Affairs.

As well as undertaking its key role in consumer affairs matters, the Department will also have responsibility for registration of business names and operation of the Business Licence Administration Service. Development work on the BLAS computer system is continuing and more industries will be converted to one-stop master licences once the system is operational.

### **Department of Industrial Relations, Employment, Training and Further Education**

An allocation of \$89.1 million has been provided in 1991-92. This allocation reflects the revised structure of the Department following a reorganisation by the Minister in February 1991, when responsibilities were transferred from the former Department of Further Education Training and Employment, as well as increased cost recovery by the Adult Migrant English Education Services.

A large proportion of this expenditure will be directed towards the continuation of various employment and training schemes.

Various strategies have been put into place by the Government to combat unemployment. Employment and training programs of the Department of Industrial Relations, Employment, Training and Further Education are geared to developing job skills and training infrastructure as well as providing employment generating packages based on community activities. The Department has been allocated \$34.3 million for 1991-92 for Employment programs.

A major component of the Employment programs is the Workplace initiative. An amount of \$6.6 million has been earmarked to assist community based organisations in providing training, counselling, job placement and post placement support services. As part of this initiative \$2.8 million has been allocated to the Mature Workers Program. This represents an increase of 46 per cent on 1990-91 expenditure. Approximately 1480 people will be assisted under this program which reflects the Government's commitment to assisting both retrenched and older workers in re-entering the workforce.

An amount of \$6.7 million will be allocated to the Australian Traineeship System which provides for at least twelve months of structured on and off the job training and is an important area of youth training and employment.

The Department encourages self employment and has set aside almost \$6 million to assist viable, locally designed projects which will lead to long term employment creation, assist job retention and improve skills.

In addition, special funding of \$6 million has been provided for the Outplacement and Retraining Assistance Scheme for excess Public Sector employees. This allocation is to be used to fund retraining for Budget Sector employees who are excess to current needs. It is anticipated at least half of these employees will seek retraining. Additional funds for retraining will be provided if necessary.

### **Department of Conservation and Land Management**

The allocation of \$25.6 million for this sector of the Department's activities provides for mapping and related survey programs and development of the Land Information System.

## 4.3.8 GENERAL ADMINISTRATION

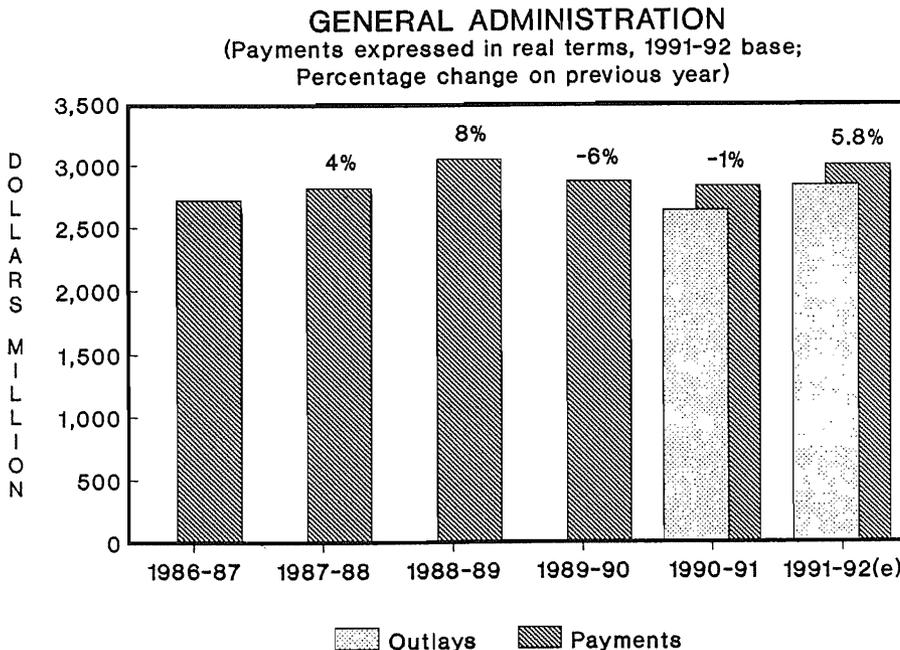
### Background

General administration covers a number of activities provided by a range of agencies, including -

- legislative services;
- debt charges which are from this year reflected as "Crown" transactions (for which the Treasury provides the administrative support);
- operations of the Treasury, consisting of the Offices of State Revenue and Financial Management;
- payments to the Commercial Services Group for community and general government services;
- operations of the Cabinet Office, Premier's Department and the Parliamentary Counsel's Office;
- operations of the Chief Secretary's Department;
- payments to the Property Services Group for the administration and co-ordination of community and general government services in relation to the management of the State Government property portfolio and the development of Homebush Bay.

### EXPENDITURE TRENDS

Figure 4.13



Over the five years to 1991-92 payments for General Administration will increase by 10.9 per cent in real terms with the projected increase in the current year being 6.7 per cent in real terms owing to higher loan principal repayments and superannuation costs.

## **RECENT DEVELOPMENTS**

### **General**

Over recent years a wide range of administrative services and payments for items such as payroll tax, accommodation and cleaning services, printing and courier services which had been funded either by a group vote to Treasury or other central agency were disaggregated and allocations for these purposes have been made directly to user departments. In 1990-91 this was further extended to include charges to individual agencies for Water Board rates, building maintenance and medical examinations.

The aim of allocating these costs direct to individual departments has been to ensure that the full costs are reflected within the cost of delivery of government programs and to encourage economies in the use of such services.

As part of this process the Commercial Services Group and the Property Services Group were established out of the former Department of Administrative Services, with these two organisations' income primarily deriving from charges levied on client departments for services provided.

### **Commercial Services Group**

Formerly the Department of Administrative Services, the Commercial Services Group is now comprised of the following self-funding business units -

- Government Printing Service
- First State Computing
- Government Cleaning Services
- State Mail Service
- Government Motor Services
- NSW Supply Services
- State Fleet Services
- Technical Repair Services
- Q Stores
- Government Information and Advertising

User charges have now been introduced across all commercial activities and the Group will operate off-budget in 1991-92 with support from the Consolidated Fund being limited to the oversight of period contract administration and telecommunications and the provision of free government publications. An appropriation for these non-commercial services is provided (together with funding for the Minister's Office and the Strategic Policy Unit) under the Office of the Chief Secretary and Minister for Administrative Services.

### Parliamentary Counsel's Office

As part of the reorganisation of government departments in June 1991 the Parliamentary Counsel's Office has been established for budgetary and administrative purposes as an organisation with a separate appropriation within the Premier and Treasurer's portfolio.

### Chief Secretary's

The game of Keno commenced in September 1991 in registered clubs throughout New South Wales.

Legislative and administrative policies are being developed to establish a Casino Control Authority and an allocation of \$1.456 million has been provided for this purpose. The allocation will also meet the costs associated with the public inquiry into casinos currently being conducted by Sir Laurence Street.

## 1991-92 Budget

### OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Legislative Services .....	77.3	75.0	(-) 3.0
Financial and Fiscal Services .....	2,402.7	2,679.0	11.5
Other .....	251.4	238.5	(-) 5.1
<b>Total .....</b>	<b>2,731.4</b>	<b>2,992.5</b>	<b>9.6</b>

### LEGISLATIVE SERVICES

The allocation for legislative services in 1991-92 is \$75.0 million. Total savings resulting from the reduction in Members from 109 to 99 for the Legislative Assembly, and from 45 to 42 for the Legislative Council, amounted to \$2.1 million. The costs associated with the recent general election have significantly raised the level of payments under this policy sector in 1990-91 and 1991-92.

## FINANCIAL AND FISCAL SERVICES

### Office of State Revenue (NSW Treasury)

In 1991-92 the allocation of \$51.7 million for the Office of State Revenue includes additional funding for increased surveillance under the Compliance Tobacco program, collection of Debits Tax and the introduction of the payment of Land Tax by instalments. As the major collector of "Crown" revenues its expenditures are directed towards -

- the assessment, collection and recovery of stamp duty and financial institutions duty. The allocation for 1991-92 to meet expenditure in this regard is \$16.2 million, an increase of 12.9 per cent on 1990-91 expenditure of \$14.1 million;
- the collection and recovery of payroll tax. Estimated expenditure in 1991-92 is \$10.3 million, an increase of 7.8 per cent on the 1990-91 cost of \$9.5 million;
- the assessment, collection and recovery of land tax. In 1991-92, \$23.1 million has been provided for this purpose - an increase 19.5 per cent on 1990-91 expenditure of \$18.6 million;
- relief from certain State taxes by remission or refund (\$2.9 million in 1991-92).

### Office of Financial Management (NSW Treasury)

The allocation for the Office of Financial Management in 1991-92 of \$20.6 million relates to funding of the Budget, Economics and Revenue and Accounting and Funds Administration Divisions which provide budgeting, economic, accounting, banking, debt and funds management and policy support services for the Government.

From 1991-92 the Office of Financial Management will be responsible for administrative support in relation to "Crown" transactions.

### The Crown

As indicated in Section 10.1, from 1991-92 a new entity, "Crown Transactions" has been established in the Budget Papers to reflect transactions for which individual agencies are not directly accountable rather than such transactions continuing to be included as part of the Treasury allocation. "Crown" transactions include allocations for debt costs, superannuation and long service leave payments.

- ***Crown Debt Charges***

From 1991-92 nearly all Budget sector debt costs reflect in the "Crown". The only exceptions are the debt costs of the Roads and Traffic Authority and the Department of Water Resources which continue to meet their own debt costs.

Following the agreement of the Australian Loan Council, the States are progressively taking over the debt previously raised by the Commonwealth on behalf of the States as Commonwealth loans mature. The financial impact of this process is as follows -

- Treasury Corporation loans are issued to refinance Commonwealth loans, previously issued to fund New South Wales, as the loans mature.
- the higher funding cost of the Treasury Corporation loans relative to the Commonwealth produces an increase in debt costs. Broadly speaking the Commonwealth raises its borrowings at about 1 per cent below that of Treasury Corporation.
- in compensation for the higher debt costs and the ending of the sinking fund contributions previously made for Commonwealth loans raised on behalf of the States, the Commonwealth makes a payment each year equal to the present value of the future higher debt costs and the foregone sinking fund contribution. These payments appear as Commonwealth Specific Purpose Payments and are applied to retire debt.

The major components of the Crown debt costs are -

- \$747.6 million (down \$61.3 million or 7.6 per cent on 1990-91) to meet interest costs for Commonwealth loans. The decrease is due primarily to Commonwealth loan maturities being refinanced through State borrowings.
- \$942.9 million (up \$151.7 million or 19.2 per cent on 1990-91) in interest costs for other than Commonwealth debt. The increase is primarily due to interest on new borrowings, and interest payments on Commonwealth loans refinanced through State borrowings.
- \$893.5 million (up \$498.1 million on 1990-91) for principal repayments to the Commonwealth primarily under the revised debt refinancing arrangements between the Commonwealth and the State. (As a financing transaction, these payments are treated "below the line" and are not included in the figures shown in the table on the previous page.)

- ***Superannuation and Long Service Leave***

- \$615 million, up 18.6 per cent on 1990-91, for payment of the employer's cash contribution to superannuation liabilities in respect to Budget Sector employees.
- \$80 million for payment to Budget Sector employees for long service leave.

- ***Other***

- \$25.0 million for payments to the Water Board in respect of rates due on Government and other exempt properties (an increase of \$2.0 million or 9 per cent on last year).

Further details on overall State debt costs are provided in section 9.2.1, while Section 9.2.2 provides further information on superannuation costs.

## **OTHER - GENERAL ADMINISTRATION**

### **Property Services Group**

The Property Services Group is now treated as an off-budget entity and the allocation of \$10.3 million provides for activities undertaken by the Group outside its core business as manager of the State Government's property portfolio i.e. secretariat services to the Property for Community Purposes Panel, funding for the Facility, Planning and Policy Unit, the Government Property Register and the development of Homebush Bay. Such funding is appropriated as a "Community Service Obligation to Other Government Bodies".

### **Office of the Chief Secretary and Minister for Administrative Services**

The allocation of \$11.5 million provides for payments to the Commercial Services Group for community and general government services, which include Government contracts and purchasing, information services, and telecommunication services coordination and for the administrative expenses of the Minister's Office.

### **Premier's Department**

An allocation of \$92.2 million has been provided in 1991-92 to the Premier's Department to provide for -

- An estimated \$46 million to be transferred to the New South Wales Aboriginal Land Council as required by the Aboriginal Land Rights Act, 1983.
- Costs of \$5.9 million associated with the conduct of Royal Commissions and associated activities.
- The second of four contributions of \$2.25 million towards the joint Commonwealth/State New South Wales Aboriginal Land Council Aboriginal Communities Infrastructure Development Program.

### **Department of Conservation and Land Management**

An amount of \$67.3 million has been provided in 1991-92 to meet costs of activities previously undertaken by the former Soil Conservation Service and those costs associated with the management and administration of Crown land.

### **Other**

Funds to the extent of \$4.3 million have been made available to the Ombudsman for the investigation of citizens' complaints, monitoring and reporting on telecommunications interception activities and the review of appeals under the Freedom of Information Act.

The allocation of \$8.7 million for the Ethnic Affairs Commission has been made available for the provision of counselling and other services to the ethnic community.

Since 1 July 1991, the Darling Harbour Authority has been classified as a semi commercial business with community service responsibilities paid for on a fee for service basis by the Government. An amount of \$15.8 million has been allocated for funding of these responsibilities in 1991-92.

An amount of \$0.5 million has been provided within the allocation of the Department of Local Government to implement major reforms in Local Government.

Allocations have also been made to the following organisations in 1991-92 -

. Cabinet Office .....	\$7.6 million
. Chief Secretary's Department .....	\$14.4 million
. The Parliamentary Counsel's Office .....	\$3.5 million

## **4.3.9 OTHER PURPOSES**

### **Natural Disasters Relief**

#### **INTRODUCTION**

Expenditure on natural disaster relief measures administered by Budget Sector agencies is funded in part by Treasury as well as within the normal works programs of State authorities - for example, repairs to flood damaged main roads are funded by the Roads and Traffic Authority.

#### **EXPENDITURE TRENDS**

Expenditure in recent years has mainly related to restoration of flood damage. The level of expenditure varies according to the number and type of disasters that affect the State in a year. Expenditure each year is also influenced by the amount of damage still being repaired from disasters which occurred in previous years.

Additional information on expenditure trends is provided in Section 10.5, Natural Disaster Assistance.

#### **RECENT DEVELOPMENTS**

Last financial year the State was affected by major inland floods, bushfires and storms. These disasters followed closely on the previous year's devastating floods and the Earthquake at Newcastle.

Expenditure on restoration of flood and storm damage totalled some \$157 million in 1990-91 and a further \$44 million was spent on Earthquake reconstruction. A major part of the expenditure on flood damage related to restoration of the State's road system which had suffered greatly from flood and torrential rain damage over the last two years.

A special assistance package was approved for Newcastle City Council to assist it to meet the cost of extra staff and resources during the reconstruction phase. Assistance is also being provided for the Council's Recovery Management program.

#### **KEY ISSUES AND STRATEGY**

The Earthquake reconstruction program has passed its peak and will be substantially completed in the current financial year. Newcastle City Council's Recovery Management Program will reach its peak this year.

Substantial progress was made on restoration of road damage last year but work will continue on remaining projects, including damage from recent disasters.

The Government will continue to provide essential assistance to victims of natural disasters, including families, small businesses and primary producers. However, Government assistance is not intended to discourage self-help and appropriate eligibility tests will, as usual, be applied in assessing the level of Government support to be provided.

## 1991-92 Budget

Overall natural disaster expenditure is expected to reach some \$47 million in 1991-92, including some \$25 million in connection with damage caused by the Newcastle Earthquake.

Expenditure at Newcastle will be shared equally by the State and Federal Governments under the special arrangements agreed to for the Earthquake disaster. In 1991-92 the State is unlikely to attract any significant assistance from the Commonwealth towards damage caused by other disasters because the threshold for New South Wales under the Natural Disaster Relief Arrangements (excluding Newcastle Earthquake expenditure) now stands at \$40.7 million and costs below this level are required to be met from State sources.

The amount included in the recurrent estimates under the Treasury Natural Disasters program in 1991-92 is \$43 million. This will be used to fund most of the restoration work at Newcastle and a large part of the costs associated with other disasters. Additional provisions are included in the Capital Program to meet costs associated with restoration of major assets such as roads and railways. Part of the cost of building repair work at Newcastle is also being funded by payments from the Government's internal Managed Fund insurance arrangements.

## **4.3.10 ADVANCE TO THE TREASURER**

### **Background**

An amount is set aside each year to be allocated by the Treasurer to meet supplementary charges and expenses of a contingency nature. Details of how the Advance is applied are shown in the following year's Appropriation Bill.

### **1991-92 Budget**

An amount of \$100 million has been allocated to provide for supplementary charges and expenses of a contingency nature during the financial year. This compares with \$65 million allocated for this purpose in 1990-91. (Details of the programs and items to which this allocation was applied in 1990-91 are shown in Schedule 1 of the Appropriation Bill 1991 - Budget Paper No. 5.)

The 1990-91 contingency provision was lower than normal, reflecting the view taken immediately prior to the Budget that wage case costs would be lower than had already been built into agency allocations. It was therefore expected that subsequent savings in agency wage costs would reduce the need for a normal contingency provision.

For 1991-92 more than sufficient provision has been made for wage increases, given that since the allocation was provided to agencies the estimates of wage and price inflation have been significantly revised downward.

## 4.4 CONSOLIDATED FUND RECURRENT FORWARD ESTIMATES

### Introduction

While the focus of attention in relation to Budget Sector finances is increasingly on a "total payments" basis, the level of Consolidated Fund payments remains an important aggregate for three related reasons -

- firstly the Consolidated Fund is the basis upon which the formal appropriation process is based, as it represents the use of funds derived from the public purse (i.e. taxation and other Crown revenues) as opposed to government charges for goods and services;
- secondly, with the introduction of net appropriation budgeting (whereby agencies can retain moneys received from the sale of goods and services and certain other sources), Consolidated Fund payments approximate the concept of "outlays" used in measuring the economic impact of government activity on the rest of the economy; and
- thirdly (and flowing from the above), it is the aggregate which forms the basis for the forward estimates system, used to control future calls on the public purse.

Total Consolidated Fund recurrent payments in 1991-92 will increase by 5.6 per cent to \$15,365.6 million. This represents a real increase of 2.1 per cent on 1990-91 payments.

**Table 4.6: Consolidated Fund Recurrent Payments, 1990-91 to 1993-94**

		1990-91	1991-92	1992-93	1993-94
Recurrent payments	\$m	14,555	15,366	15,555	16,131
Growth in recurrent payments	%		5.6	1.2	3.7
Real growth in recurrent payments	%		2.1	(-) 3.3	(-) 0.8
Recurrent payments as a ratio of GSP	%	10.9	10.9	10.3	10.0

While in general there have not been any significant increases in departmental operating allocations, there will be pressure on Consolidated Fund recurrent payments in 1991-92 from debt charges, superannuation and redundancy payments.

The significant real decline in the forward estimates for 1992-93 reflects the impact of the Government's expenditure reduction program, which will have further flow-on effects in the forward estimates for 1993-94.

Relative to the State economy, recurrent payments are projected to decline as a proportion of Gross State Product from 10.9 per cent in 1991-92 to 10.0 per cent in 1993-94, as the full impact of the Government's expenditure reduction program takes effect.

The forward estimates are shown by portfolio and organisation in Table 4.7.

Table 4.7: CONSOLIDATED FUND FORWARD ESTIMATES BY MINISTER AND ORGANISATION

MINISTER ORGANISATION	1990-91	1991-92		1992-93		1993-94		
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change	
<b>THE LEGISLATURE</b>								
THE LEGISLATURE	53.8	57.1	6.0	57.7	1.2	59.6	3.3	
<b>TOTAL FOR MINISTER</b>	<b>53.8</b>	<b>57.1</b>	<b>6.1</b>	<b>57.7</b>	<b>1.1</b>	<b>59.6</b>	<b>3.3</b>	
<b>PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS</b>								
CABINET OFFICE	6.3	7.7	21.7	7.5	-2.8	7.7	3.0	
PARLIAMENTARY COUNSEL'S OFFICE	3.0	3.5	16.2	3.6	3.0	3.7	3.0	
PREMIER'S DEPARTMENT	101.6	93.1	-8.4	85.3	-8.4	86.0	0.9	
INDEPENDENT COMMISSION AGAINST CORRUPTION	11.0	12.8	16.9	13.3	3.6	13.6	2.9	
OMBUDSMAN'S OFFICE	4.1	4.3	5.7	4.4	2.3	4.5	2.0	
STATE ELECTORAL OFFICE	17.4	11.2	-35.6	2.7	-76.3	3.6	35.6	
TREASURY	122.6	108.8	-11.2	75.5	-30.6	77.3	2.4	
CROWN TRANSACTIONS	2,366.7	2,556.9	8.0	2,812.6	10.0	2,875.5	2.2	
ETHNIC AFFAIRS COMMISSION	7.2	6.5	-9.9	6.7	3.3	6.9	2.1	
<b>TOTAL FOR MINISTER</b>	<b>2,639.9</b>	<b>2,804.8</b>	<b>6.2</b>	<b>3,011.6</b>	<b>7.4</b>	<b>3,078.8</b>	<b>2.2</b>	
<b>MINISTER FOR AGRICULTURE AND RURAL AFFAIRS</b>								
RURAL ASSISTANCE AUTHORITY	21.4	27.6	29.4	30.4	9.9	31.4	3.5	
DEPARTMENT OF AGRICULTURE	142.1	147.1	3.6	145.2	-1.3	141.7	-2.4	
<b>TOTAL FOR MINISTER</b>	<b>163.5</b>	<b>174.7</b>	<b>6.9</b>	<b>175.6</b>	<b>0.5</b>	<b>173.1</b>	<b>-1.4</b>	

Table 4.7: CONSOLIDATED FUND FORWARD ESTIMATES BY MINISTER AND ORGANISATION

MINISTER ORGANISATION	1990-91	1991-92	1992-93	1993-94
	ACTUAL \$m	\$m % change	\$m % change	\$m % change
<b>ATTORNEY GENERAL, MINISTER FOR CONSUMER AFFAIRS AND MINISTER FOR ARTS</b>				
ATTORNEY GENERAL'S DEPARTMENT	52.6	52.5	53.4	54.2
JUDICIAL COMMISSION	1.8	2.0	2.0	2.1
LEGAL AID COMMISSION	50.3	52.8	55.2	58.2
OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS	33.3	37.5	38.8	40.6
DEPARTMENT OF CONSUMER AFFAIRS	34.5	30.3	31.1	31.9
MINISTRY FOR THE ARTS	26.5	25.7	113.6	116.5
STATE LIBRARY	33.7	35.4	...	...
AUSTRALIAN MUSEUM	12.4	12.3	...	...
MUSEUM OF APPLIED ARTS AND SCIENCES	23.3	21.1	...	...
HISTORIC HOUSES TRUST	4.4	4.8	...	...
ART GALLERY OF NEW SOUTH WALES	8.6	9.0	...	...
ARCHIVES AUTHORITY OF NEW SOUTH WALES	3.2	3.2	...	...
NEW SOUTH WALES FILM AND TELEVISION OFFICE	2.0	1.9	...	...
<b>TOTAL FOR MINISTER</b>	<b>286.6</b>	<b>286.5</b>	<b>294.1</b>	<b>303.5</b>
<b>CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES</b>				
CHIEF SECRETARY'S DEPARTMENT	10.4	14.1	13.0	14.5
OFFICE OF THE CHIEF SECRETARY AND MINISTER FOR ADMINISTRATIVE SERVICES	13.9	11.5	10.2	4.4
<b>TOTAL FOR MINISTER</b>	<b>24.3</b>	<b>25.6</b>	<b>23.2</b>	<b>18.9</b>
<b>MINISTER FOR CONSERVATION AND LAND MANAGEMENT</b>				
DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT	104.0	108.3	96.8	95.6
<b>TOTAL FOR MINISTER</b>	<b>104.0</b>	<b>108.3</b>	<b>96.8</b>	<b>95.6</b>

Table 4.7: CONSOLIDATED FUND FORWARD ESTIMATES BY MINISTER AND ORGANISATION

MINISTER ORGANISATION	1990-91	1991-92		1992-93		1993-94	
	ACTUAL \$m	\$m	± change	\$m	± change	\$m	± change
<b>MINISTER FOR THE ENVIRONMENT</b>							
MINISTRY FOR THE ENVIRONMENT	6.4	7.1	11.2	6.5	-9.4	6.5	1.2
NATIONAL PARKS AND WILDLIFE SERVICE	37.5	37.5	0.0	38.6	2.9	39.7	2.9
STATE POLLUTION CONTROL COMMISSION	16.6	17.6	5.8	18.0	2.5	18.5	2.5
ROYAL BOTANIC GARDENS AND DOMAIN TRUST	11.9	12.2	3.0	12.6	3.1	13.0	2.8
CENTENNIAL PARK TRUST	3.1	3.4	7.6	3.5	2.9	3.6	2.9
BICENTENNIAL PARK TRUST	0.9	1.0	12.1	1.0	1.7	1.0	1.6
<b>TOTAL FOR MINISTER</b>	<b>76.4</b>	<b>78.8</b>	<b>3.1</b>	<b>80.2</b>	<b>1.8</b>	<b>82.3</b>	<b>2.6</b>
<b>MINISTER FOR HEALTH AND COMMUNITY SERVICES</b>							
DEPARTMENT OF HEALTH	3,505.9	3,684.5	5.1	3,801.4	3.2	3,948.4	3.9
DEPARTMENT OF COMMUNITY SERVICES	609.7	712.4	16.8	699.2	-1.9	713.1	2.0
<b>TOTAL FOR MINISTER</b>	<b>4,115.6</b>	<b>4,396.9</b>	<b>6.8</b>	<b>4,500.6</b>	<b>2.4</b>	<b>4,661.5</b>	<b>3.6</b>
<b>MINISTER FOR HOUSING</b>							
OFFICE OF THE MINISTER FOR HOUSING	71.1	87.6	23.2	83.9	-4.3	84.2	0.4
<b>TOTAL FOR MINISTER</b>	<b>71.1</b>	<b>87.6</b>	<b>23.2</b>	<b>83.9</b>	<b>-4.2</b>	<b>84.2</b>	<b>0.4</b>
<b>MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER EDUCATION, TRAINING AND EMPLOYMENT</b>							
DEPARTMENT OF INDUSTRIAL RELATIONS, EMPLOYMENT, TRAINING AND FURTHER EDUCATION	82.6	89.1	7.8	83.1	-6.7	85.1	2.4
NEW SOUTH WALES TECHNICAL AND FURTHER EDUCATION COMMISSION	620.4	687.7	10.8	669.8	-2.6	713.5	6.5
<b>TOTAL FOR MINISTER</b>	<b>703.0</b>	<b>776.8</b>	<b>10.5</b>	<b>752.9</b>	<b>-3.1</b>	<b>798.6</b>	<b>6.1</b>

Table 4.7: CONSOLIDATED FUND FORWARD ESTIMATES BY MINISTER AND ORGANISATION

MINISTER ORGANISATION	1990-91	1991-92		1992-93		1993-94	
	ACTUAL \$m	\$m	change	\$m	change	\$m	change
<b>MINISTER FOR JUSTICE</b>							
DEPARTMENT OF COURTS ADMINISTRATION	127.5	135.3	6.1	124.7	-7.8	125.5	0.6
DEPARTMENT OF CORRECTIVE SERVICES	248.6	274.6	10.5	290.5	5.8	316.9	9.1
<b>TOTAL FOR MINISTER</b>	<b>376.1</b>	<b>409.9</b>	<b>9.0</b>	<b>415.2</b>	<b>1.3</b>	<b>442.4</b>	<b>6.6</b>
<b>MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR CO-OPERATIVES</b>							
DEPARTMENT OF LOCAL GOVERNMENT AND CO-OPERATIVES	56.9	56.8	-0.1	56.6	-0.3	57.0	0.7
COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES FOR WHICH THE MINISTER IS RESPONSIBLE	11.6	10.3	-11.2	10.3	-0.1	10.2	-1.0
<b>TOTAL FOR MINISTER</b>	<b>68.5</b>	<b>67.1</b>	<b>-2.0</b>	<b>66.9</b>	<b>-0.3</b>	<b>67.2</b>	<b>0.4</b>
<b>MINISTER FOR NATURAL RESOURCES</b>							
DEPARTMENT OF WATER RESOURCES	99.1	98.5	-0.7	99.9	1.4	100.8	0.9
DEPARTMENT OF MINERAL RESOURCES	32.6	32.1	-1.3	29.4	-8.4	29.8	1.2
OFFICE OF FISHERIES	17.1	16.9	-1.1	17.4	2.9	17.9	2.9
COAL COMPENSATION BOARD	2.3	2.4	4.2	2.5	5.3	2.6	3.1
<b>TOTAL FOR MINISTER</b>	<b>151.1</b>	<b>149.9</b>	<b>-0.8</b>	<b>149.2</b>	<b>-0.5</b>	<b>151.1</b>	<b>1.3</b>
<b>MINISTER FOR PLANNING AND MINISTER FOR ENERGY</b>							
DEPARTMENT OF PLANNING	38.2	39.7	4.0	39.6	-0.3	40.2	1.7
OFFICE OF ENERGY	1.4	2.2	54.6	2.7	22.7	3.3	25.6
COMMUNITY SERVICE OBLIGATIONS TO OTHER GOVERNMENT BODIES FOR WHICH THE MINISTER IS RESPONSIBLE	19.2	15.8	-17.8	12.0	-23.9	12.0	0.0
<b>TOTAL FOR MINISTER</b>	<b>58.8</b>	<b>57.7</b>	<b>-1.9</b>	<b>54.3</b>	<b>-5.9</b>	<b>55.5</b>	<b>2.2</b>

Table 4.7: CONSOLIDATED FUND FORWARD ESTIMATES BY MINISTER AND ORGANISATION

MINISTER ORGANISATION	1990-91	1991-92		1992-93		1993-94	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
<b>MINISTER FOR POLICE AND EMERGENCY SERVICES</b>							
THE POLICE SERVICE OF NEW SOUTH WALES	901.2	941.9	4.5	959.6	1.9	1,010.9	5.3
NEW SOUTH WALES CRIME COMMISSION	8.0	9.4	16.5	9.9	6.2	10.3	3.2
NEW SOUTH WALES FIRE BRIGADES	164.9	174.9	6.1	181.9	4.0	192.3	5.7
DEPARTMENT OF BUSH FIRE SERVICES	6.2	6.3	1.9	6.0	-4.0	5.8	-4.4
STATE EMERGENCY SERVICE	7.0	7.0	0.3	7.3	3.8	7.5	2.8
<b>TOTAL FOR MINISTER</b>	<b>1,087.3</b>	<b>1,139.5</b>	<b>4.8</b>	<b>1,164.7</b>	<b>2.2</b>	<b>1,226.8</b>	<b>5.3</b>
<b>MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS</b>							
PUBLIC WORKS DEPARTMENT	76.5	82.0	7.2	66.6	-18.8	67.4	1.2
ROADS AND TRAFFIC AUTHORITY	221.2	235.9	6.6	165.7	-29.8	165.3	-0.2
<b>TOTAL FOR MINISTER</b>	<b>297.7</b>	<b>317.9</b>	<b>6.8</b>	<b>232.3</b>	<b>-26.9</b>	<b>232.7</b>	<b>0.2</b>
<b>MINISTER FOR SCHOOL EDUCATION AND YOUTH AFFAIRS</b>							
OFFICE OF EDUCATION AND YOUTH AFFAIRS	72.9	80.6	10.5	82.0	1.8	83.7	2.1
DEPARTMENT OF SCHOOL EDUCATION	3,009.8	3,168.3	5.3	3,279.3	3.5	3,423.2	4.4
<b>TOTAL FOR MINISTER</b>	<b>3,082.7</b>	<b>3,248.9</b>	<b>5.4</b>	<b>3,361.3</b>	<b>3.5</b>	<b>3,506.9</b>	<b>4.3</b>
<b>MINISTER FOR SPORT, RECREATION AND RACING</b>							
DEPARTMENT OF SPORT, RECREATION AND RACING	36.4	30.1	-17.3	24.8	-17.7	25.9	4.6
<b>TOTAL FOR MINISTER</b>	<b>36.4</b>	<b>30.1</b>	<b>-17.3</b>	<b>24.8</b>	<b>-17.6</b>	<b>25.9</b>	<b>4.4</b>

Table 4.7: CONSOLIDATED FUND FORWARD ESTIMATES BY MINISTER AND ORGANISATION

MINISTER ORGANISATION	1990-91	1991-92	1992-93	1993-94
	ACTUAL \$m	\$m change	\$m change	\$m change
<b>MINISTER FOR STATE DEVELOPMENT AND MINISTER FOR TOURISM</b>				
DEPARTMENT OF STATE DEVELOPMENT	41.5	49.4	44.4	44.9
TOURISM COMMISSION	26.4	18.3	18.7	19.2
<b>TOTAL FOR MINISTER</b>	<b>67.9</b>	<b>67.7</b>	<b>63.1</b>	<b>64.1</b>
<b>MINISTER FOR TRANSPORT</b>				
DEPARTMENT OF TRANSPORT	1,194.5	1,192.5	1,136.6	1,135.0
<b>TOTAL FOR MINISTER</b>	<b>1,194.5</b>	<b>1,192.5</b>	<b>1,136.6</b>	<b>1,135.0</b>
<b>TOTAL ESTIMATE FOR MINISTERS</b>	<b>14,659.2</b>	<b>15,480.3</b>	<b>15,745.0</b>	<b>16,263.7</b>
Plus: Amounts not yet allocated to portfolios				
Treasurer's Advance	...	100.0	205.0	315.0
Interest savings from privatisation	...	...	-164.0	-179.0
Contracting out savings	...	-10.0	-50.0	-100.0
Less: Financing Transactions	104.5	204.7	181.4	168.2
<b>TOTAL CONSOLIDATED FUND ESTIMATE</b>	<b>14,554.7</b>	<b>15,365.6</b>	<b>15,554.6</b>	<b>16,131.5</b>
		<b>5.6</b>	<b>1.2</b>	<b>3.7</b>

## Reconciliation of Budget to Forward Estimates

Changes in forward estimates for a particular year may occur over time for a number of reasons.

Firstly, the forward estimates are based on a continuation of the Government's current policies and programs. These will change over time as new programs are introduced or existing programs are enlarged or reduced. Such changes may or may not impact on total expenditure at the organisation, portfolio or aggregate levels as the changes may be offset through a reordering of priorities.

Secondly, existing policies may result in real expenditure growth or contraction where the policies are in terms of demand variables. Expenditure on teachers' salaries, for example, will vary according to school pupil numbers. To the extent that demographic forecasts for a particular year change, there will be a corresponding refinement in the forecast payments for such services.

Thirdly, changes over time in the forecasts of parameters such as wages growth and interest rates will result in changes in forecast expenditures between the time of the forward estimates being produced for a year and the Budget for that year.

As part of the discipline of maintaining its undertaking to restraining expenditure growth, the Government has committed itself to publishing for each year's Budget, details of how those Budget Estimates differ from the previously released forward estimates for that year.

Table 4.7 shows the reconciliation between the 1991-92 Budget recurrent expenditure and the forward estimate for 1991-92 published in last year's Budget Papers.

**Table 4.7: Reconciliation of Forward Estimates to Budget**

	\$m
<b>FORWARD ESTIMATE FOR 1991-92 AS SHOWN IN 1990-91 BUDGET</b>	15,472.7
<b>Adjustments to Reflect Changes In Coverage and/or Accounting Arrangements -</b>	
. Reduction to Consolidated Fund allocations reflecting retention of user charges by agencies	(-) 277.0
. Transfers from capital program -	
. redundancies	174.7
. other	32.7
. Transfer to Commonwealth - Corporate regulation	(-) 15.4
. Other	15.2
	<hr/>
<b>ADJUSTED FORWARD ESTIMATE FOR 1991-92</b>	15,402.9
<b>SUBSEQUENT VARIATIONS -</b>	
<b>Parameter Changes -</b>	
. Escalation adjustment	(-) 314.6
. Award costs	(-) 37.8
. Debt costs	85.2
. Superannuation	82.3
. School Student Transport Scheme	35.3
. Commonwealth funding adjustments	72.5
. Service level adjustments	114.4
. Inter year funding transfers	37.2
<b>Carry-forward effect of 1990-91 Treasurer's Advance</b>	(-) 65.0
<b>Post-Budget Policy Decisions -</b>	
. Recession Support Program	10.0
. Other	30.2
<b>Portfolio Savings, 1991-92</b>	(-) 170.0
<b>Redundancy Funding</b>	83.0
	<hr/>
<b>BUDGET ESTIMATE, 1991-92</b>	<b>15,365.6</b>



# **CHAPTER 5: CAPITAL PROGRAM**

## **5.1 Introduction**

## **5.2 Funding of Capital Program**

## **5.3 Capital Payments by Functional Areas**

### **5.3.1 Law, Order and Public Safety**

### **5.3.2 Education**

### **5.3.3 Health**

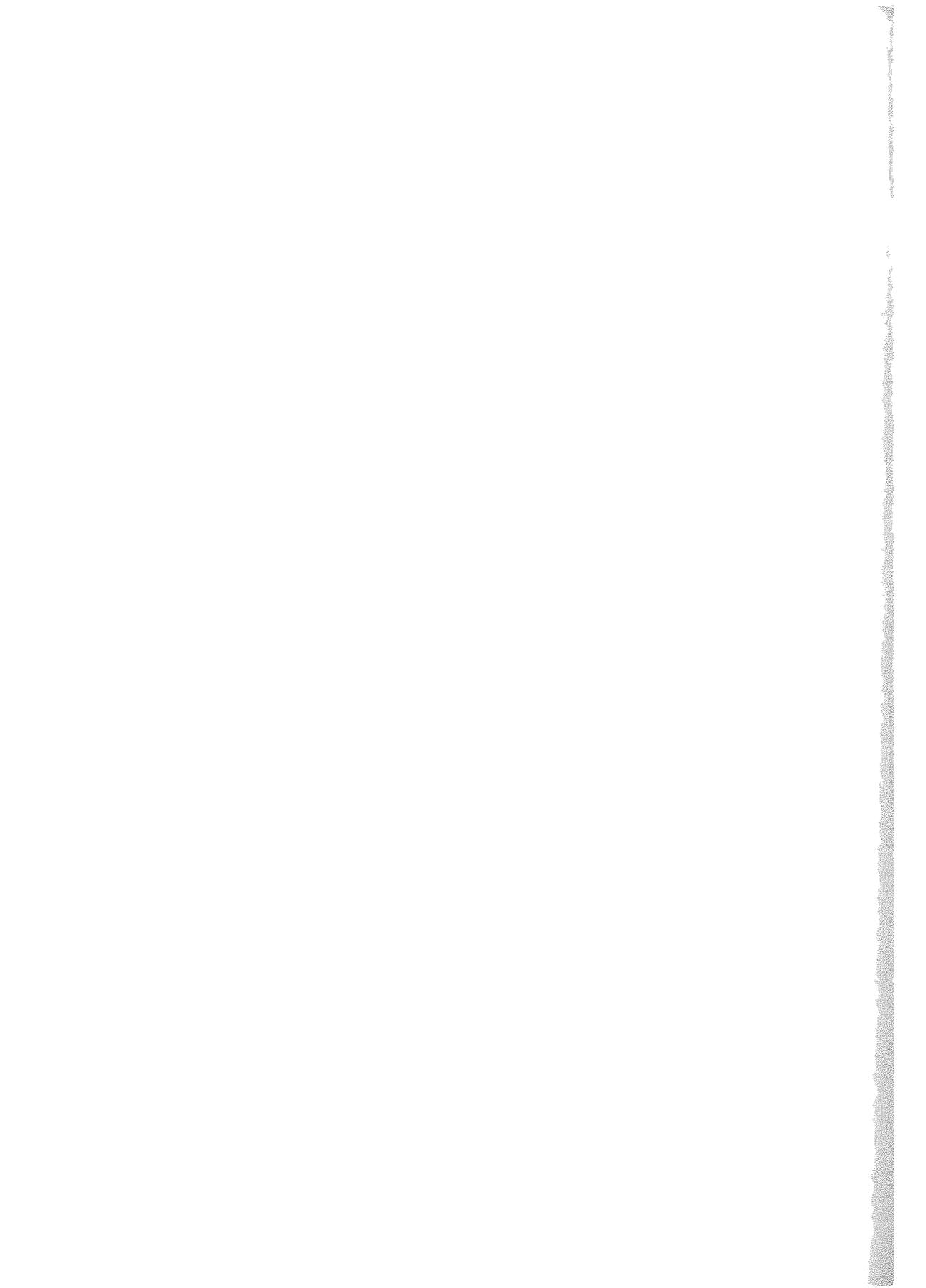
### **5.3.4 Welfare Services**

### **5.3.5 Housing and Community Services**

### **5.3.6 Recreation and Culture**

### **5.3.7 Economic Services**

### **5.3.8 General Administration and Other**



## 5.1 INTRODUCTION

### Overview

#### OUTCOME OF 1990-91 AND HIGHLIGHTS OF 1991-92 PROGRAMS

The 1991-92 capital program provides for expenditure of \$5,517 million compared with actual expenditure of \$5,170 million in 1990-91, an overall increase of 6.7 per cent or 3.2 per cent in real terms.

Total program expenditure in 1990-91 of \$5,170 million was some \$245 million less than budget (adjusted to place on a comparative basis to 1991-92). Additional expenditure of \$62 million incurred by the Roads and Traffic Authority, largely on unbudgeted flood damage restoration works, was more than offset by Department of Housing underexpenditure of \$95 million as a result of a scaled-down land acquisition program and delays in aged persons housing construction. A shortfall in asset disposal revenue and a slow start to a major computer development program meant that Department of Health expenditure was \$55 million below budget while the Water Board underspent \$41 million due to suspension of some projects and difficulties in arranging external contracts. The Waste Management Authority, the State Transit Authority, the State Rail Authority (commercial program) and the Department of Corrective Services also underspent 1990-91 budget allocations due to various factors.

The 1991-92 program of \$5,517 million represents an increase of only 1.9 per cent compared with budgeted expenditure in 1990-91 (adjusted to place on a comparable basis). The 1991-92 program is characterised by real maintenance or a decline in Budget Sector capital expenditure and strong growth in the Non Budget Sector. The trimming of Budget Sector expenditure follows strong growth in this sector in the last three years. Likewise the expansion of Non Budget Sector expenditure follows falls in the last three years.

Roads expenditure continues to be the largest component of the overall capital program, total estimated expenditure in 1991-92 of \$1,328 million absorbing over 24 per cent of the budgeted total program. The roads allocation for 1991-92, while a decrease on last year, does not include expenditure of \$88 million incurred in 1990-91 on flood damage restoration costs.

Although estimated law, order and public safety expenditure of \$221 million in 1991-92 is a decrease of 17.7 per cent on last year, its share of total capital program expenditure in 1991-92 of 4.0 per cent represents a significant increase compared with 1.9 per cent in 1987-88, underlining the Government's strong commitment to providing adequate courts, prisons and police facilities.

Expenditure of \$309 million on health services in 1991-92 compares with \$301 million last year. Health services expenditure has grown in real terms by 37 per cent since 1987-88.

Water and sewerage services expenditure will increase from \$561 million last year to \$693 million in 1991-92, an increase of 19 per cent in real terms. Emphasis in this area continues to be placed upon environmental protection and improvements in water quality and systems reliability in both the Sydney and Hunter regions and on the provision of water supply and sewerage schemes in country towns.

Expenditure on electricity generation will increase by \$197 million to a total of \$621 million in 1991-92, an increase of 46.5 per cent or 41.5 per cent in real terms. Major expenditure will be incurred this year on accelerated construction of the Mt. Piper Power Station, due to be fully operational by mid-1994.

## **Institutional Framework**

### **CAPITAL WORKS COMMITTEE OF CABINET**

The Capital Works Committee of Cabinet is chaired by the Premier and Treasurer and its other members are the Deputy Premier, Minister for Public Works and Minister for Roads, the Minister for Industrial Relations and Minister for Further Education, Training and Employment, the Minister for Conservation and Land Management and the Minister for State Development and Minister for Tourism.

The Committee has the overall responsibility for formulating the State's capital program strategy, programming new capital works projects and overseeing the approved capital program.

During the year the Committee meets regularly to review the current program as well as the program for future years.

### **MANAGEMENT OF CAPITAL PROGRAM ALLOCATIONS**

The Capital Works Committee of Cabinet has introduced a number of initiatives over the past eighteen months to improve management of capital program allocations, in line with the Government's policy of allowing managers greater responsibility while at the same time requiring enhanced accountability. A brief outline of each of these initiatives follows:-

#### **Capital Expenditure Strategic Plans**

Guidelines for Capital Expenditure Strategic Plans require all NSW Government agencies to develop a Capital Expenditure Strategic Plan in 1991-92, which will present a detailed five year program and a broad strategic plan spanning at least ten years.

Agencies were asked to submit their Strategic Plans by 31 July 1991. After review, they will be presented to the Capital Works Committee for endorsement. In subsequent years, if agencies revise their strategic plans, they will submit them in February together with their bids for funding. After endorsement, the Capital Expenditure Strategic Plans are also to be produced in a simplified public format which covers objectives, priorities and programs.

## **Planned Maintenance of Assets**

Guidelines for Planned Maintenance of Assets require agencies to prepare a Maintenance Plan by 31 October 1991. This Plan is to be regularly updated and submitted when funding bids are made. The Guidelines state that major real increases in funding for asset maintenance are not envisaged and that Maintenance Plans should be met within current budget levels. Where "catch-up" maintenance is considered essential, this work may have to take priority over other capital works projects. The Guidelines also indicate that agencies without current maintenance systems should make use of the extensive experience in maintenance planning within major Government agencies.

## **Post Completion Reviews**

Guidelines on Post Completion Reviews cover the two categories of Project Reviews and Post Occupancy Evaluation which agencies are to introduce as an integral part of their ongoing management of capital works programs. The Guidelines do not specify formal reporting requirements for post completion reviews but indicate that by the 1992-93 program, improvements which have been directly identified through formal reviews will be referenced in funding submissions and that about 20 per cent of projects in any year should be subject to either Project Review or Post Occupancy Evaluation.

## **Value Management**

Value Management is a structured and systematic procedure to achieve the essential functions at the lowest possible cost consistent with needed performance, i.e., to maximise value. Underlying the value management theory is the principle that there is always more than one way to achieve a function and that examination of the alternatives will produce the most acceptable conclusion.

The Capital Works Committee requires all new works over \$5 million submitted for the Committee's consideration to be subject to a value management study.

## **Private Sector Participation In Public Infrastructure**

Guidelines on private sector participation in public infrastructure were revised and issued under a Premier's Memorandum to Ministers in August 1990. The revised guidelines have been widely disseminated to the private sector. The Capital Works Committee requires all new capital works over \$5 million submitted for the Committee's consideration to include supporting information demonstrating that potential for private sector involvement has been investigated.

## **Economic Appraisal**

Economic appraisal is a systematic means of analysing all the costs and benefits of various ways in which a project objective can be met.

In essence, economic appraisal shows -

- whether the benefits of a project exceed its costs

- which, among a range of options to achieve an objective, has the highest net benefit, or
- which option is the most cost effective if project benefits are equivalent.

Guidelines for Economic Appraisal were first issued in December 1988. A revised edition was issued to agencies in February 1990 and a simplified summary document was issued in January 1991 as part of the package of capital works management initiatives.

## 5.2 FUNDING OF CAPITAL PROGRAM

### Major Change in Capital Program Funding Presentation

The change to a budget presentation consistent with the Australian Bureau of Statistics Government Finance Statistics presentation of State finances necessitates changes to the presentation of the funding of the Budget Sector capital program.

Under the changed presentation Budget Sector capital program expenditure is financed from the following sources -

- State capital receipts;
- Commonwealth capital payments;
- hypothecated roads receipts; and
- with the balance funded by any remaining recurrent surplus or from borrowings.

The new capital program presentation is shown in Table 5.1 for both 1990-91 and 1991-92.

**Table 5.1: Funding Sources for Capital Program**

	1990-91 Actual(a) \$m	1991-92 Budget \$m
<b>Budget Sector</b>		
Commonwealth Payments		
- general purpose	80	98
- specific purpose	998	950
State Revenues		
- asset disposal (b)	162	353(b)
- repayments	518	156
- internal funding	164	116
Recurrent Budget Support		
- hypothecated revenue	760	804
- other	267	265
sub total		
Borrowings	656	839
<b>Total - Budget Sector</b>	<b>3,605</b>	<b>3,581</b>

**Table 5.1: Funding Sources for Capital Program (cont)****Non Budget Sector**

	1990-91 Actual(a) \$m	1991-92 Budget \$m
Internal Funding		
- asset disposal (b)	98	83
- other	1,163	1,535
Borrowings	304	318
<b>Total - Non Budget Sector</b>	<b>1,565</b>	<b>1,936</b>
	<hr/>	<hr/>
<b>TOTAL PROGRAM</b>	<b>5,170</b>	<b>5,517</b>
	<hr/>	<hr/>

- (a) Adjusted to place on a comparable basis to 1991-92.  
 (b) Excludes projected receipts from GIO privatisation.

**BUDGET SECTOR****Commonwealth General Purpose Capital Payments**

Under the Financial Agreement of 1927, the Commonwealth at Loan Council each year sets the level of general purpose capital payments.

The 1991-92 payment is unchanged in nominal terms from the previous year. However following agreement between the Commonwealth and the States at the July Special Premiers' Conference, this year's total grant of \$98 million includes \$19 million for a program of "Building Better Cities". The latter figure is subject to adjustment following further discussions with the Commonwealth. While the Commonwealth is to take specific programs into account in determining the level and distribution of grants for the "Building Better Cities" program, the funding provided is unconditional and available to the State to use in accordance with its own budgetary priorities.

**Commonwealth Specific Purpose Payments**

The Commonwealth Government provides payments to the States for specific capital purposes under section 96 of the Constitution. The major payments are for public housing and roads.

Commonwealth specific purpose capital payments in 1991-92 are estimated at \$950 million, including \$317 million in housing grants to be received under the Commonwealth-State Housing Agreement and roads grants of \$436 million, virtually all of which are provided by the Commonwealth under the Land Transport Development Program. The total estimated payments represent a decrease of \$48 million or 4.8 per cent over the previous year.

## **Asset Disposal Proceeds**

Under arrangements introduced in 1987-88 Budget Sector agencies are permitted to retain at least 50 per cent of the net proceeds from the disposal of surplus assets by sale or long-term lease. Funds retained may be applied towards funding capital program expenditure or the maintenance of existing assets. The remaining amount of up to 50 per cent is paid to the Consolidated Fund and applied as a funding source for the overall Budget Sector capital program.

A percentage of net proceeds from asset disposals credited to Consolidated Fund is appropriated for transfer to the Open Space and Heritage Fund and used to acquire land and buildings for community use such as parklands, heritage buildings and environmentally based projects.

The projected receipts from Budget Sector asset disposals in 1991-92 of \$353 million exclude proceeds from privatisation of the Government Insurance Office.

## **Repayments**

These repayments generally represent principal amounts in respect of advances made to departments and authorities in previous years.

Repayments in 1991-92 are estimated to amount to \$156 million compared with \$518 million last year. The 1990-91 figure was boosted by a once-off loan repayment of \$404 million by the Electricity Commission.

## **Internal Funding**

Internal funding of Budget Sector agencies comprises retained revenues derived in the year and accumulated reserves applied to capital program funding. An amount of \$116 million is estimated to be applied to the 1991-92 capital program compared with \$164 million in 1990-91.

## **Hypothecated Revenues**

Hypothecated revenues comprise proceeds from State fuel levies, including the additional levy to accelerate roadworks, and revenue from motor vehicle taxation. Both fuel levies and motor vehicle taxation are dedicated to the roads capital program in accordance with Government policy and consistent with the principle of all taxation revenue being passed through the Budget.

Funding from fuel levies and motor vehicle taxation dedicated to roads capital program expenditure is estimated to amount to \$804 million in 1991-92 compared with \$760 million in 1990-91, an increase of \$44 million or 5.8 per cent.

## **Other Recurrent Budget Support**

Other recurrent budget support for the Budget Sector capital program represents the remaining recurrent surplus after hypothecation of roads receipts. In 1991-92 other recurrent budget support will amount to \$265 million, a similar level to last year.

## **Borrowings**

The residual funding source for the Budget Sector capital program is borrowings undertaken under the State's global limit. Borrowings in 1991-92 will total \$839 million.

## **NON BUDGET SECTOR**

### **Borrowings**

Borrowings to support Non Budget Sector capital program expenditure, undertaken under the global borrowings limit, are estimated at \$318 million in 1991-92 compared with \$304 million in 1990-91.

### **Asset Disposal**

Non Budget Sector agencies retain 100 per cent of proceeds from sale or lease of assets, which may be applied to funding their capital programs.

### **Other Internal Funding**

The most significant source of funding for the Non Budget Sector capital program is the income and accumulated reserves of authorities. In 1991-92 funding from this source is estimated at \$1,535 million compared with \$1,163 million in 1990-91. Included in the income of authorities is the Special Environmental Protection levy of \$80 per annum, which will contribute \$63.1 million towards capital program expenditure by the Water Board in 1991-92. All income received from the levy is dedicated to a special program of environmental works.

### 5.3 CAPITAL PAYMENTS BY FUNCTIONAL AREAS

During the early 1980's the State's capital program grew substantially in real terms reaching a peak in 1984-85. This growth was centred on the provision of economic infrastructure such as electricity generation, railways and ports. From 1985-86 to 1988-89 the capital program declined each year in real terms.

The completion of major bicentennial projects contributed towards the real decline in expenditure in 1988-89. However there was significant growth in the social infrastructure areas of law, order and public safety, education, health and housing, reflecting the high priority accorded these areas by the new Government. The roads program also grew strongly in 1988-89.

Over the past two years, 1989-90 and 1990-91, there has been real growth in the overall capital program. This real growth was due to increased outlays on roads, education, health and law, order and public safety.

The roads program grew strongly in both these years due to the hypothecation of all roads revenue to the roads program and the introduction of the additional 3 cents per litre fuel levy. Water and sewerage services expenditure increased in 1989-90 with major outlays on the ocean outfall projects and grew significantly in 1990-91 with increased funding from the introduction of the \$80 per annum Special Environmental Levy.

In 1991-92 overall capital program expenditure is estimated to increase by 6.7 per cent or 3.2 per cent in real terms. This growth is characterised by a levelling-off or a decline in real terms in expenditure on health, education and law, order and public safety, following the substantial growth over the past three years, a decline in the roads program also following three years of significant real growth and substantial increases in water and sewerage services, electricity generation and public transport.

Figure 5.1

#### STATE CAPITAL PROGRAM - TOTAL PAYMENTS

(Payments expressed in real terms, 1991-92 base;  
Percentage change on previous year)

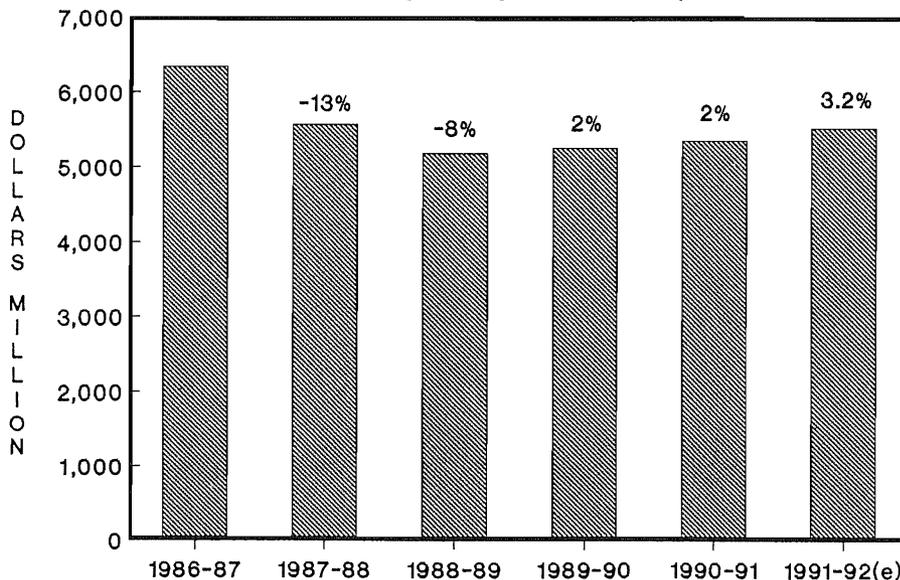


Table 5.2: Functional Classification of Capital Program Expenditure, 1986-87 to 1991-92 \*

	1986-87		1987-88		1988-89		1989-90		1990-91		1991-92 (Estimate)	
	\$m	%	\$m	%								
<b>1. Law, Order and Public Safety</b>	91.4	2.0	83.5	1.9	160.7	3.7	192.1	3.9	268.4	5.2	221.0	4.0
2. Education	255.5	5.5	261.2	6.0	332.1	7.6	367.0	7.5	378.7	7.3	352.4	6.4
3. Health	168.2	3.6	178.0	4.1	221.5	5.0	284.4	5.8	301.5	5.8	309.4	5.6
4. Welfare	17.4	0.4	18.2	0.4	12.5	0.3	12.1	0.3	18.7	0.4	27.1	0.5
<b>5. Housing and Community Services</b>	992.5	21.4	1,051.5	24.0	1,129.2	25.6	1,277.8	26.4	1,235.1	23.9	1,433.1	26.0
- Housing and Homeseite Development	510.5	11.0	561.3	12.8	675.9	15.3	760.0	15.7	602.4	11.7	638.7	11.6
- Water and Sewerage	451.6	9.7	442.6	10.1	420.1	9.5	454.6	9.4	560.9	10.8	692.5	12.5
- Protection of Environment, nei	30.4	0.7	47.6	1.1	33.2	0.8	63.2	1.3	71.9	1.4	101.9	1.9
<b>6. Recreation and Culture</b>	170.3	3.7	129.6	3.0	70.9	1.6	70.5	1.5	81.9	1.6	133.4	2.4
- Sydney Olympics 2000	..	..	..	..	..	..	..	..	..	..	60.0	1.1
- Other	170.3	3.7	129.6	3.0	70.9	1.6	70.5	1.5	81.9	1.6	73.4	1.3
<b>7. Economic Services</b>	2,351.3	50.8	2,096.7	47.7	2,132.4	48.3	2,303.0	47.7	2,597.4	50.2	2,769.7	50.2
- Agriculture, Forestry and Fishing	161.3	3.5	190.6	4.3	189.7	4.3	183.7	3.8	101.5	2.0	108.0	2.0
- Mining, Manufacturing and Construction	29.8	0.6	6.0	0.1	34.9	0.8	42.3	0.9	55.4	1.0	32.5	0.6
- Public Transport	451.9	9.8	437.6	10.0	390.0	8.8	450.3	9.3	505.6	9.8	582.9	10.6
- Roads	905.2	19.5	884.9	20.2	1,002.7	22.8	1,217.5	25.2	1,443.8	27.9	1,327.5	24.1
- Other Transport and Communication	47.2	1.0	53.6	1.2	48.2	1.1	43.0	0.9	46.6	0.9	61.7	1.1
- Community and Regional Development	58.3	1.3	1.3	0.0	6.5	0.1	7.8	0.2	9.2	0.2	17.6	0.3
- Electricity	683.8	14.8	515.1	11.7	452.7	10.3	348.3	7.2	424.1	8.2	621.0	11.2
- Industry Assistance	13.8	0.3	7.6	0.2	7.7	0.1	10.1	0.2	11.2	0.2	18.5	0.3
<b>8. General Administration, nei</b>	586.1	12.6	565.3	12.9	347.6	7.9	331.4	6.9	288.7	5.6	271.1	4.9
- Local Government	251.1	5.4	209.7	4.8	197.5	4.5	181.0	3.7	185.7	3.6	162.5	3.0
- Other	335.0	7.2	355.6	8.1	150.1	3.4	150.4	3.2	103.0	2.0	108.6	1.9
<b>TOTAL PROGRAM</b>	4,632.7	100.0	4,384.0	100.0	4,406.9	100.0	4,838.3	100.0	5,170.3	100.0	5,517.2	100.0
Change on previous year												
- actual (%)		5.7		-5.4		0.5		9.8		6.9		6.7
- real (%)		-3.7		-13.1		-7.6		1.6		2.0		3.2

Note: Figures for 1986-87 to 1990-91 inclusive have been adjusted to place on a comparable basis to 1991-92.

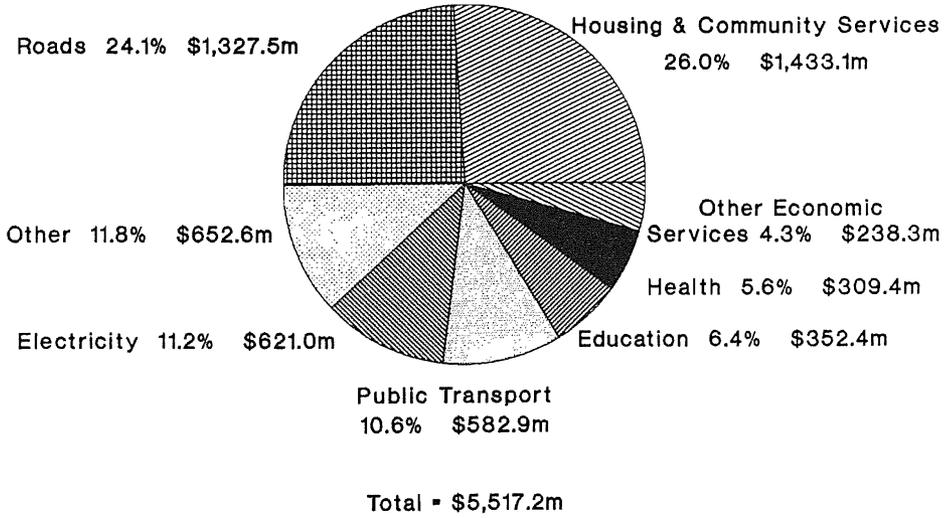
Figure 5.2 provides a functional break down of the 1991-92 capital works program.

Major features of the 1991-92 program are -

- An allocation of \$60 million for the design and construction of sporting facilities at Homebush Bay in respect of the Olympics 2000 bid. The facilities, with an estimated end cost of \$300 million, include a State Aquatic Centre and a State Athletics Centre with a grandstand, competition arena and warm-up track.
- A \$197 million or 46 per cent increase, to a total of \$621 million, for electricity generation. The Electricity Commission will incur major expenditure on accelerated construction of the Mt. Piper Power Station, a new twin 660 megawatts unit station near Portland due to be partly operational by mid-1993 and fully operational 12 months later, as well as significantly increased outlays on existing power station rehabilitation and new and upgraded power transmission facilities.
- Water and sewerage services expenditure will increase more than \$130 million or 23 per cent to a total of \$693 million. The Water Board is to continue to increase expenditure on improving the quality of beaches and waterways of Sydney and Wollongong, inland streams and rivers and on environmental protection, including upgrading inland sewage treatment plants and improvements in water quality and systems reliability. The \$80 per annum Special Environmental Program levy will contribute \$63 million towards the Board's environmental improvement program this year.
- Public transport expenditure will total \$583 million, an increase of almost \$80 million or more than 15 per cent on last year. The State Rail Authority is continuing to focus on safety and reliability in improving rail services throughout New South Wales.
- Roads program expenditure will total \$1,328 million or over 24 per cent of the State's total capital program expenditure this year. Expenditure in 1990-91 included \$88 million on flood damage restoration costs.
- Expenditure on health services will total \$309 million compared with \$301 million in 1990-91. Health capital program expenditure has increased 37 per cent in real terms over the five year period 1987-88 to 1991-92, demonstrating the Government's strong commitment to the continuing provision of high quality health care services throughout the State.
- Law, order and public safety expenditure will fall from the peak level last year of \$268 million to \$221 million, reflecting the completion of a number of major projects including the Downing Centre law courts and a levelling-off of program expenditure following the very substantial real growth over the past three years. The continuing high priority accorded by the Government to this program area is aimed at reducing court delays, housing prisoners in adequate and secure custody, providing employment opportunities in prison industries and supporting community based and beat policing.

**Figure 5.2**

**STATE CAPITAL PROGRAM, 1991-92 (Estimate)  
Functional Classification of Expenditure**



### 5.3.1 LAW, ORDER AND PUBLIC SAFETY

#### Overview

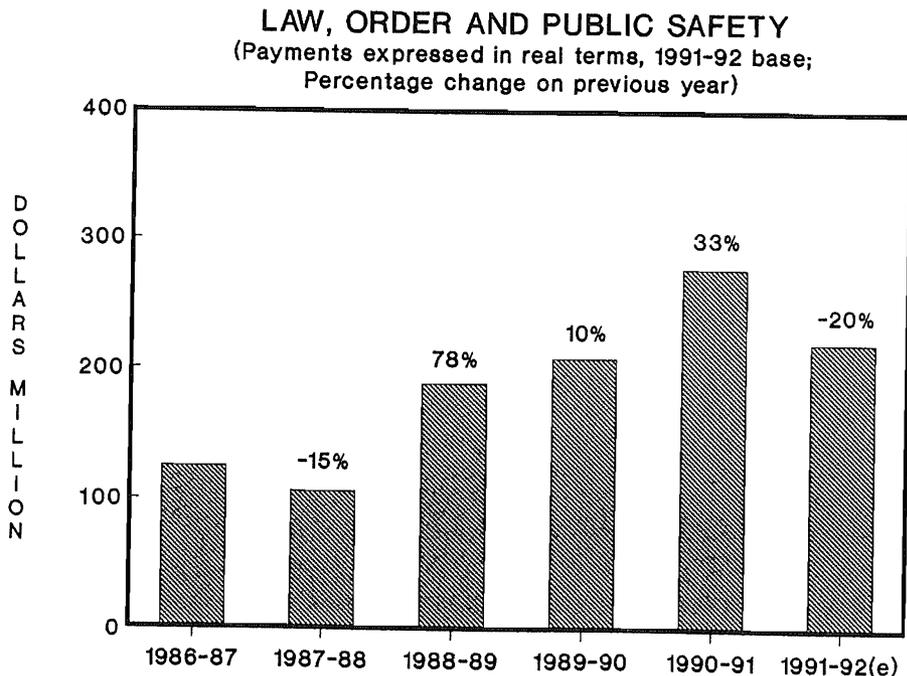
This policy area covers the upgrading and expansion of the State's court buildings, increasing the capacity of the prisons system, refurbishing and upgrading police buildings, providing improved police plant and equipment, maintaining the Police Service's mainframe and data network, works on fire stations and plant and equipment for fire brigades and emergency services.

The funding in 1991-92 for this policy area provides for the continuation of the programs undertaken to ensure that adequate facilities are available to -

- support community based policing and beat policing;
- assist in the apprehension and conviction of criminals;
- reduce court delays;
- house prisoners held in custody and provide employment opportunities in prison industries; and
- upgrade and maintain public safety in the State.

#### EXPENDITURE TRENDS

Figure 5.3



During the five-year period to 1991-92 expenditure in this policy area will increase by 76.8 per cent in real terms. This substantial growth reflects the major program of works underway for the upgrading and expansion of the Courts system, increasing the capacity of the prison system, upgrading and refurbishment of police buildings and the provision of improved equipment for the police, fire fighting and emergency services.

## 1991-92 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Police .....	66.0	43.6	(-) 33.9
Law Courts and Legal Services .....	66.1	34.0	(-) 48.6
Corrective Services .....	111.5	113.8	+ 2.1
Other (including Fire Protection Services)	24.8	29.6	+ 19.4
<b>Total .....</b>	<b>268.4</b>	<b>221.0</b>	<b>(-) 17.7</b>

Total capital payments for Law, Order and Public Safety in 1991-92 are projected to decrease by 17.7 per cent (20.4 per cent in real terms) on actual expenditure incurred last year. Projected expenditure in the Police and Law Courts and Legal Services sectors is falling as a result of reductions in funding for major new works and the District Court's Downing Centre which was opened early in 1991.

The growth in expenditure in this area in recent years primarily reflects the expansion of the capacities of both the Court and prison systems and the upgrading of police accommodation and equipment. Despite the decrease in expenditure in 1991-92 there are substantial commitments in place for additional police, court and prison facilities and further facilities are planned as part of the forward capital program.

## 1991-92 Capital Program Highlights

### POLICE

The allocation of \$43.6 million includes \$27.4 million for police buildings, \$15.3 million for equipment and services and \$0.9 million for police housing.

The program of \$27.4 million for police buildings includes \$14.5 million for the continuation of works-in-progress at the Hurstville Joint Emergency Services Complex and police stations at Wollongong, Hornsby, Bathurst and Albury and on the refurbishing of the Sydney Police Centre.

The \$15.3 million provided for equipment and services includes \$7 million for computers, \$4.9 million for radio and telephone projects and \$1.5 million for electronic recording of police interviews.

## **LAW COURTS AND LEGAL SERVICES**

An amount of \$29.1 million has been allocated to the Department of Courts Administration. No new major works will commence this financial year. Major projects and funding levels are -

- \$3.5 million to complete fitout of the Criminal Jurisdiction of the Sydney District Court in the Downing Centre which has an estimated total cost of \$105.3 million.
- \$6.1 million for the continuation of construction of a new Court House at Campbelltown with an estimated total cost of \$18.8 million.
- \$3.9 million for the continuation of construction of a new Court House at Burwood with an estimated total cost of \$12.6 million.
- \$2.0 million for the continuation of construction of a new Court House at Wyong with an estimated total cost of \$5.2 million.
- \$0.3 million for the completion of a new Court House at Byron Bay which has an estimated cost of \$2.4 million.
- \$0.5 million for the continuation of the implementation within the courts system of electronic recording of police interviews.

In addition \$1 million has been allocated for the installation of closed circuit television systems in a number of Courts and a sum of \$1.7 million has been allocated for the purchase of sites for new Court Houses.

An amount of \$4.7 million has been allocated to continue the extension of various computer systems throughout the Department.

An amount of \$0.6m has been allocated to the Attorney General's Department for a computer system for the Crown Solicitor's office (\$0.3 million) and for minor plant and equipment (\$0.3 million).

## **CORRECTIVE SERVICES**

The main focus of the Corrective Services program is the provision of additional cells to relieve gaol overcrowding and to expand and upgrade Juvenile Justice facilities following the transfer of the administration from the former Department of Family and Community Services.

The program also provides for the further expansion of prison industries to help ensure that prisoners undertake meaningful work and education while in gaol.

The current year's allocation of \$113.8 million provides an amount of \$4.5 million for major new works including -

- \$1.6 million for commencement of work on additional Periodic Detention Centres to achieve cost effective detention for offenders of lesser crimes (estimated total cost \$9.4 million).
- \$1.5 million for commencement of work on the cyclic upgrade of Juvenile Detention Centres (estimated total cost \$2.9 million).

- \$0.7 million for necessary modifications to the Young Offenders Unit at Newnes (estimated total cost \$0.9 million).
- \$0.5 million for additional facilities at the Corrective Services Academy (estimated total cost \$1.5 million).

Provision has also been made for the following major works-in-progress -

- \$2.1 million for completion of work on Muswellbrook Prison to provide 100 additional cells and industries.
- \$10.8 million in respect of the Silverwater complex expansion.
- \$11.7 million for a 250 cell special purpose maximum security prison to be constructed at South Windsor - the John Morony Correctional Centre - planned for opening in November 1991 (estimated total cost \$51.2 million).
- The extension of Kirkconnell Camp by 120 beds, anticipated to be completed by March 1992 at a cost of \$4.0 million.
- Tamworth Gaol renovation to provide specialised accommodation for known escapees, soon to be completed at a cost of \$3.1 million in 1991-92.
- Construction to commence on a privately designed and managed gaol at Junee, at a total estimated cost of \$61.6 million.
- \$1.4 million to provide specific facilities for prison industries at various gaols, including \$1.2 million for the Long Bay prison complex, planned for completion in late 1991.
- \$3.7 million for redevelopment of the prison at Grafton (estimated total cost \$8.0 million), planned for completion in June 1992.
- \$3.0 million for redevelopment of the prison at Parramatta to provide for upgraded prisoner reception, visitor facilities and the construction of a new gaol entrance.

## OTHER

The New South Wales Fire Brigades' program is \$10.9 million and provides for the Fire Pumper Appliance Replacement Program (\$2.5 million) the restructure of Chullora Workshops (\$1.3 million) relocation of the Brigades' administrative headquarters to the Hurstville Joint Emergency Services Complex (\$1.0 million) and for the continuation of work on the communications network (\$2 million).

A capital allocation of \$15.9 million has been made to the Department of Bush Fire Services for plant, equipment and vehicles for rural firefighting services throughout New South Wales.

## 5.3.2 EDUCATION

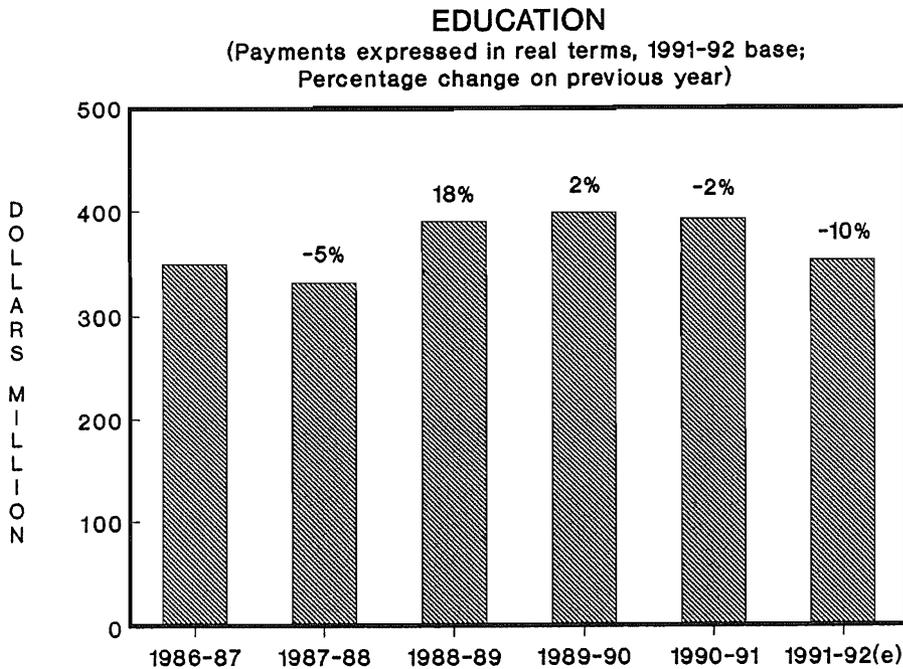
### Overview

The Department of School Education, as a matter of practice builds "core" schools to cater for the State's long term student populations and provides demountable classrooms for short term peak periods. There is a continuous program to upgrade or replace run down facilities. There is also a response to new initiatives such as providing facilities for technology and senior high schools

Funding is provided also under this policy area for the acquisition of sites for Technical and Further Education facilities, the construction, extension and upgrading of college buildings and the purchase of major items of equipment.

### EXPENDITURE TRENDS

Figure 5.4



Over the five years to 1991-92, education capital expenditure has fluctuated in real terms from a low of \$331 to a high of \$398 million.

## 1991-92 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Primary and Secondary Education .....	233.3	233.4	
Technical and Vocational Education .....	144.6	118.3	(-) 18.2
Other (Including General Administration) ..	0.8	0.7	(-) 12.5
Total .....	378.7	352.4	(-) 6.9

Budgeted expenditure on major works at \$137 million reflects the commitment to upgrade existing schools and provide specialist facilities in response to initiatives such as technology and senior high schools. It also provides for new schools in growth areas, especially in the West and South West of Sydney and the North Coast. In addition, \$17 million will be spent on computer development for schools administration and accrual accounting.

It is expected that roundly \$49 million will be raised from surplus education property disposals in 1991-92, \$37 million of which will be retained by the Department and applied towards school building maintenance and schools rationalisation projects. The remaining \$12 million will be credited to the Consolidated Fund and applied towards funding budget sector capital projects, including schools.

Capital funding for TAFE will decrease by 21.6 per cent in real terms in 1991-92. The overall allocation of \$116.9 million includes \$58.3 million from Commonwealth Specific Purpose Capital Grants, compared to \$79.2 million in 1990-91. Commonwealth funding is provided on a calendar year basis. The variation reflects estimated expenditure on Commonwealth approved projects in the financial year and does not indicate a reduction in the level of funds provided in the calendar year.

## 1991-92 Capital Program Highlights

### STATE SCHOOLS

#### Strategy

Capital works projects are provided in schools on the basis of needs determined at the school and regional level, consistent with the statutory responsibility of the Minister for School Education and Youth Affairs.

The program gives emphasis to the need for educational facilities in new and developing areas of the State and to ensuring the provision of essential core facilities in existing schools. In particular, the program reflects a commitment to upgrade existing facilities and provide specialist facilities in response to Government initiatives.

The planning of facilities is undertaken within the framework of formal school building codes and cost budget procedures and has regard to the economic appraisal of assets.

## **Major Initiatives**

The capital allocation of \$233 million allows for the starting of 36 new projects, including new schools at Ocean Shores, St Helens Park, Mullaway, Mt Annan, Glenmore Park and Coffs Harbour Technology High School, reflecting population growth along the North Coast and around Sydney.

The program provides funds to continue or complete over 100 projects commenced in previous years, including Cherrybrook High School.

Funds have been provided to commence plans for improvements to Manilla Central School and North Sydney Girls High School.

A program of \$7.4 million is provided for a range of health and safety issues including asbestos removal, fire stairs assembly hall upgradings and reducing emissions from flueless gas heaters.

An amount of \$16 million will be expended on a wide range of minor capital works projects while roundly \$62 million will be spent during the year on school furniture and equipment, site acquisitions, asbestos removal, health and safety improvements, moving demountable buildings and other miscellaneous items.

## **TECHNICAL AND FURTHER EDUCATION**

The restructuring of the New South Wales Technical and Further Education Commission will continue through 1991-92. The capital program reflects the objectives of the Commission's restructuring and of the Corporate Plan. The Commission's basic objective is the provision of high quality vocational, preparatory and community education programs and services that enhance the productivity and develop the skills of the New South Wales workforce. This is to be achieved through educationally sound and cost-effective program delivery. In meeting these objectives, the Commission's capital works strategy has addressed the following -

- ***Areas of Major Population Growth***

The Commission has a number of projects under construction in the rapidly growing areas of western and southwestern Sydney, the Central Coast and the North Coast. These include the first stages of new colleges at Richmond and Wollongbar, near Lismore. New projects in growth areas include major stages at Granville, Meadowbank and Wetherill Park colleges. The acquisition of a new site at Coffs Harbour and additional land adjacent to Port Macquarie College will ensure sufficient capacity to meet future needs in those areas.

- ***Industry Needs and State Development***

As the sector of education most closely linked to the needs of industry, TAFE monitors and is continually responding to new and emerging training needs. Industry restructuring and technological change are two major contributors to changing training needs. A major proportion of upgradings and equipment expenditure is devoted to maintaining a training infrastructure which is up-to-date and relevant to industry needs.

In addition, industries which are identified as being vital to State development have received a high priority. Projects in this category include -

- Tourism, hospitality and services industries facilities at Loftus College.
- Facilities for commercial vehicle painting, industrial painting, motor body building and vehicle trimming at Wetherill Park College.
- The improvement and expansion of computing facilities throughout the TAFE system and the provision of major new facilities at Meadowbank College.
- The recycling of the former Enmore High School as TAFE's major Design Centre, incorporating facilities for Graphic Design, Interior Design and Jewellery Design/Trade.
- Facilities for flat glass, french polishing and upholstery training at Lidcombe.
- ***Educational Initiatives and Improved Learning Environment***

The maintenance of an effective and supportive student learning environment is a major objective of the TAFE Corporate Plan. While all capital projects have this objective, a number will significantly improve the general learning resources in major colleges. In particular, new libraries and associated resources areas and student services are to be provided at Granville, Meadowbank, and Newcastle colleges.

Adoption of a competency-based approach to training in the TAFE area has influenced facilities and resource needs and these changes are reflected in the capital program, in the construction of new facilities, in the upgrading and refurbishment of existing facilities and in the provision of appropriate equipment.

- ***Special Groups***

The EORA Centre for Aboriginal Visual and Performing Arts, which has been operating since 1984, is an innovative approach to inner-city Aboriginal education. Purpose-designed facilities for the Centre will ensure its continued educational and social effectiveness and provide a focus for Aboriginal visual and performing arts in Sydney.

## **Major Initiatives**

Major additions to a number of colleges will be completed during the financial year. These include a new library and facilities for instructional design, fashion and general studies courses at Bankstown; a library and facilities for hospitality courses at Brookvale; a library and computing centre at North Sydney; accommodation for hospitality courses at Ryde; hairdressing, hospitality and computer facilities at Werrington and accommodation for art and design, hairdressing and computing courses at Wollongong West.

New colleges will also be opened at Loftus, Maclean and Moruya and construction of the first stage of other major new colleges will occur at Richmond and Wollongbar. The first stage of Loftus College will provide specialist teaching facilities in tertiary preparation, child care studies and tourism and hospitality. At Maclean and Moruya a variety of specialist and multipurpose teaching areas will be provided, including computing rooms, typing rooms and lecture rooms. Stage 1 of the new college at Richmond will concentrate on business and rural studies courses and at Wollongbar the Stage 1 development will cater for automotive engineering and rural courses.

At Young, construction will be completed on the joint TAFE/High School development, providing instructional facilities for welding, woolclassing, catering and nutrition management and a library.

Other major initiatives include the provision of child care facilities at Blacktown, Meadowbank and Wetherill Park colleges and the commencement of major extensions to existing colleges at Granville, Lidcombe, Meadowbank, Newcastle and Wetherill Park.

Funds have been provided for the continuation of a program of upgradings to existing college facilities; for the replacement of old and outdated equipment and for the purchase of new sites for future developments.

#### **DEPARTMENT OF AGRICULTURE (Colleges)**

Motel-style accommodation to cater for students attending live-in short courses is to be constructed at the two Agricultural Colleges over the next two years with funds provided by the Commonwealth. Construction at the Murrumbidgee College of Agriculture, Yanco, will commence in 1991-92, and at the C.B. Alexander Agricultural College, Paterson, in 1992-93.

### 5.3.3 HEALTH

#### Overview

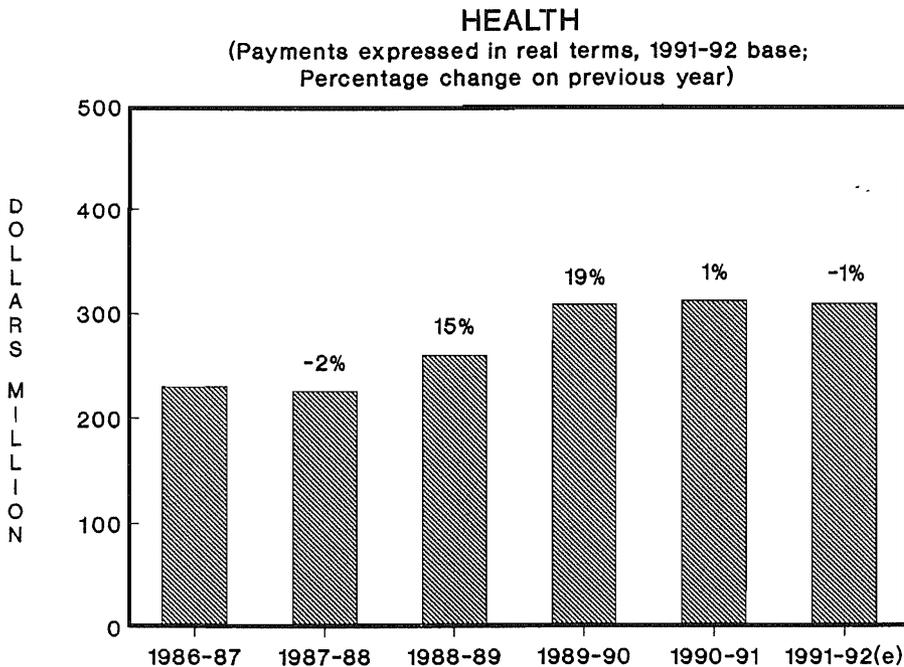
Health capital expenditure is directed by the Department's strategic plan, which is aimed at the redistribution and upgrading of service delivery within the State. Operating funds are being progressively redistributed to growth areas and capital projects are targeted to these areas to ensure the effective delivery of upgraded diagnostic and medical services.

In addition, specific programs and projects have been targeted at rectifying the worst examples of substandard facilities and at a general upgrade of the high technology equipment necessary for modern health procedures.

As in previous years, all proceeds from the Department's asset sales will be retained for re-investment in new and improved facilities in high priority areas.

#### EXPENDITURE TRENDS

Figure 5.5



Over the five year period to 1991-92, expenditure on the Health Capital Program will increase by 34.5 per cent in real terms. Provision for the maintenance of recent record levels of expenditure in the current year reflects the Government's continuing commitment to provide high quality health care services throughout the State.

### 1991-92 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Area Health Services and Other Health Services .....	278.4	283.1	+ 1.7
Community and Other Support Services ..	17.1	10.1	(-) 40.9
Public Health Services .....	3.1	13.0	+ 319.4
Other .....	2.9	3.2	+ 10.3
<b>Total .....</b>	<b>301.5</b>	<b>309.4</b>	<b>+ 2.6</b>

Total capital payments will increase by 2.6 per cent in 1991-92. In addition to the Consolidated Fund allocation of \$282.7 million for the Health program, the Department of Health will again be permitted to retain all proceeds from its asset sales, estimated at \$17.2 million, for re-investment in new and improved facilities.

### CAPITAL EXPENDITURE STRATEGY

#### Works and Equipment

The Department is seeking to achieve an optimal use of available resources over the next decade in order to contain cost pressures arising from increased demand for services. At the same time, the Health industry is a "people industry" and infrastructure needs must be directly related to human resource planning and service delivery objectives.

Key challenges over the next decade are -

- the provision of adequate facilities in areas of high need and/or population growth; and
- the containment of operating costs through the establishment of new facilities which can increase throughput at less cost, through increased efficiency in operation.

Strategic planning for the location of facilities takes place at the Area and Regional levels. In the central planning process priority is given to those projects which address the abovementioned challenges, with the provision of new facilities or the maintenance, redevelopment, upgrading or replacement of existing facilities being targeted at areas of greatest need.

As an essential part of the planning process, increased emphasis is being placed on the assessment of the scope for private sector involvement in the development of new facilities and subsequent service delivery.

It needs to be recognised that in implementing these priorities, there needs to be a workable balance between expenditure on maintenance and replacement of existing stock and on new construction. Specialist programs for equipment replacement and/or upgrade are therefore also incorporated in assessing needs in the planning process.

## Computers

The Department's Information Technology Strategy is providing an information framework for clinicians, managers and health professionals. This Strategy will continue to achieve significant improvements in patient services and health outcomes and in the use and monitoring of available resources.

## 1991-92 Capital Program Highlights

Allocations for the current year provide for the continuation of major upgrading and redevelopment works at the St George, Lismore, Gosford, Wollongong and Nepean hospitals and for the relocation of the Royal Alexandra Hospital for Children to Westmead. In addition, the following provisions have been made for the commencement of major new hospital works -

<u>Project</u>	<u>1991-92 Allocation \$000</u>
Liverpool Hospital - Redevelopment as a Teaching Hospital of 660 beds with associated high level diagnostic and clinical services (estimated total cost - \$183.3m)	8,800
Hawkesbury - Construction of a new 150 bed hospital (estimated total cost - \$73.4m)	1,200
Port Macquarie - Construction of a new 189 bed hospital (estimated total cost - \$78.5m)	1,800
Wagga Wagga Hospital - Stage I Redevelopment, includes provision of a new rehabilitation unit, services block and associated works (estimated total cost - \$14.8m)	2,200
Tweed Heads Hospital - Construction of a new medical/surgical unit, day surgery facility and 8 bed coronary intensive care unit (estimated total cost - \$4.8m)	1,700

The Port Macquarie and Hawkesbury projects will be subject to further analysis of the scope for private sector participation prior to tenders being called, the objective being to seek to establish contractual arrangements with the private sector for the provision of health services. If proceeded with as public sector works, the timing and scale of these projects will need to be further reviewed in the light of the overall prospective health capital funding position, including potential asset sales.

Preplanning for future major hospital works at Batemans Bay/Moruya, Coffs Harbour, Maitland and Albury will also proceed during the current year.

Development and implementation of the Department's Information Technology Strategy will continue at an estimated cost of \$17 million, while over \$32 million will be invested in high technology diagnostic and therapeutic equipment. An amount of \$28 million has also been provided for existing and new works under the Mental Health Plan, with further estimated expenditure on these and other planned new projects of \$80 million over the next 4 years.

Full details of the Department's capital allocations, including individual project provisions, are contained in Budget Paper No 4.

## 5.3.4 WELFARE SERVICES

### Overview

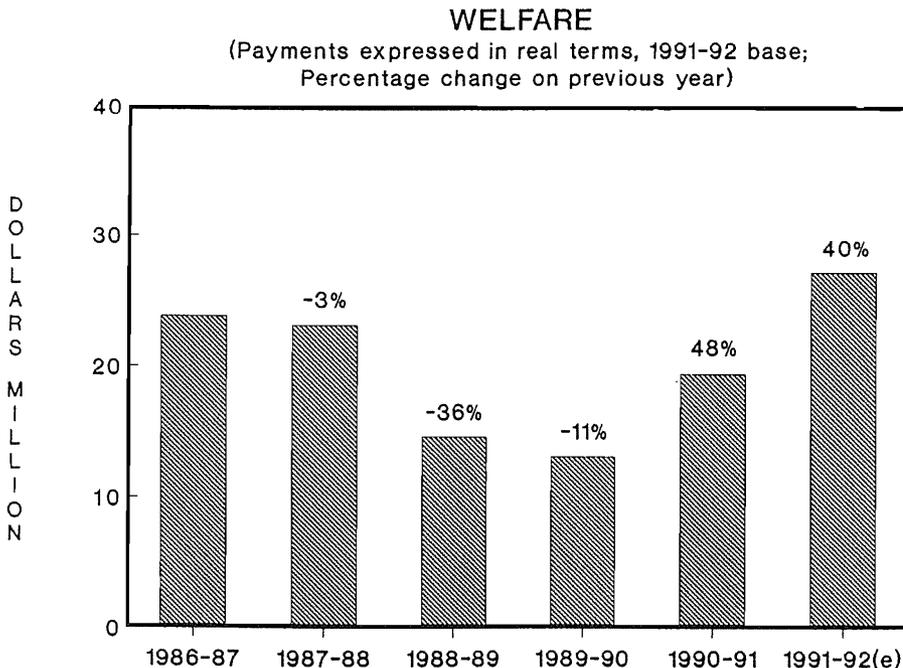
The objective of the Department of Community Services is to assist families, individuals and disadvantaged communities who are under stress and who require assistance, guidance or protection to enable them to participate in the community.

The Department has three main program objectives -

- **Care and Protection:** To provide for the protection and assistance of families, children and individuals who because of age, disability or social dislocation may be exploited or require protection from exploitation;
- **Crisis Support and Accommodation:** To assist people who are in crisis and who are genuinely homeless to move towards independent living or return to their family;
- **Community Support Services:** To assist the most disadvantaged individuals, groups and communities to greater independence, self-reliance and well being.

### EXPENDITURE TRENDS

Figure 5.6



Over the five years to 1991-92 capital expenditure in the welfare service area will increase by 13.9 per cent in real terms.

The projected increase in expenditure in 1991-92 of 39.7 per cent in real terms, reflects the high priority afforded to services for children and the disabled.

### 1991-92 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Welfare Support Services .....	18.7	27.1	44.9
Total .....	18.7	27.1	44.9

The Department provides a wide range of support services for children, persons with a disability, and disadvantaged adults. Whenever possible the Department encourages the provision of these support services and accommodation through external organisations by making available both capital grants and grants for operating expenses.

However, there has always been a need to provide some accommodation and support services within facilities owned or operated directly by the Department. Accordingly, the Department's capital strategy has been developed to correspond with the identified areas of facilities requirements within each of the corporate program areas.

The significant increase in the allocation for 1991-92 reflects the emphasis toward meeting -

- commitments under the National Child Care Strategy;
- identified program requirements of the developmentally disabled; and
- existing departmental programs.

The Department of Community Services is able to retain a 50 per cent share of the proceeds of assets sold. The Department expects to sell assets to the value of \$9.5 million in 1991-92. Asset sale funding retained will allow the Department to finalise the renovation of Woolloomooloo Day Nursery.

## 1991-92 Capital Program Highlights

The capital allocation of \$27.1 million is predominantly for the purchase or construction of group homes for the developmentally disabled, upgrading residential and administrative accommodation and construction of child care facilities in accordance with the joint State/Commonwealth agreement under the National Child Care Strategy.

Funding of \$12.4 million provided in 1991-92 for the developmental disability capital program is part of an overall \$60 million five year capital program which began in 1989-90.

The Department's capital program contains the following specific allocations -

### Works in Progress

	Cost in 1991-92 \$m	Cost to Complete \$m
Children's Services Program - provision of 22 long day care centres, 7 rural multi-purpose centres and 670 occasional care places as part of a joint Commonwealth/State 3 year program.	6.2	23.1
Purchase and establishment of community based group homes and the establishment of day program facilities for people with disabilities.	11.4	11.4
Reconstruction of the Woolloomooloo Day Nursery	1.6	1.6
Other works	0.5	0.9

### New Works

	Cost in 1991-92 \$m	Cost to Complete \$m
Renovation of residential centres to provide improved accommodation for people with disabilities.	1.0	2.1
Fitting out of leased premises to provide suitable accommodation for the Guardianship Board.	0.8	0.8

### **Minor Works**

An amount of \$3.7 million has been allocated for minor works with a total cost of less than \$500,000, including -

- finalisation of projects completed in earlier financial years;
- costs of preliminary planning, design and investigation of new works; and
- purchase of furniture and equipment

### **Computers**

An allocation of \$2.2 million has been provided to the Department to enhance systems development, including -

- financial management system;
- personnel system;
- payroll system; and
- benefits payment system

## 5.3.5 HOUSING AND COMMUNITY SERVICES

### Overview

The policy area covers programs related to the provision of public rental housing; development of land for homesites; water supply, sewerage and drainage programs undertaken by the Sydney, Hunter and Broken Hill Water Boards and local government areas not serviced by Water Boards. Provision is also made for programs undertaken by the State Pollution Control Commission and the Department of Planning for the protection and conservation of the environment.

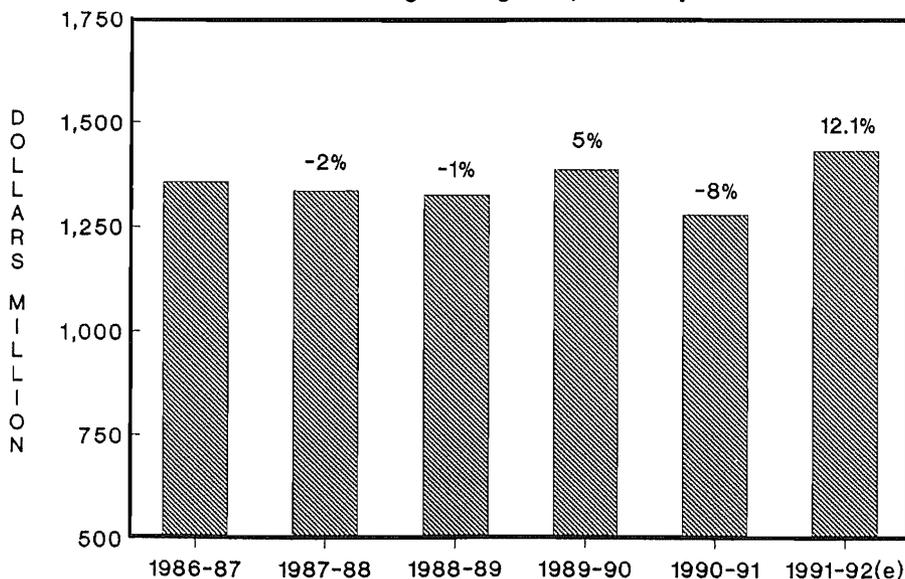
Programs in this policy area are directed towards -

- maximising opportunities for those eligible for public rental housing, complemented by initiatives to increase the supply of housing stock;
- ensuring an appropriate supply of developed, serviced residential land to meet housing needs;
- provision of water supply, sewerage and drainage facilities for urban and rural populations; and
- works associated with restoration and protection of the environment and preservation of heritage properties.

### EXPENDITURE TRENDS

Figure 5.7

#### HOUSING AND COMMUNITY SERVICES (Payments expressed in real terms, 1991-92 base; Percentage change on previous year)



Over the five years to 1991-92, capital payments in the Housing and Community Services policy area will increase by 5.6 per cent in real terms. Within the area, capital payments on Housing, including Homesite Development, and Protection of the Environment increased substantially reflecting the increased level of State support to these areas.

### 1991-92 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Housing .....	476.4	538.7	+ 13.1
Homesite Development .....	126.0	100.0	(-) 20.6
Water and Sewerage .....	560.9	692.5	+ 23.5
Protection of the Environment .....	71.8	101.9	+ 41.9
<b>Total .....</b>	<b>1,235.1</b>	<b>1,433.1</b>	<b>+ 16.0</b>

For 1991-92 capital payments for the Housing and Community Services policy area are estimated to increase by 16.0 per cent or 12.5 per cent in real terms, compared with 1990-91. There is a significant increase in the allocation for public housing over actual expenditure last financial year. Additional funding in the Water and Sewerage area reflects a significant increase in the Water Board's program. In the area Protection of the Environment the increase relates to the Waste Management Authority, which will have a program of almost \$40 million compared with actual expenditure in 1990-91 of \$7.1 million. Funding has also been provided to continue the policy of acquisition of properties nominated under environmental plans.

### 1991-92 Capital Program Highlights

#### HOUSING

##### Rental Housing Program

Financial assistance to the States and Territories for public housing is provided under the Commonwealth State Housing Agreement. The current Agreement commenced operation on 1 July 1989.

The Agreement has matching requirements for the provision of funds by the Commonwealth and the States. Under the new agreement the States have to provide a specified part of these matching requirements in the form of grants rather than loans.

The agreement provides for 50 per cent of State Matching obligations to be made from the value of home loans provided through home purchase assistance programs. The balance of State Matching obligations (to be phased in over four years) is to be in the form of grants from the Consolidated Fund. For 1991-92 the matching requirement for New South Wales is \$107.9 million.

The successful Public Equity Partnership scheme introduced in 1990-91 involves the private sector providing equity capital for the acquisition of 1,000 units of housing stock tenanted by public housing applicants. Attracting suitable investors for a further scheme has, however, proven difficult. Therefore new proposals are being developed.

In light of the experience gained from the first transaction, a number of suitable investment proposals will be considered which require consent from both Commonwealth and State Governments.

Consistent with Government policies on urban consolidation, the Department is undertaking a redevelopment program within its capital works activities for public housing.

Suitable sites are being identified for redevelopment to produce a higher utilisation for public housing, especially for pensioner accommodation.

The overall allocation for public housing for 1991-92 is \$524 million, a \$59 million increase on actual 1990-91 expenditure. Last year's program was affected by delays in obtaining approvals for certain major housing redevelopment projects.

Key features of the program include -

- the completion of approximately 3,500 new dwellings which were in progress at 30 June 1991 or which were committed and will be completed during the year;
- commencement of 3,274 units of accommodation for the total program. Commencement of 1,495 units of accommodation for aged people is provided for within the total program, including a redevelopment initiative which will contribute 239 units of this total.
- a capital improvements (upgrading) program of \$40 million (an additional \$64 million of maintenance expenditure is funded from the operating budget).

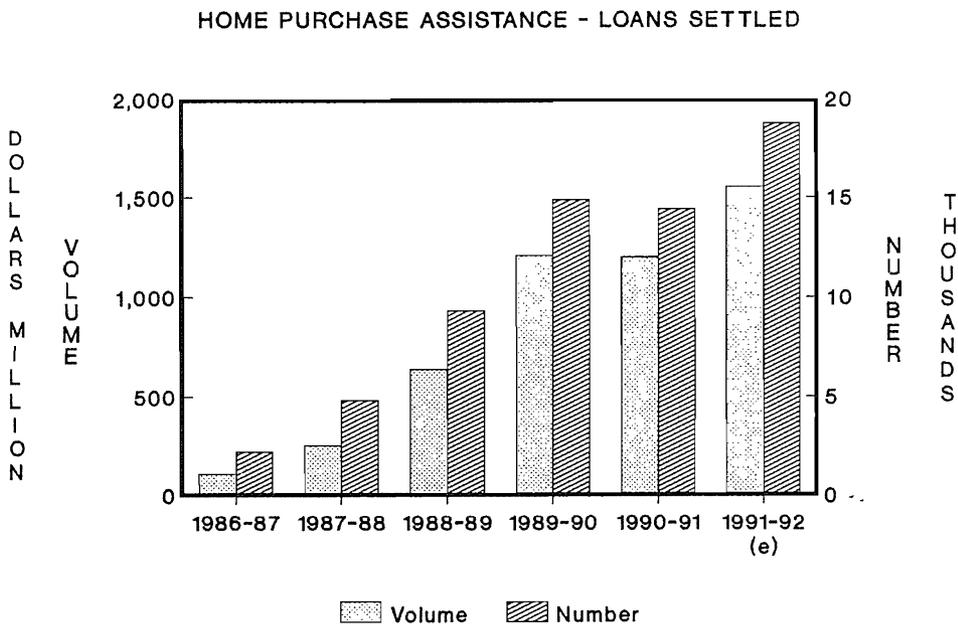
### **Home Purchase Assistance**

Since the commencement of arrangements in 1945-46 between the Commonwealth and States for provision of funding for housing, financial assistance has been provided to low to moderate income earners towards the acquisition of a home. Up to 1986 funding for the program was on the basis of loans, at concessional interest rates, from the Home Purchase Assistance Account. Repayments from borrowers were used to create a revolving fund which was supplemented by State or Commonwealth grants and/or advances. In 1986-87 some \$80 million was made available to New South Wales home buyers under these arrangements.

Recognising the need to improve the cost effectiveness of the Government's home lending programs, arrangements were introduced from 1987-88 which provided for all funding for the Government programs to be raised in the capital market by FANMAC, a company owned by a range of private sector financial institutions with a minority shareholding by the Government. Government financial support, which is provided from the Home Purchase Assistance Fund, is directed towards interest rate subsidies and other risk cover. This move substantially improved the volume and stability of funds for housing by releasing the Government from the need to provide direct loan assistance and hence the program was able to be substantially geared. As a private sector initiative, the provision of these loans does not form part of the State's borrowing or capital program.

The spectacular growth in home purchase assistance is shown in Figure 5.8.

**Figure 5.8**



Home purchase assistance of up to \$1,553.5 million is being budgeted for in 1991-92. Included in the 1991-92 program is a new product called the Rent-Buy Scheme which offers eligible purchasers an opportunity to buy a share of a residential property and so become a part owner of their home. The product is targeted at either Department of Housing tenants, people on the public-housing waiting list or the Affordable Home Request List who meet income limits. Applicants can buy a share of between 39 and 90 per cent of the property with private investors purchasing the remaining part of the property.

Finance is only available through HomeFund loans. The Department of Housing will pay the stamp duty on the initial acquisition and any additional shares acquired within five years of the initial acquisition.

A pilot program of 200 loans was successfully undertaken in 1990-91.

The Government will be closely monitoring the housing market throughout the year to ensure that the home purchase assistance program does not contribute towards any overheating of the market.

### **Teacher Housing Authority**

The Teacher Housing Authority's program includes the construction of additional dwellings for teachers in country areas and the upgrading of its existing housing stock. Planned expenditure of \$3.98 million will be fully funded from internal sources.

## **HOMESITE DEVELOPMENT**

The commencement of the 1991-92 financial year is influenced by a depressed market caused by the economic uncertainties and high unemployment which is influencing new home buyers when it comes to making commitments for land purchase. However, there are signs of recovery in the residential property market due to the impact of the decline in interest rates.

An amount of \$100 million has been allocated to the Department of Housing for homesite development. Expenditure on land development will be approximately \$70 million which will produce 3,200 lots.

Lot production will be directed towards providing sufficient blocks to meet the needs of home builders, but with an emphasis on the middle to lower range price markets.

Land acquisition will be limited to \$30 million.

## **WATER AND SEWERAGE**

### **Water Board**

The Water Board's capital works strategy is to enhance the provision of water related services in the context of the total water cycle in order to meet community needs in an environmentally sound manner.

The Board's 1991-92 capital program of \$557.7 million will be funded from revenue (\$460.65 million) including the Special Environmental Levy, real estate asset sales (\$9.05 million) and contributions from developers (\$88 million).

The program will continue the focus of recent years on environmental protection, including the upgrading of inland sewage treatment plants and improvements in water quality and systems reliability. Projects approved to be funded from the Special Environmental Levy total \$63.1 million.

The Board's program for 1991-92 includes provision for -

- sewerage services to 2,074 existing urban lots encompassed in the Backlog Sewerage - Collection Program, predominantly in the Blue Mountains, Hornsby, Sutherland, Warringah and Wollondilly areas;
- water and/or sewerage services to 11,000 urban consolidation and new release lots;

- continued significant upgrading and amplification of inland sewage treatment plants, specifically Hazelbrook STP Diversion, Castle Hill, Hornsby Heights, Liverpool, Quakers Hill, Riverstone, St Marys, West Hornsby and Winmalee plants;
- commencement on installation of sludge dewatering facilities at Malabar STP (\$4 million);
- continuation of works associated with the Drinking Water Quality Program, including Prospect Reservoir By-Pass 1 and 2, Orchard Hills, Nepean and Cascades water treatment works;
- completion of gross pollutant traps on the Waverley-Penkivil Streets stormwater system;
- significant progress on the Nepean Dam Flood Protection Measures; and
- significant increases in expenditure on the System Renewal Program designed to maintain the continuity, reliability and adequacy of water supply, waste water and stormwater removal services.

### **Hunter Water Board**

The Hunter Water Board's program, totalling \$52.5 million, will be funded totally from the Board's funds and contributions by developers.

The allocation makes provision for work on the following major projects in 1991-92 -

- continuing construction of Burwood Beach Waste Water Secondary Treatment Works (\$6.9 million in 1991-92);
- commencing construction of a new Water Treatment Plant at Anna Bay; and
- continuing the Hunter Sewerage Project (\$19.1 million contribution by the Board in 1991-92). The project works for the year will include the following -
  - constructing the sewage reticulation works at Arcadia Vale, Wangi, Anna Bay, Boat Harbour and Mallabula;
  - continuing the work on the major sewage transportation system across Lake Macquarie (Toronto to Belmont), Toronto Treatment Works and Rathmines to Toronto transportation system;
  - completing the major transportation system from Salamander Bay to Boulder Bay Treatment Works as part of the Tomaree Peninsular Sewerage System. Commencement of construction of Boulder Bay Treatment Works and outfall;

The remainder of the program is for new and continuing general and environmental water, sewerage and drainage works.

### **Broken Hill Water Board**

An amount of \$1.9 million will be available to the Board in 1991-92. The allocation includes provision for the continuation of work on the Menindee and Kinalung Pumping Stations, the Menindee Pipeline Boosters and the Warren Street sewerage construction.

### **Country Towns Water Supply and Sewerage Schemes**

The program, administered by the Public Works Department involves dollar for dollar subsidies for Council operated water supply and sewerage schemes in local government areas not serviced by major urban water authorities. The overall allocation in 1991-92 is \$80.3 million.

Currently 85 water supply and sewerage schemes are under construction. The works being undertaken include -

- extending reticulated water supply to small towns and rural districts.
- upgrading 12 water treatment facilities to meet new national drinking water guidelines.
- continuing sewerage backlog work. Major sewerage backlog work is being undertaken on the Central Coast and in the Hunter region. Measures are being undertaken to minimise the environmental effect of these works at Port Stephens and Lake Macquarie.
- upgrading of sewerage treatment works to meet new environmental laws.

Funds will also be provided during 1991-92 to assist -

- 30 councils implement asset management strategies for their water and sewerage schemes, and
- 5 councils implement water conservation programs.

Increasing emphasis is being placed by the Department on extending the economic life of water supply and sewerage infrastructure by encouraging Councils to undertake appropriate maintenance of their facilities. In addition, Councils are being encouraged to control the demand for these services by increasing water and sewerage rates to a level that will allow for funds to be set aside to meet Councils share of the future replacement cost of these assets.

The provision of water and sewerage services helps to improve public health and the environment. Improved environmental performance is being sought through the incorporation of effluent reuse, overflow reduction and pollution abatement measures into the design of the schemes.

## **PROTECTION OF THE ENVIRONMENT**

### **Open Space and Heritage Fund**

The Open Space and Heritage Fund receives a proportion of the net proceeds of asset sales of budget sector agencies. The Fund is intended to enhance the open space network and assist in the conservation of items of heritage significance.

In 1990-91 some \$3.0 million was transferred to the Fund, while in 1991-92 funds of \$10 million are expected to be transferred.

### **Water Board**

A significant influence on the Water Board's Capital Program will continue to be the need to supply its services in an environmentally sound manner. It will continue its program to improve the quality of the beaches and waterways of Sydney and Wollongong, inland streams and rivers and the environment generally.

The Special Environmental Levy will provide \$63.1 million towards projects primarily associated with reducing ocean pollution (\$37 million), sludge management (\$4 million), controlling urban runoff (\$1.7 million), improving river water quality (\$7.9 million), improving Blue Mountains streams (\$8.6 million) and reducing odours and emissions (\$1.9 million).

### **Hunter Water Board**

The Hunter Water Board, in conjunction with the Public Works Department, is continuing with the Hunter Sewerage Project (\$310 million over 10 years) to provide sewerage to properties in the lower Hunter Valley. This project will also remove major sewage effluent discharge into Port Stephens and Lake Macquarie and improve public health.

The Board has adopted an Environmental Management Plan with projects directed toward nutrient removal, odour control, initiatives in recycling and other works to minimise environmental impact. All works in the program are being undertaken in an environmentally responsible manner.

### **Department of Planning - Sydney Region Development Fund**

An allocation of \$22.9 million has been made to the Sydney Region Development Fund in 1991-92. The Fund was established under the Environmental Planning and Assessment Act, 1979. It has existed in various forms since 1951. The Fund aims to facilitate the planning and development of metropolitan Sydney through the financing of the acquisition of land required for future planning purposes. This has resulted in the development of significant community assets, including regional open space, major freeways and a number of industrial and commercial centres.

Capital works are principally funded through the disposal of surplus properties not required for planning purposes or where end planning use has been achieved. The program includes -

- \$1.1 million for further land acquisitions at the Western Sydney University site;
- \$1.3 million for finalisation of restoration and landscaping works at Little Manly Point and Kelly's Bush;
- \$1.3 million for open space development works;
- various other land acquisitions and development in the Sydney Region for planning purposes and open space of \$19.2 million.

### **Department of Planning - Other**

An allocation of \$4.8 million has been made to the Department for the following other projects -

- \$4.0 million for land acquisitions under the Coastal Land Protection Scheme;
- \$0.6 million for the National Estate Program which is funded by the Commonwealth; and
- \$0.2 million for plant and equipment purchases.

### **State Pollution Control Commission/Environment Protection Authority**

The establishment of the Authority in 1991-92 will involve the amalgamation of existing environmental regulatory functions in a number of government agencies along with the provision of additional resources to enhance policy development, standard setting and monitoring.

An allocation of \$7.9 million for capital funding has been made to the State Pollution Control Commission, whose functions will be fully incorporated in the proposed EPA.

The program includes -

- \$3.2m for anticipated Office Accommodation establishment requirements;
- \$1.5m for Computer Systems - implementation of accrual accounting, further streamlining of regulatory processes in relation to the approvals, licences and notices system and upgrade of the system in relation to the Commission's statutory motor vehicle pollution activities;
- \$1.7m for environment monitoring, including air and water quality and chemical contamination; and
- \$0.6m for planning and design work for upgrading the Commission's Laboratory at Lidcombe (total estimated cost is \$6.6 million).

### **Waste Management Authority of New South Wales**

The Authority has an allocation of \$39.98 million in 1991-92.

Major projects to be continued this year include the Seven Hills Transfer Station (\$5.85 million), Belrose Transfer Station (\$7.9 million), land purchases at Auburn (\$5 million) and Lucas Heights (\$4 million) and the Aqueous Waste Plant (\$7 million).

An amount of \$4.1 million has been provided in the minor works allocation for further studies into the High Temperature Incinerator for intractable waste. Environmental Impact Studies will be conducted in various areas as no final site has yet been chosen. A review by an Independent Panel is currently underway to determine whether it is the most suitable and safest technology. No construction works will be carried out in the 1991-92 financial year.

Due to the acute shortage of landfill capacity in Sydney, exacerbated by the decision not to proceed with the Londonderry depot, the Capital Works Strategy of the Waste Management Authority will have to address material processing facilities to curtail the increasing demand for waste disposal landfill space and to reduce the volume requiring disposal. The Authority's Corporate Plan and Business Plan will need revision to incorporate this strategy. Curtailing demand involves developing and encouraging the development of waste processing facilities and volume reduction involves providing facilities for source separation and recycling facilities. Liquid waste disposal involves the further development of the Aqueous Waste Plant to reduce volume input to the Castlereagh secured landfill site.

Pricing of the Authority's services is on a basis to encourage source separation, recycling of the recyclable materials and disposal as the last resort.

## **Coast and Rivers**

A total of \$16.2m has been made available to the Public Works Department to fund capital works associated with the following sub-programs -

- Coastline hazards
- Floodplain management
- Estuary management

Non-construction solutions are pursued where appropriate and coastline and floodplain protection works on all new developments are fully funded by the private sector.

### • **Coastline Hazards**

Local councils match the Government's allocation to this program. During 1991-92 funding will be provided for over 40 coastline projects including beach protection works currently being undertaken at Lennox Head and Byron Bay. Beach amenity improvements are also funded by the program.

### • **Floodplain Management**

The Department of Water Resources is responsible for flood management in the non-tidal areas of all rivers. Public Works Department is responsible for flood management of the tidal reaches of coastal rivers.

State Government contributions to the program are matched by Councils with the Commonwealth also contributing to selected projects. Seventy projects will be undertaken in 1991-92. These works primarily involve the construction of levee banks. Expenditure under the program reduces the State's exposure to potential damage caused by flooding.

### • **Estuary Management**

Estuary restoration works are continuing at Tuggerah Lakes and Lake Macquarie.

## 5.3.6 RECREATION AND CULTURE

### Overview

Funding is provided under this policy area to meet the cost of Recreation Facilities and Services together with Cultural Facilities and Support of the Arts.

The area includes funding for the Department of Sport, Recreation and Racing, the National Parks and Wildlife Service, Royal Botanic Gardens, Bicentennial Park, Centennial Park, the Zoological Parks Board, the Public Reserves Management Fund and the Ministry for the Arts, inclusive of the State's cultural institutions.

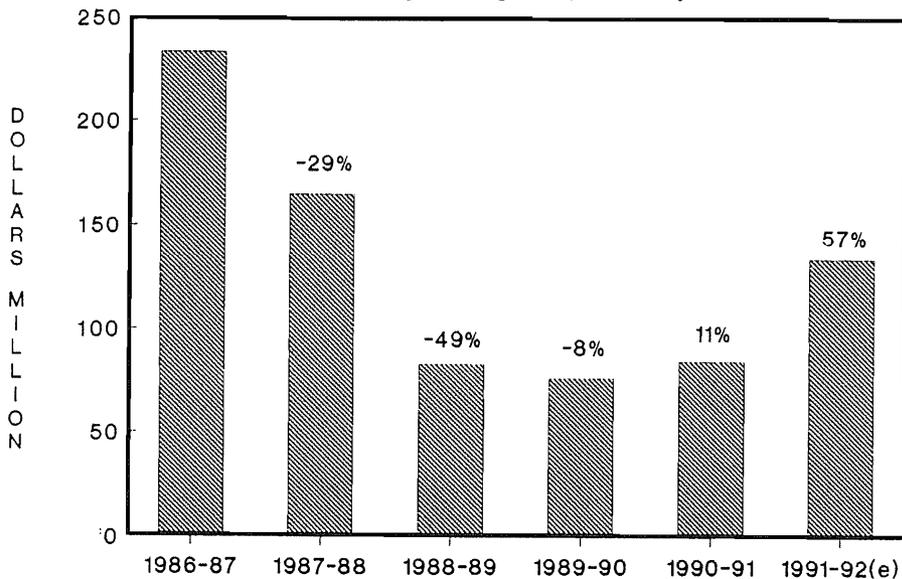
Funding has also been provided for design and construction of sporting facilities at Homebush Bay in respect of the year 2000 Olympic bid.

### EXPENDITURE TRENDS

Figure 5.9

#### RECREATION AND CULTURE

(Payments expressed in real terms, 1991-92 base;  
Percentage change on previous year)



Capital expenditure in the recreation and culture area peaked in 1986-87 with the coming on stream of a number of major projects. These projects included extensions at the Art Gallery, State Library, Australian Museum and Power House Museum, construction of the Sydney Football Stadium, and the development of the Royal Botanic Gardens, including Mount Tomah and Mount Annan. Many of the works were undertaken as special Bicentennial projects.

Since the Bicentennial, the major new initiatives in the capital works program have been the Sydney Opera House maintenance project, the refurbishment of the Hyde Park Barracks and the Gunnery building at Woolloomooloo, and the establishment of maintenance programs for Wharf 4/5 Walsh Bay and the Sydney Entertainment Centre.

### 1991-92 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Olympics 2000 Bid .....	...	60.0	n.a.
Recreation Facilities and Services .....	47.8	48.0	0.5
Cultural Facilities and Support of the Arts ..	34.1	25.4	(-) 25.5
<b>Total .....</b>	<b>81.9</b>	<b>133.4</b>	<b>62.9</b>

Total payments in 1991-92 are projected to increase by 57.0 per cent in real terms compared to the level of expenditure in 1990-91. An amount of \$60 million has been provided for the Olympics 2000 bid, whilst expenditure of \$9.7 million was incurred by the Mining Museum Trust in 1990-91.

For 1991-92, allocations amount to roundly \$133.4 million, as follows -

	\$m
Olympics 2000 Bid .....	60.0
Recreation Facilities and Services -	
Department of Sport, Recreation and Racing .....	17.3
National Parks and Wildlife Service .....	17.6
Royal Botanic Gardens .....	0.7
Bicentennial Park .....	0.8
Centennial Park .....	0.7
Zoological Parks Board .....	3.8
Public Reserves Management Fund .....	1.8
NSW Waterways .....	5.3
	<u>48.0</u>
Cultural Facilities and Support of the Arts -	
Ministry for the Arts - policy co-ordination and support of cultural activities .....	6.9
Art Gallery .....	0.5
State Library .....	1.4
Australian Museum .....	1.3
Sydney Opera House .....	13.3
Museum of Applied Arts and Sciences .....	1.0
Preservation of Historic Houses .....	1.0
	<u>25.4</u>
<b>Total .....</b>	<b><u>133.4</u></b>

## 1991-92 Capital Program Highlights

### RECREATION FACILITIES AND SERVICES

#### Olympics 2000 Bid

The allocation of \$60 million provides for design and construction of sporting facilities at Homebush Bay in respect of the year 2000 Olympic bid. The facilities comprise the State Aquatic Centre and the State Athletic Centre, including a grandstand, competition arena and warm-up track.

Work to be carried out in 1991-92 includes demolition, commencement of the remediation work, design for a substantial proportion of the project, significant progress on infrastructure, earthworks, and commencement of construction of the aquatic centre. The Public Works Department has been appointed as Constructing Authority.

The cost of the project has been set at \$300 million in uninflated dollar terms. In order to fund these works, the Australian Loan Council has approved a special borrowing allocation to New South Wales of \$300 million to be drawn on over the next three financial years.

#### Department of Sport, Recreation and Racing

The Department's Capital Works strategy is linked to two particular objectives which are -

- . Fulfilment - a community in which individuals are able to be fulfilled through participation in sport and recreation.
- . Excellence in Sport - excellence in performance by New South Wales competitors in national and international events.

Sporting/recreational facilities are provided to the community in order to cater for three levels i.e. local, regional and international.

The allocation of \$17.3 million includes \$3.1 million to provide for the ongoing construction of the International Standard Rowing Course at Penrith Lakes. It also makes provision for -

- redevelopment of existing facilities at Milson Island Sport and Recreation Centre which will increase the Centre's capacity from 40 to 120 beds (\$1.8m);
- computer funding for the continued implementation of the Information Systems Strategic Plan (\$826,000);
- construction of a sports science laboratory and lecture/conference rooms at the NSW Academy of Sport (\$473,000);

- the upgrading of existing accommodation and facilities; and
- \$9.8 million in respect of grants from the Sport and Recreation Fund and the Racecourse Development Fund to support and develop sport, recreation and racing facilities.

### **National Parks and Wildlife Service**

The Service will continue to place emphasis on improved reserve management through the development and upgrading of the standard of access and visitor facilities. Key areas targeted under this strategy are the major metropolitan parks, the Blue Mountains, Myall Lakes, Kosciusko and Budderoo National Parks.

The allocation of \$17.58 million includes \$1.646 million for the commencement of the following new works -

- Establishment of Wyrabalong National Park;
- Establishment of Garigal National Park;
- Redevelopment of Ku-ring-gai National Park (Stage II);
- Development works at Fitzroy Falls; and
- Extension of Grid Power Supply - Western NSW.

Provision has also been made for an amount of \$5.4 million being spent on the continuation of approved development works in national parks. This provision includes the following projects -

- further development works in Blue Mountains National Park;
- continuation of the upgrading of facilities in Sydney Harbour National Park;
- road and facilities upgrading in Myall Lakes National Park;
- continuation of establishment works in Budderoo National Park;
- continuation of establishment works in Yengo National Park;
- continuation of the upgrading program for fire suppression and communication equipment;
- continuation of the upgrading of facilities in Royal National Park; and
- road maintenance and reconstruction in Kosciusko National Park.

The allocation also includes \$2.8 million for the acquisition of motor vehicles, plant and equipment and \$2.2 million for the acquisition of land.

### **Parks and Gardens Trusts**

The allocation of \$702,000 for the Royal Botanic Gardens and Domain Trust provides mainly for the replacement of plant and equipment.

An amount of \$847,000 has been allocated to the Bicentennial Park Trust for various minor works and the continuation of works on the Park's Visitors Centre.

An amount of \$751,000 has been allocated to the Centennial Park Trust for redevelopment of the Moore Park Golf Course and refurbishment of the Moore Park Tennis Courts.

### **Zoological Parks Board**

The Zoological Parks Board capital works strategy for 1991-92 focuses on the redevelopment of existing facilities to provide for new animal exhibits through refurbishing outdated facilities. Concurrent with this redevelopment is the planned construction of new facilities, consistent with the Board's corporate mission to provide high grade public zoological parks and allied facilities for educational, cultural, scientific and recreational purposes.

Highlights of the Board's program for 1991-92 include the redevelopment of ageing carnivore facilities at Taronga Zoo and the construction of a major breeding facility for the endangered black rhinoceros at Western Plains Zoo. During 1991-92, the completion of construction of the Harbourview Terrace, an additional function facility in Taronga Zoo's Taronga Centre, will also occur. In addition to these projects, the 1991-92 program provides for the construction of new exhibits at Taronga Zoo for golden lion tamarins, small clawed otters and clouded leopards. A major project entitled "The Australian Habitat Aviary" has also been planned for construction during the year at an estimated cost of \$423,000.

In total the Board's 1991-92 program provides for the completion of 29 minor and major projects, of which 18 are new animal exhibits.

### **Public Reserves Management Fund**

The allocation of \$1,800,000 to the Fund will support a continuing program to assist in the upgrading and management of showgrounds, caravan parks and other reserves.

### **New South Wales Waterways**

The Minister for Public Works has been allocated \$5.3 million to improve the recreational amenity of the State's waterways through the provision of boating facilities. The 1991-92 program allows for the further development of marinas at Coffs Harbour, Batemans Bay and Yamba. Increasing emphasis is being placed on the construction of sewerage pump out facilities to prevent degradation of the quality of the State's waterways.

## CULTURAL FACILITIES AND SUPPORT OF THE ARTS

The Ministry of the Arts has placed strong emphasis in its planning on the need to consolidate upon the capital works expansion of the Bicentennial.

A program of planned and catch up maintenance at the Sydney Opera House costing \$108.4 million over a ten year period commenced in 1989-90. An amount of \$13.3 million has been provided this financial year towards the program.

The overall 1991-92 allocation of \$25.4 million for cultural facilities also includes provision for further upgrading of facilities and restoration on the following projects -

		\$m
• Ministry of Arts	- Woolloomooloo Gunnery	0.40
	- Wharf 4/5 Walsh Bay	4.00
• Art Gallery	- roof repairs	0.10
• State Library	- continuation of the sprinkler system project	0.63
	- continued rewiring of the Mitchell Wing	0.28
• Historic Houses Trust	- refurbishment of Hyde Park Barracks	0.81

Through a treaty with private sector interests the Gunnery building at Woolloomooloo will be refurbished in 1991-92 to provide a centre for the visual arts. The private sector will also be invited to submit expressions of interest in providing accommodation for individual artists within the Gunnery.

The maintenance of the Sydney Entertainment Centre in 1991-92 will include surface works on the exterior walls of the Centre, and internal painting and repairs and maintenance of the roof of the Centre.

## 5.3.7 ECONOMIC SERVICES

### Overview

The Economic Services policy area includes four broad policy sectors -

- Agriculture, Forestry and Fishing - consisting of the Forestry Commission, Office of Fisheries, Rural Assistance Authority, the Departments of Agriculture, Water Resources, Conservation and Land Management (Soil Conservation works) and Sydney Market Authority.
- Transport and Communication - including the Roads and Traffic Authority, Maritime Services Board, and various transport authorities;
- Electricity - comprising the Electricity Commission and the Electricity County Councils; and
- Other Economic Services. Included here are the Coal Compensation Board, Departments of Mineral Resources, Conservation and Land Management and State Development.

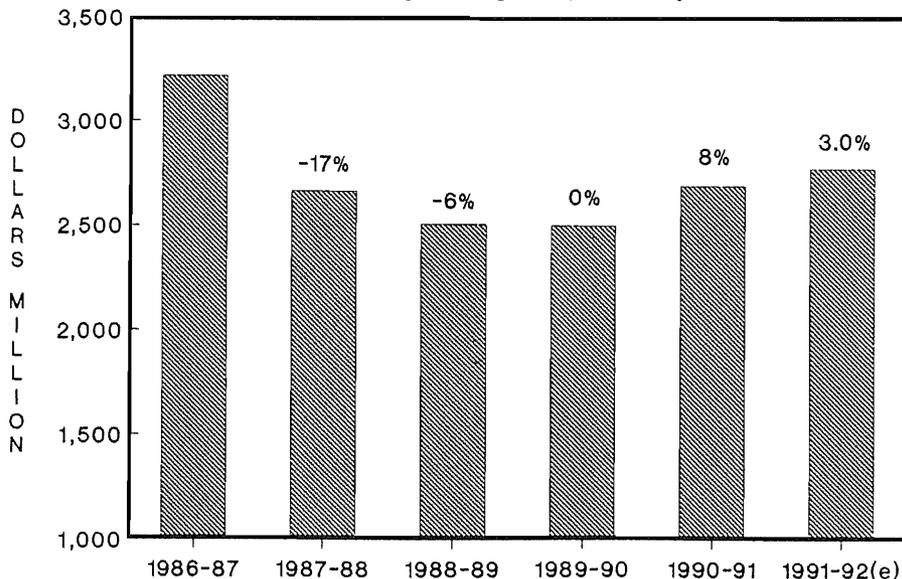
The Capital Program in this area aims at providing the infrastructure necessary to deliver essential economic services and foster the Government's Economic Development Strategy.

### EXPENDITURE TRENDS

**Figure 5.10**

#### ECONOMIC SERVICES

(Payments expressed in real terms, 1991-92 base;  
Percentage change on previous year)



Over the five years to 1991-92 capital payments in the Economic Services area declined by 13.9 per cent in real terms. This trend was reversed in 1990-91 with a real increase of 7.5 per cent. In 1989-90 substantial additional road funding was made possible through the introduction of the 3 cent fuel levy.

Capital expenditure by the Electricity Commission will increase by some \$200 million in 1991-92 due mainly to the re-commencement of the Mount Piper Power Station project.

## 1991-92 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Agriculture, Forestry and Fishing .....	101.5	108.0	+ 6.4
Transport and Communication .....	1,996.0	1,972.1	(-) 1.2
Electricity .....	424.1	621.0	+ 46.4
Other Economic Services .....	75.8	68.6	(-) 9.5
<b>Total .....</b>	<b>2,597.4</b>	<b>2,769.7</b>	<b>+ 6.6</b>

The various allocations in the Economic Services area amount to \$2,769.7 million as follows -

	\$m
Agriculture, Forestry and Fishing -	
Forestry Commission .....	47.9
Department of Water Resources .....	46.3
Rural Assistance Authority .....	0.1 (a)
Sydney Market Authority .....	3.4
Department of Conservation and Land Management .....	2.3
Agriculture .....	7.3
Office of Fisheries .....	0.7
	108.0
Transport and Communication -	
State Rail Authority	
- Non-Commercial Operations .....	441.5
- Freight Operations .....	110.6
Department of Transport .....	33.6
State Transit Authority .....	30.8
Roads and Traffic Authority .....	1,327.5
Maritime Services Board .....	25.1
Public Works Department - Fishing and Government Facilities	3.0
	1,972.1

	\$m
Electricity -	
Electricity Commission .....	615.4
Electricity County Councils .....	5.6
	<hr/>
	621.0
Other Economic Services -	
Coal Compensation Board .....	26.1
Sydney Cove Authority .....	14.0
Department of State Development .....	3.6
Department of Consumer Affairs .....	3.6
Department of Mineral Resources .....	0.7
Department of Industrial Relations, Employment, Training and Further Education .....	3.2
Department of Conservation and Land Management .....	11.7
Public Works Department .....	5.7
	<hr/>
	68.6
	<hr/>
Total	2,769.7
	<hr/>

- (a) An amount of \$18.8 million has been allocated as assistance to primary producers. However because this money is expended by way of advances, it does not form part of the States' Capital Program as it is considered a financing charge.

## 1991-92 Capital Program Highlights

### AGRICULTURE, FORESTRY AND FISHING

#### Forestry Commission

The previous decision to exclude the Commission's afforestation works from the State's Capital Works Program has been revised as a result of the Commission's need to borrow funds for the establishment of plantation Growing Stock Assets. The allocation for these works is based on the projected capitalised cost of Growing Stock Assets and therefore represents direct capital expenditure plus associated overheads. The allocation for 1991-92 is \$47.9m to be funded by revenue generated during the year (\$24.2m) and direct borrowing (\$23.7m).

The approved program allows for the planting of 2,950 hectares of conifer plantations as well as cultural and protection work in developing plantations. Also included is the anticipated capitalised expenditure for permanent roads and other infrastructure development in both plantations and native forests. The Commission's proposed investments in Growing Stock establishment for 1991-92 are -

- 1,100 hectares in Albury Region
- 1,000 hectares in Bathurst Region
- 300 hectares in Eden Region
- 300 hectares in Glen Innes Region
- 200 hectares in Coffs Harbour Region
- 50 hectares in Batemans Bay Region

### **Department of Water Resources**

In 1991-92, funds of \$32.4 million for a number of minor projects previously included in the Department's capital program have been transferred to recurrent expenditure where they are considered to more appropriately belong. The allocation of \$46.3 million includes the following -

- \$8.4 million for Salinity and Drainage projects;
- \$18.3 million for flood security works at Burrinjuck Dam;
- \$9.9 million for Pindari Dam Enlargement. The estimated total cost of this project is \$81.9 million, of which irrigators have agreed to contribute 25% by way of additional water charges.

### **Sydney Market Authority**

It is estimated that \$3.4 million will be expended by the Sydney Market Authority to complete construction of a child care centre, purchase of plant and equipment, the acquisition of adjoining properties and site works.

### **Conservation and Land Management (Soil Conservation works)**

An amount of \$2.3 million has been provided in 1991-92 including \$2.2 million to Soil Business for replacement of motor vehicles and other operating plant and equipment.

### **Agriculture**

Agriculture has been allocated \$7.3 million in 1991-92.

The major items in the program include the following -

- \$3.1 million for the purchase and replacement of new plant, equipment, roadworks and minor capital works.
- \$1.5 million to upgrade computer facilities throughout the State.

- \$1.0 million to extend and upgrade the Cotton Laboratory and associated facilities at the Narrabri Agricultural Research and Advisory Station with funds provided by the Cotton Research and Development Corporation.
- \$571,000 to complete the construction of the Elizabeth Macarthur Agricultural Institute established on the historic Camden Park property (estimated total cost \$35.7 million).
- \$492,000 to upgrade the flood irrigation systems at the Agricultural Research Centre, Trangie; Agricultural Research and Advisory Station, Narrabri; and Breeze Sub-Station (estimated total cost \$827,000).
- \$80,000 to complete the relocation of the Post Harvest Laboratory Gosford to the Horticultural Research and Advisory Station Gosford (estimated total cost \$500,000).
- \$225,000 to correct occupational health and safety related problems at various research stations (this is the commencement of an ongoing program estimated at \$7.0m).

### **Rural Assistance Authority**

The Authority was established in 1989-90 and is responsible for the provision of assistance to primary producers under various schemes formerly administered by the State Bank and the Rural Assistance Board.

An overall amount of \$18.9 million has been provided to the Authority for 1991-92. It includes \$9.0 million for Special Schemes for soil conservation, stock and domestic water supply, irrigation and other works throughout the State; and a \$2.0 million special scheme for oyster growers for the construction/establishment of central purification plants. An amount of \$7.8 million has also been provided for relief measures associated with natural disasters. As all of these funds are expended by way of concessional loans or advances to primary producers, they do not form part of the State's Capital Program as they are considered a financing item. A further \$50,000 has been allocated to finalise the installation of a computerised management information system.

### **Office of Fisheries**

The Office was established as an autonomous agency from 1 July 1991. The allocation of \$760,000 relates to the purchase and replacement of plant, equipment, marine craft, computer facilities and minor capital works.

## **TRANSPORT AND COMMUNICATION**

### **State Rail Authority**

State Rail's Capital Works Program is divided into two separate sub-programs - Commercial (Freight Rail) and Non-Commercial (CityRail and Country Link).

## Commercial SRA

Freight Rail has been established as the commercial arm of State Rail and its capital program has been assembled on a purely commercial basis. The objective of the program is to support the renewal, development and strategic repositioning of Freight Rail. This object is met by expenditure in three categories - safety/integrity, asset renewal and strategic investment (including growth, repositioning, system enhancements and cost reduction). The 1991-92 program, broken down on this basis, is as follows -

	\$m
Safety	20.0
Asset Renewal	28.3
Strategic	62.3
	-----
	110.6
	-----

Funds will continue to be provided in future years to support the renewal, development and strategic repositioning of Freight Rail.

In 1991-92 Freight Rail will spend some \$110.6 million on capital works, the significant items being -

- Upgrade locomotives to reduce costs and improve reliability.

An amount of \$5.6 million has been allocated to upgrade locomotives and to rebuild locomotives to meet immediate needs.

- Wagons and Facilities

Provision of \$14.9 million has been made to -

- Convert existing wagons to new services in line with customer needs for Minerals, Express and Grain rail services.
- Develop "One-Spot" Maintenance Centres at Port Waratah and Port Kembla.

- Track and Structures

A total of \$35.3 million has been allocated to complete existing projects and to commence new works. Major works include -

- Track Upgrading - \$11.2 million
- North Coast Track Improvements - \$2.5 million
- Track Plant and Equipment - \$9.2 million
- Embankment Restoration - \$9.1 million

- Metropolitan Freight Yard Consolidation

A total of \$1.0 million has been allocated to commence the consolidation of design and engineering activities, all metropolitan inter-modal, and marshalling operations to the Enfield-Chullora area.

- Train Operations

A total of \$10.1 million has been allocated to improve train operational management and control. Major projects include Train Crew Management (\$5.6 million) and On-Train Radio System (\$4.5 million).

- Information Systems

\$2.2 million has been allocated to develop a Freight Management Information System (\$1.0 million) and other corporate related projects (\$1.2 million).

- Telecommunications

A total of \$10.3 million, including \$3.5 million for Train Radio has been allocated to replace the current aging telecommunications system and to further develop the telecommunications network.

- Bridges

An allocation of \$7.8 million has been made for the replacement of timber underbridges and overbridges through the network.

- Signalling

Provision of \$11.0 million has been made for the rationalisation and replacement of signalling equipment and the replacement of cabling which is due for renewal.

- Workshops

\$1.8 million has been allocated to modernise the Workshops to enable them to compete in the new deregulated market.

- Sundries and Environmental Treatment and Minor Works

\$10.6 million has been allocated to ensure compliance with environmental regulations (\$2.6 million), to replace, upgrade offices and depots (\$6.6 million), and for minor works (\$1.4 million).

## **Non-Commercial SRA**

The objective of the capital program is to support the renewal, development and strategic repositioning of the non-commercial businesses of the SRA. This objective is met by expenditure in four categories - safety/integrity, infrastructure renewal, strategy (including growth, repositioning, system enhancement and cost reduction) and supplementary programs.

The majority of expenditure in safety/integrity and infrastructure renewal is spent on the existing physical assets in the non-commercial railway. An average annual expenditure to renew these assets has been estimated at \$270 million and is titled the "bedrock investment". However, there is a significant backlog of bedrock investment needed to catch up with the deferred asset renewal that has been practised by the SRA over the past 40 to 50 years. A seven year program was agreed with Government, of which two years will have been completed by the end of fiscal year 1990-91.

Strategic investments are also an important part of the Capital Investment Program. Growth in demand continues for CityRail's services that will eventually result in requirements for infrastructure improvements; some of these are shown within the last two years of the program. The major portion of the strategic investments is targeted to improve the operating efficiency of the railway. This includes investments that improve efficiency and reduce the number of staff required. The program for 1991-92 by the above categories is as follows -

	\$m
Safety	46.2
Infrastructure Renewal	292.4
Strategic	80.4
Supplementary	22.5
	<hr/>
	441.5

Funding will continue to be provided in future years to support the renewal, development and strategic repositioning of the non-commercial business.

In 1991-92 the non-commercial operations of the State Rail Authority will spend some \$441.5 million on capital works in both the CityRail and Country Link networks. The significant items are -

#### CityRail

- Infrastructure - Track

A total of \$65.3 million has been allocated to upgrade the track infrastructure for the CityRail system. Major expenditures include -

- Metropolitan track strengthening (\$23.0 million)
- Track upgrading due to deferred maintenance (\$25.2 million)

- Infrastructure - Bridges

A total of \$14.0 million has been allocated for bridge renewal and upgrading with major expenditures being \$8.2 million for the renewal of underbridges.

- Infrastructure - Signals

\$73.5 million has been allocated to signalling works with \$14.8 million being spent on renewal of life expired cables and \$17.9 million on signal renewal and modernisation.

- Infrastructure - Electrical

\$17.7 million has been allocated to electrical works, the major expenditures being on -

- Transmission line replacement (\$2.4 million)
- Renewals of overhead wiring (\$9.5 million)
- Renewal of deteriorated overhead wiring structure (\$4.5 million)

- Infrastructure Buildings

- A total of \$3.2 million has been allocated for new and upgraded building works.

- Infrastructure - Environment

A total of \$1.0 million has been allocated for works associated with compliance with environmental regulations.

- Infrastructure - Telecommunications Network

\$3.9 million has been allocated to enhancements to the telecommunications network.

- Passenger Rollingstock

A sum of \$10.8 million has been allocated for essential integrity and renewal works on the suburban and intercity fleet. Works include -

- Double deck suburban car upgrade (\$4.0 million)
- Citydecker program (\$1.6 million)
- Double deck suburban car servicing and presentation (\$2.1 million)
- Intercity car upgrade (\$1.7 million)
- Diesel rail car upgrade (\$1.5 million)

- Passenger Rollingstock (Tangara)

Provision of \$140.2 million has been made for the continuation of the deliveries of the Tangara cars and for associated infrastructure works.

- Station and Passenger Facilities

The station upgrading and modernisation program is continuing with the allocation of \$18.0 million.

- Operational Enhancements

Provision of \$15.3 million has been made to improve operation of the CityRail system by the application of modern technologies. Included in the program is -

- Centralisation of train control and communication (\$1.5 million)
- Train Radio System (\$8.5 million)

- Growth

\$5.2 million has been allocated to provide increased capacity. Proposals include the expenditure of \$4.0 million to complete the first stage of electrification of the Riverstone/Richmond line.

- Automatic Fare Collection System

A total of \$28.0 million has been allocated for works associated with this project.

- Computers

\$3.8 million has been allocated to upgrade the corporate mainframe and develop information system software.

### Country Link

- New XPT Trains

Provision of \$18.2 million has been made to provide further XPT trains, servicing facilities and on board catering for XPT - only routes.

- Station Upgrading and Travel Centres

A total of \$6.4 million has been allocated for station upgrading and for the development of further Travel Centres.

- Explorer Trains

\$11.8 million has been allocated for the Explorer train service for the provision of rolling stock, stations and service facilities.

- **Radio Communications and Management Information Systems**

Provision of \$1.3 million has been made for the development of computer based management information systems.

- **Bridges and Track**

\$3.9 million has been allocated to upgrade track and bridges along XPT and Explorer only routes.

## **Department of Transport**

The Capital Program (1991-92 allocation \$33.6 million) focuses on making public transport more attractive by providing better facilities, such as convenient and safe carparks at railway stations, transport service information, bus/rail interchanges and bus stop shelters. The works funded under the program are part of an integrated Government transport strategy that brings together programs of asset rationalisation, bus and rail operational strategies, city planning aims and capital improvement programs of State Authorities.

There are clear benefits to the community from the interchange improvement program, including reduced travel times, increased passenger comfort and safety and reduced road congestion and maintenance costs.

Major initiatives for this year include -

- Parkway park nightrider facilities at Springwood, Gosford and Penrith, featuring improved security.
- Major bus/rail interchange improvements Central and St Marys.
- An amount of \$400,000 to be spent on transport facilities in rural NSW.
- Rail infrastructure, Dunmore/Shellharbour and Riverstone/Richmond to cost \$5.0 million in 1991-92 (estimated total cost \$31.0 million).
- A program of building bus shelters and improving bus stop information in outer metropolitan Sydney.
- Funding of \$7.7 million for the Parramatta River Ferry Service - to include a wharf and shelter at Parramatta and a wharf, shelter and carpark at Rydalmere.

## **State Transit Authority**

The capital program supports projects which improve services and satisfy community needs while also furthering the Authority's initiatives to create an efficient and commercially driven organisation. All Capital Projects have been selected to make a positive and discernible contribution to achieving the State Transit's objectives within the context of its Corporate Plan. These objectives can be summarised into three broad areas as follows -

- Financial - to reduce Government payments by increasing revenues and decreasing costs. The majority of projects are aimed at positively changing financial performance.
- Service - relates to the quality, reliability and frequency of buses and ferries.
- Community - benefits flow to the communities of Sydney and Newcastle from the large number of people travelling by State Transit bus and ferry services thereby reducing demand on the road system.

The allocation of \$30.8 million includes provision for the following -

- Purchase of four low wash vessels for the Parramatta River service
- Installation of an automatic fare collection system on buses
- Rebuilding of Randwick bus depot
- Improving bus servicing facilities
- Upgrading of Kingsgrove depot
- Upgrading of Newcastle depot
- Major upgrading of EDP equipment and systems development

## **Roads and Traffic Authority**

The Roads and Traffic Authority of NSW manages the State's roads and traffic system, ie use of the system, maintenance of the network and how it is enhanced. The Authority's charter is to provide a roads and traffic system that is safe and efficient and integrated into a balanced transport system within the State.

The total allocation to the Authority for the Roads Program in 1991-92 is \$1,694.4 million including \$366.9 million for recurrent services. Funding in 1991-92 will comprise \$24.8 million from Authority reserves and new funds of \$1,669.6 million as follows -

	\$m
Commonwealth Specific Purpose Payments	439.1
Motor Vehicle Taxation	525.0
Fuel Levies	464.0
Other Consolidated Fund sources	69.8
Authority Revenues	171.7
Authority Reserves	24.8
	<hr/>
	1,694.4
	<hr/>

The 1991-92 allocation reflects the State Government's continuing commitment to dedicate all proceeds from State fuel levies to the Roads Program including the additional three cent levy which supports the successful 3x3 Program. This levy is expected to raise approximately \$208 million this year. Moreover, for the third year in succession, no new "global" borrowings are to be raised to support the program. This will have future benefits as saving in debt servicing costs will result in more funds being available for works programs in future years.

The Authority's 1991-92 Program does not include Commonwealth funding for Council's Local Roads or the special allocation of \$88 million provided in 1990-91 for Natural Disaster restoration works.

The Government is also continuing to address the need for urgent safety works on the Pacific Highway through the jointly funded State and Federal Provincial Cities and Rural Highways Program.

The severe economic downturn has affected funding for the Roads Program to the extent that no new State funded construction works will be commenced in 1991-92. A review of the Authority's operations is being undertaken to improve productivity and introduce increased efficiencies to alleviate the impact of the fall off in traditional revenues for the Roads Program.

In 1991-92, emphasis will be given to ensuring maximum funding for road safety, preservation of the road network and traffic management. The maintenance of the existing road system is essential if the value of the asset to the community is to be preserved.

Modern pavement and maintenance management systems are being used to ensure the community receives the maximum value from the road maintenance dollar. Given the severe impact of recent floods on the network across the State, asset maintenance and rehabilitation remains a high priority for the Authority. Other Programs will be directed to improve the utilisation of the road network in order to minimise the direct and indirect costs arising from the movement of people and goods.

Demand for continuing reduction in the incidence and severity of road accidents is universal in the face of increasing numbers of drivers and vehicles using the road system. Programs and research focused on road users, the road environment and vehicles, community participation, and integrated planning and action among pertinent agencies and public interest groups are essential components of the Authority's road safety strategy.

The State wide program of road works being undertaken this year is broadly as follows -

<b>Program</b>	<b>National Highways</b>	<b>State Roads</b>	<b>Local Roads</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Urban Areas</b>				
Sydney Major Routes	0.9	144.9	...	145.8
Western Sydney Area	...	117.1	0.3	117.4
Other Sydney Area	2.4	174.8	...	177.2
Newcastle Area	54.8	53.8	0.1	108.7
Wollongong Area	...	42.0	0.1	42.1
Central Coast Area	4.8	29.4	...	34.2
Blue Mountains Area	...	6.7	...	6.7
<b>Total - Urban Areas</b>	<b>62.9</b>	<b>568.7</b>	<b>0.5</b>	<b>632.1</b>
<b>Rural Roads</b>				
Princes Highway	...	41.5	...	41.5
Hume Highway	183.7	8.9	...	192.6
Great Western Highway	...	43.8	...	43.8
New England Highway	30.2	4.2	...	34.4
Pacific Highway	...	135.2	...	135.2
Newell Highway	...	30.5	...	30.5
Other Rural Roads	5.5	208.3	3.6	217.4
<b>Total - Rural Roads</b>	<b>219.4</b>	<b>472.4</b>	<b>3.6</b>	<b>695.4</b>
<b>TOTAL CAPITAL WORKS</b>	<b>282.3</b>	<b>1,041.1</b>	<b>4.1</b>	<b>1,327.5</b>

### **Maritime Services Board**

The MSB's capital strategy involves continued self-funding of capital works and comprises the following -

- the encouragement of private sector involvement in berth construction and port infrastructure development;
- the gradual transfer of Sydney Harbour container and general cargo trade to the Darling Harbour berths and to Botany Bay;
- the continued development of Newcastle and Port Kembla as specialist bulk ports; and
- achievement of a satisfactory rate of return on the assets created.

The MSB's 1991-92 Capital Program totals \$25.1 million, of which \$10.8 million will be expended on works-in-progress and \$14.3 million allocated to major and minor new works and annual provisions.

Features of the program include the completion of the following works-in-progress -

- \$4.9 million (Estimated Total Cost \$8.2 million) for site works leading to the development of further bulk liquids storage areas at Botany Bay;
- \$3.0 million (Estimated Total Cost \$7.1 million) for the construction of a maritime workshop complex at the northern end of Rozelle Bay.

Major new works to commence include -

- \$1.0m (Estimated Total Cost \$16.9m) for the relocation of the Hunter Ports Authority to the State Dockyard, Newcastle.
- \$5.1 million for new computing systems to respond to evolving needs, support the process of restructuring and enable the Board to be properly informed and report its commercial operations to Government.

## ELECTRICITY

### Electricity Commission

The capital program to be undertaken by the Electricity Commission and its associated colliery company subsidiaries in 1991-92 amounts to \$615.4 million. This compares with expenditure in 1990-91 of \$413.5 million.

The Commission will again fund its program from internal sources (including asset sales estimated at \$27.5 million) in line with its strategy of reducing the level of outstanding debt.

Expenditure will be incurred on the following major projects in 1991-92 -

- ***Mount Piper Power Station***

Expenditure on this two 660 megawatt units station near Portland will be \$275.4 million. The first unit is due for completion in mid-1993 and the second unit one year later.

- ***Power Station Rehabilitation***

Expenditure of \$93.7 million will be incurred on work on existing power stations to improve their performance and extend their normal serviceable life. Major work to be undertaken includes -

	\$m
Eraring .....	7.0
Bayswater .....	6.2
Munmorah .....	13.6
Liddell .....	48.2
Wallerawang .....	14.8

Improved performance and life extension work will allow the deferment of construction of the next new power station.

• **Power Supply**

The program provides for expenditure amounting to \$125.8 million to ensure that the State has a reliable overall electricity supply system. The Mount Piper - Marulan Transmission line amounts to \$95.5m of this amount.

### **Electricity County Councils**

In common with the treatment of Local Government, only borrowings undertaken under the global limit are reflected in the State's Capital Program.

The borrowing allocation for these authorities is \$5.6 million compared with actual borrowings of \$10.5 million in 1990-91. The reduction in borrowings reflects a move towards greater reliance on internal funding of capital works projects.

### **OTHER ECONOMIC SERVICES**

#### **Coal Compensation Board**

In 1991-92, \$25 million has been allocated to the Board to continue the Government's program of providing fair and equitable compensation to the previous owners of these rights.

#### **Sydney Cove Authority**

Capital expenditure of \$14.0 million includes provision of \$3.5 million for restoration and renovation of various properties, \$4.0 million for upgrading of roads and footpaths and minor miscellaneous works of \$6.5 million.

#### **Department of State Development**

In 1991-92 the Department of State Development will provide some \$3.6 million to Tamworth and Quirindi Councils to cover the cost of runway and taxiway improvement, navigational aids and other airport related infrastructure required in connection with the establishment of the Ansett/British Aerospace Flying College.

#### **Department of Mineral Resources**

The allocation of \$0.7 million provides for purchase of plant and equipment (\$0.6 million) and computer funding (\$0.1 million) for further development of the Mineral Resources Land Information System.

**Department of Conservation and Land Management**

An amount of \$11.7 million has been allocated including -

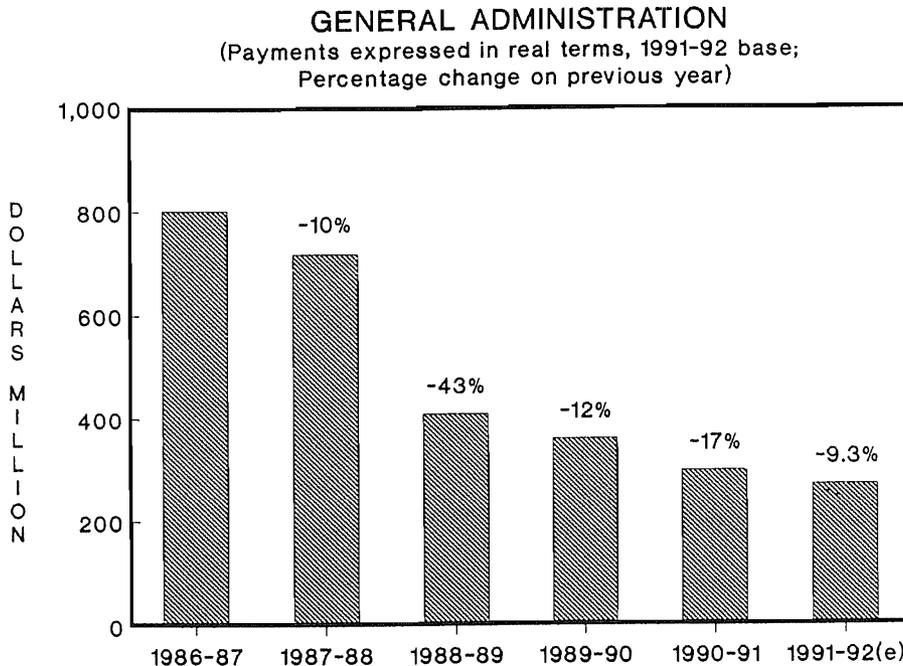
- \$2.2 million for costs of relocation of Head Office staff from Sydney to Bathurst.
- \$8.2 million for digitisation of land information.
- \$0.8 million for replacement of an aerial camera.
- \$0.5 million for: minor plant and equipment (\$0.3 million) and computer projects (\$0.2 million).

## 5.3.8 GENERAL ADMINISTRATION AND OTHER

### Overview

Capital programs in this policy area relate to the provision/restoration of public buildings, the restoration of heritage buildings, the Darling Harbour Complex, contractual commitments in respect of the Homebush Bay Development, borrowing programs for Local Government, Department of Conservation and Land Management activities, works undertaken by the Lord Howe Island Board and the provision for plant and equipment including computers for certain administrative organisations.

**Figure 5.11**



The substantial expenditure incurred in the years 1986-87 to 1987-88 reflected the construction costs associated with the Darling Harbour complex and various Bicentennial projects, such as the Macquarie Street upgrading and work on Circular Quay.

It should be noted that only the borrowing component of the Local Government capital program is reflected in the program. As a separate tier of Government the practice has been to only show that portion of capital funds that is met by Loan Council approved global borrowings.

## 1991-92 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
Local Government - General Borrowing Allocation .....	185.0	160.0	(-) 13.5
Department of Local Government and Co-operatives .....	0.1	0.9	800.0
Treasury .....	8.3	10.9	31.3
Premier's Department .....	2.3	5.4	135.6
Commercial Services Group .....	0.3	0.8	147.8
Legislative Services .....	1.0	2.6	167.1
Property Services Group .....	34.8	45.0	29.6
Department of Conservation and Land Management .....	14.4	3.8	(-) 73.6
Other -			
Public Works Department .....	27.3	28.6	4.6
Darling Harbour Authority .....	8.1	3.7	(-) 54.6
Lord Howe Island Board .....	0.6	1.6	158.9
Registry of Births, Deaths and Marriages .....	4.9	7.4	51.6
Miscellaneous Activities .....	1.6	0.4	(-) 70.5
<b>Total .....</b>	<b>288.7</b>	<b>271.1</b>	<b>(-) 6.1</b>

The allocation for 1991-92 totalling \$271.1 million represents a decrease of 6.0 per cent on the expenditure in 1990-91. The major components comprise the Local Government borrowings program, works for the Property Services Group projects, Public Buildings Generally and the Darling Harbour project.

## 1991-92 Capital Program Highlights

### LOCAL GOVERNMENT

The overall borrowing allocation of \$160.0 million to councils will be used to fund works on local water supply and sewerage schemes (often to match State Government subsidies), local roads and other local works. The allocation of \$0.9 million for the Department of Local Government and Co-operatives is for the provision of computer facilities.

### TREASURY

The allocation of \$10.9 million includes computer funding of \$9.2 million. This is mainly for computerisation of the State's Taxation System (\$8.0 million) to improve revenue collection and also improve efficiency in dealing with clients' enquiries and automating correspondence. Funds of \$0.3 million have been provided for the upgrading of the computer system which records and monitors the State Recurrent Budget.

## **PREMIER'S DEPARTMENT**

An allocation has been made to the Department of \$3.7 million for computer equipment and \$1.4 million for the restoration of the ANZAC Memorial in Hyde Park.

## **PROPERTY SERVICES GROUP**

The allocation of \$45.0 million covers funding for -

- projects undertaken by the Property Management Division relating to Government and multiple occupancy buildings (\$7.3 million);
- costs of works in progress in the development of the Homebush Bay area undertaken by the Homebush Bay Development Division (\$14.5 million); and
- initial costs of the City West, Honeysuckle and Chullora projects and for the McKell Building refurbishment (totalling \$23.2 million).

## **COMMERCIAL SERVICES GROUP**

The allocation of \$0.8 million is for the replacement of plant and equipment (\$0.2 million) and for the computerisation of the Contracts Administration Management System (\$0.6 million).

## **THE LEGISLATURE**

The provision of \$2.6 million includes funding for the purchase of computers (\$1.0 million) to meet Members' requirements and enhance the quality of financial information available to management, electorate office fitouts (\$0.8 million), building alterations (\$0.2 million) and completion of the Print Room extension (\$0.3 million).

## **CHIEF SECRETARY'S DEPARTMENT**

The allocation of \$0.4 million provides for both completion of the Liquor Administration computer facilities project, and capital costs associated with the establishment of a Casino Control Authority.

## **DEPARTMENT OF CONSERVATION AND LAND MANAGEMENT**

The allocation of \$3.8 million provides for development of computer systems including the Land Management Information System (\$0.6 million), computer upgrade (\$0.5 million), Land Accounts System (\$0.9 million), a Local Area Network for the Western Lands Commission (\$0.3 million), office fitouts (\$0.6 million), upgrade of Tibooburra Airstrip (\$0.1 million) and minor plant and equipment (\$0.5 million).

**OTHER****Public Works Department - Buildings, Construction and Maintenance**

An allocation of \$28.6 million to the Public Works Department has been made for 1991-92.

The works to be funded include the following -

	Estimated Total Cost \$m	1991-92 Allocation \$m
Public Works Department projects -		
McKell building - commencement of fitout works	21.4	13.1
Essex House - works	0.8	0.8
Undertaken on behalf of the Crown -		
Chief Secretary's Building roof restoration	5.1	1.6
Stonework Restoration Program	15.1	1.5
Landmark/Heritage Buildings Program	24.9	4.2
First Government House commemorative facility	25.2	1.1
Commercial Activities and Undertakings -		
Chipping Norton Lakes Scheme, office accommodation works etc	26.6	5.1

**Darling Harbour Authority**

An amount of \$3.7 million has been allocated to meet final construction costs.

**Lord Howe Island Board**

The allocation of \$1.6 million includes \$0.3 million for road maintenance, \$0.4 million to upgrade the Island's hospital, \$0.8 million to refurbish the Administration Office and to construct and improve accommodation for non-Island Board staff.

**Registry of Births, Deaths and Marriages**

An amount of \$7.4 million has been provided in 1991-92 to meet costs of computer hardware and software for the Registry's computerised registration system.

Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates

Policy Sector	Ministry	Actual Expenditure 1990-91 (a)	Type of Work 1991-92			Total 1991-92
			Major Works (b)		Minor Misc. Works (c)	
			New Works	Works-in-Progress		
		\$000	\$000	\$000	\$000	\$000
<b>Law, Order and Public Safety -</b>						
Police Service	Police and Emergency Services .....	65,981	4,550	20,116	18,960	43,626
Attorney General's Department	Attorney General .....	1,495	...	...	567	567
Director of Public Prosecutions	Attorney General .....	2,972	...	1,700	937	2,637
Judicial Commission	Attorney General .....	584	...	565	...	565
Legal Aid Commission	Attorney General .....	1,130	...	...	1,130	1,130
Department of Corrective Services	Justice .....	111,477	4,508	97,733	11,521	113,762
Department of Courts Administration	Justice .....	59,902	700	20,014	8,348	29,062
State Emergency Service	Police and Emergency Services .....	694	...	...	1,102	1,102
NSW Fire Brigades	Police and Emergency Services .....	7,878	2,900	2,283	5,731	10,914
Bush Fire Services	Police and Emergency Services .....	13,817	...	...	15,867	15,867
Independent Commission Against Corruption	Premier and Treasurer .....	1,141	...	1,239	133	1,372
NSW Crime Commission	Police and Emergency Services .....	1,350	...	...	378	378
<b>Total - Law, Order and Public Safety</b>		<b>268,421</b>	<b>12,658</b>	<b>143,650</b>	<b>64,674</b>	<b>220,982</b>

**Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)**

Policy Sector	Ministry	Actual Expenditure 1990-91(a)	Type of Work 1991-92			Total 1991-92
			Major Works(b)		Minor Misc. Works (c)	
			New Works	Works-In-Progress		
		\$000	\$000	\$000	\$000	\$000
<b>Education -</b>						
Dept of School Education	School Education .....	232,799	23,198	131,307	78,677	233,182
Technical and Further Education Commission of NSW	Further Education, Training, Employment .....	143,979	20,817	45,526	50,581	116,924
Agricultural Colleges	Agriculture and Rural Affairs .....	607	716	...	450	1,166
Office of Education & Youth Affairs	School Education .....	1,328	...	...	1,111	1,111
<b>Total - Education</b>		<b>378,713</b>	<b>44,731</b>	<b>176,833</b>	<b>130,819</b>	<b>352,383</b>
<b>Health -</b>						
Area Health Services and Other Health Services	Health and Community Services .....	278,409	35,620	283,344	14,107	283,071
Ambulance, Community and Other Support Services	Health and Community Services .....	17,064	...	1,090	9,000	10,090
Public Health (including Inspection Services)	Health and Community Services .....	3,131	10,000	...	3,013	13,013
Other Health Services(including General Admin)	Health and Community Services .....	2,911	...	...	3,255	3,255
<b>Total - Health</b>		<b>301,515</b>	<b>45,620</b>	<b>234,434</b>	<b>29,375</b>	<b>309,429</b>

**Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)**

Policy Sector	Ministry	Actual Expenditure 1990-91(a)	Type of Work 1991-92			Total 1991-92
			Major Works(b)		Minor Misc. Works (c)	
			New Works	Works-in-Progress		
Welfare - Department of Community Services	Health and Community Services .....	\$000	\$000	\$000	\$000	\$000
<b>Total - Welfare</b>		<b>18,671</b>	<b>6,417</b>	<b>17,039</b>	<b>3,671</b>	<b>27,127</b>
<b>Housing and Community Services -</b>						
Public Servant Housing	Housing .....	143	234,551	143,524	145,925	524,000
Public Rental Housing	Housing .....	465,183	...	...	100,000	100,000
Homesite Development - Landcom	Housing .....	125,967	...	...	3,980	3,980
Teacher Housing Authority	School Education .....	6,000	...	...	800	4,800
Land Titles Office	Conservation and Land Management .....	2,321	4,000	...	...	4,800
Conservation and Land Management	Conservation and Land Management .....	2,772	...	5,885	...	5,885
<b>Sub Total - Housing and Community Services</b>		<b>602,386</b>	<b>238,551</b>	<b>149,409</b>	<b>250,705</b>	<b>638,665</b>

Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)

Policy Sector	Ministry	Actual Expenditure 1990-91(a)	Type of Work 1991-92			Total 1991-92
			Major Works(b)		Minor Misc. Works (c)	
			New Works	Works-in-Progress		
		\$000	\$000	\$000	\$000	\$000
Water and Sewerage- Country Towns Water Supply and Sewerage Schemes Hunter Water Board The Water Board Broken Hill Water Board	Public Works ..... Housing ..... Housing ..... Natural Resources .....	78,996 42,298 439,123 443	154 71,995 35,109 346,841 1,705	8,298 17,373 123,310 250	80,347 52,482 557,700 1,955	
Sub Total - Water and Sewerage		560,860	87,703	455,550	149,231	692,484
Protection of the Environment- State Pollution Control Commission Department of Planning Sydney Region Development Fund Open Space and Heritage Fund Waste Management Authority Coast and Rivers	Environment ..... Planning ..... Planning ..... Premier and Treasurer ..... Environment ..... Public Works .....	2,412 4,961 39,042 2,951 7,097 15,328	7,161 ... ... 2,438 ... 5,000 ... 30,000 5,735	779 4,829 20,535 10,000 4,979 10,452	7,940 4,829 22,973 10,000 39,979 16,187	
Sub Total - Protection of the Environment		71,791	12,161	38,173	51,574	101,908
<b>Total - Housing and Community Services</b>		<b>1,235,037</b>	<b>338,415</b>	<b>643,132</b>	<b>451,510</b>	<b>1,433,057</b>

Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)

Policy Sector	Ministry	Actual Expenditure 1990-91 (a)	Type of Work 1991-92			Total 1991-92
			Major Works(b)		Minor Misc. Works (c)	
			New Works	Works-in-Progress		
		\$000	\$000	\$000	\$000	\$000
Recreation and Culture -	Premier and Treasurer	5,351	60,000	381	4,889	60,000
Recreation Facilities and Services-	Public Works	14,330	...	5,752	11,524	5,270
Sydney Olympics 2000	Sport, Recreation and	212	...	503	344	17,276
NSW Waterways	Racing	603	...	...	751	751
Department of Sport, Recreation and	Environment	1,262	...	...	702	702
Racing	Environment	20,747	2,396	5,240	9,944	17,580
Bicentennial Park Trust	Conservation and Land	2,714	...	1,800	...	1,800
Centennial Park Trust	Management	2,600	...	1,510	2,311	3,821
Royal Botanic Gardens	Environment	47,819	62,396	15,186	30,465	108,047
National Parks & Wildlife Service						
Department of CALM - Public						
Reserves						
Zoological Parks Board						
Sub Total - Recreation Facilities						
and Services						
Cultural Facilities and Support of						
the Arts-	Arts	14,887	...	17,255	2,914	20,169
Ministry of the Arts	Arts	1,024	...	103	393	496
Art Gallery	Arts	2,805	...	...	1,295	1,295
Australian Museum	Arts	1,975	...	...	980	980
Museum of Applied Arts and						
Sciences						

**Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)**

Policy Sector	Ministry	Actual Expenditure 1990-91 (a)	Type of Work 1991-92			Total 1991-92
			Major Works (b)		Minor Misc. Works (c)	
			New Works	Works-in-Progress		
Cultural Facilities and Support of the Arts (cont)		\$000	\$000	\$000	\$000	
Historic Houses Trust	Arts .....	1,492	...	809	207	
State Library	Arts .....	2,165	...	913	500	
Mining Museum	Arts .....	9,722	...	...	...	
Sub Total - Cultural Facilities and Support of the Arts		34,070	...	19,080	6,289	
<b>Total - Recreation and Culture</b>		<b>81,889</b>	<b>62,396</b>	<b>34,266</b>	<b>36,754</b>	
<b>Economic Services - Agriculture, Forestry and Fishing-</b>						
Rural Assistance Authority	Agriculture and Rural Affairs	494	...	...	50	
Office of Fisheries	Natural Resources .....	1,162	...	...	760	
Department of Water Resources	Natural Resources .....	31,387	1,873	39,509	4,947	
Department of Agriculture	Agriculture and Rural Affairs	9,184	1,883	1,600	3,785	
Forestry Commission	Conservation and Land Management .....	53,073	...	2,300	45,588	
Conservation and Land Management	Conservation and Land Management .....	607	...	...	100	
CALM - Soil Business	Conservation and Land Management .....	4,846	...	...	2,203	
Sydney Market Authority	Conservation and Land Management .....	752	...	1,022	2,350	
Sub Total - Agriculture, Forestry and Fishing		101,505	3,756	44,431	59,783	
					107,970	

Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)

Policy Sector	Ministry	Actual Expenditure 1990-91(a)	Type of Work 1991-92			Total 1991-92
			Major Works(b)		Minor Misc. Works (c)	
			New Works	Works-in-Progress		
Mining, Manufacturing and Construction- Department of Mineral Resources Coal Compensation Board Special Projects	Natural Resources ..... Natural Resources ..... Public Works .....	\$000 2,351 50,000 2,973	\$000 ... ... ...	\$000 ... ... 5,121	\$000 716 26,100 5,721	\$000 716 26,100 5,721
Sub Total - Mining, Manufacturing and Construction		55,324	...	5,121	27,416	32,537
Public Transport- SRA Commercial(Freight) SRA Non Commercial State Transit Authority	Transport ..... Transport ..... Transport .....	85,169 398,085 22,370	30,686 35,757 2,480	66,979 352,677 26,989	12,911 53,113 1,350	110,576 441,547 30,819
Sub Total - Public Transport		505,624	68,923	446,645	67,374	582,942
Roads- Roads and Traffic Authority	Roads .....	1,443,805	...	539,520	787,933	1,327,453
Sub Total - Roads	Roads .....	1,443,805	...	539,520	787,933	1,327,453

Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)

Policy Sector	Ministry	Actual Expenditure 1990-91(a)	Type of Work 1991-92			Total 1991-92
			Major Works(b)		Minor Misc. Works (c)	
			New Works	Works-In-Progress		
		\$000	\$000	\$000	\$000	\$000
Other Transport and Communication- Maritime Services Board Department of Transport Fishing	Transport .....	15,732	7,018	10,826	7,209	25,053
	Transport .....	28,035	20,378	12,280	933	33,591
	Public Works .....	2,815	800	413	1,800	3,013
Sub Total - Other Transport and Communication		46,582	28,196	23,519	9,942	61,657
Community and Regional Development- State Development Sydney Cove Authority	State Development .....	3,392	...	3,600	...	3,600
	Planning .....	5,791	...	7,500	6,500	14,000
Sub Total - Community and Regional Development		9,183	...	11,100	6,500	17,600
Electricity- Department of Energy Electricity County Councils Electricity Commission	Energy .....	44	...	...	...	...
	Energy .....	10,524	...	...	...	5,600
	Energy .....	413,559	11,738	567,350	36,291	615,379
Sub Total - Electricity		424,127	11,738	567,350	41,891	620,979

**Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)**

Policy Sector	Ministry	Actual Expenditure 1990-91 (a)	Type of Work 1991-92			Total 1991-92
			Major Works(b)		Minor Misc. Works (c)	
			New Works	Works-in-Progress		
Industry Assistance- CALM - Land Information		\$000	\$000	\$000	\$000	
Consumer Affairs DIRETTE - Economic Services DIRETTE - General Admin	Conservation and Land Management .....	3,419	2,927	8,219	543	11,689
	Consumer Affairs .....	3,565	308	2,382	951	3,641
	Industrial Relations .....	767	...	...	845	845
	Industrial Relations .....	3,462	...	733	1,656	2,389
Sub Total - Industry Assistance		11,213	3,235	11,334	3,995	18,564
<b>Total - Economic Services</b>		<b>2,597,363</b>	<b>115,848</b>	<b>1,649,020</b>	<b>1,004,834</b>	<b>2,769,702</b>
General Administration NEI - Local Government- Councils - General Purpose Dept of Local Government and Co-operatives Lord Howe Island Board	Local Government .....	185,000	909	...	160,000	160,000
	Local Government .....	96	...	274	...	909
	Environment .....	616	...	...	1,321	1,595
Sub Total - Local Government		185,712	909	274	161,321	162,504
Public Buildings and Other- The Legislature Premier's Department	The Legislature .....	958	1,380	3,717	2,559	2,559
	Premier and Treasurer .....	2,281	...	...	278	5,375

Table 5.3: Capital Program - 1990-91 Actual Expenditure and 1991-92 Estimates (cont.)

Policy Sector	Ministry	Actual Expenditure 1990-91(a)	Type of Work 1991-92			Total 1991-92
			Major Works(b)		Minor Misc. Works (c)	
			New Works	Works-in-Progress		
		\$000	\$000	\$000	\$000	\$000
Parliamentary Counsel's Office	Premier and Treasurer . . .	596	..	..	15	15
Treasury	Premier and Treasurer . . .	8,288	6,766	3,886	220	10,872
Cabinet Office	Premier and Treasurer . . .	520	..	..	21	21
State Electoral Office	Premier and Treasurer . . .	18	..	..	..	..
Ombudsman	Premier and Treasurer . . .	52	..	..	..	..
Homebush Bay Development	Local Government . . .	..	..	14,471	..	14,471
Property Services Group	Local Government . . .	34,773	23,240	3,740	..	30,588
Other	Chief Secretaries . . .	498	..	..	461	461
Chief Secretaries Dept	Public Works . . .	27,347	17,380	2,733	8,490	28,503
Public Works Department	Public Works . . .	4,881	..	7,400	..	7,400
Births, Deaths and Marriages	Attorney General . . .	..	..	..	..	..
Conservation and Land Management	Conservation and Land Management . . .	14,394	500	1,424	1,866	3,790
Commercial Services Group	Administrative Services . . .	322	600	..	198	798
Darling Harbour Authority	Planning . . .	8,100	..	..	3,678	3,678
Sub total - Public Buildings and Other		103,028	49,866	37,371	21,394	108,631
<b>Total - General Administration NE</b>		<b>288,740</b>	<b>50,775</b>	<b>37,645</b>	<b>182,715</b>	<b>271,135</b>
<b>TOTAL - STATE PROGRAM</b>		<b>5,170,349</b>	<b>676,860</b>	<b>2,936,019</b>	<b>1,904,352</b>	<b>5,517,231</b>

(a) Actual expenditure in 1990-91 has been adjusted to place on a comparable basis to 1991-92 estimates.

(b) "Major Works" comprises all works, including computer projects, with an estimated total cost of \$500,000 or more. "New works" are Major Works approved to commence in 1991-92. "Works-in-Progress" are Major Works commenced prior to 1991-92 but not completed at 1 July.

(c) "Minor Miscellaneous Works" are all works, including computer projects, with an estimated total cost of less than \$500,000.



## **CHAPTER 6: 1990-91 BUDGET AND CAPITAL PROGRAM RESULT**

**6.1 Introduction**

**6.2 Recurrent Payments - Variations from Budget**

**6.3 Recurrent Receipts - Variations from Budget**

**6.4 Capital Program - Variations from Projections**



## 6.1 INTRODUCTION

For 1990-91 the Budget was presented on a Consolidated Fund basis. Accordingly, it is necessary to provide results on that same basis even though for 1991-92 a new more comprehensive presentation has been adopted.

The 1990-91 Budget projected an overall Consolidated Fund surplus of \$34 million, which was to be the product of a \$1,334 million recurrent surplus and a \$1,300 million capital deficit.

The actual result for the year was a Consolidated Fund deficit of \$158 million made up of a recurrent surplus of \$1,077 million and a capital deficit of \$1,235 million.

Essentially the deterioration relative to Budget was due to revenue shortfalls of \$190 million, with payments being only \$2 million over Budget.

The factors contributing to the revenue shortfall were -

- a substantial downturn in recurrent revenue (largely associated with the effect of the continuing downturn in the property market); and
- a shortfall in the realisation of asset sales and leases (particularly the State Office Block).

These revenue shortfalls were offset in part by an early repayment by the Electricity Commission of \$404 million owing to the the Consolidated Fund.

Abstracting from the \$404 million repayment by the Electricity Commission, revenue was \$594 million less than budget and the adjusted Consolidated Fund result was a deficit of \$562 million.

Expenditure on the total State Capital Program (which includes not only budget funded capital expenditure but also capital expenditure of the Non Budget Sector) was \$5,393 million compared to a projected \$5,617 million.

---

**NOTE:** The analysis in this Chapter is based on portfolios and agencies as appearing in the 1990-91 Budget (i.e. preceding the July 1991 reorganisation of Ministerial responsibilities) and is not comparable with the coverage elsewhere in this Budget Paper or In Budget Paper No. 3.

Table 6.1: 1990-91 Consolidated Fund Result

	Budget		Actual		Variation	
	\$m	\$m	\$m	\$m	%	
<b>RECURRENT</b>						
<b>Revenue</b>						
State Taxation	8,683	8,299	(-)	384	(-)	4.4
Other State Revenue	1,428	1,519	+	91		6.4
Commonwealth Grants	5,673	5,650	(-)	23	(-)	0.4
Total Revenue	<u>15,785</u>	<u>15,469</u>	(-)	<u>316</u>	(-)	<u>2.0</u>
<b>Payments</b>						
Departments	12,131	12,098	(-)	33	(-)	0.3
Payments to Authorities	656	656	...	...		...
Debt Charges	1,664	1,638	(-)	26	(-)	1.6
Total Payments	<u>14,451</u>	<u>14,392</u>	(-)	<u>59</u>	(-)	<u>0.4</u>
<b>Recurrent Result</b>	<u>1,334</u>	<u>1,077</u>	(-)	<u>257</u>		
<b>CAPITAL</b>						
<b>Revenue</b>						
State Capital Revenue	460	552	+	92		20.0
Commonwealth Grants	1,131	1,165	+	34		3.0
Total Capital Revenue	<u>1,591</u>	<u>1,717</u>	+	<u>126</u>		<u>7.9</u>
<b>Payments</b>						
Capital Works Payments	2,891	2,952	+	61		2.1
<b>Capital Result</b>	<u>(1,300)</u>	<u>(1,235)</u>	+	<u>65</u>		
<b>TOTAL</b>						
Revenue	17,376	17,186	(-)	190	(-)	1.1
less Payments	17,342	17,344	+	2		...
<b>Equals Budget Result</b>	<u>34</u>	<u>(158)</u>	(-)	<u>192</u>		
<b>FINANCING</b>						
Decrease in Consolidated Fund						
Cash Balance	10	129	+	119		
plus Transfer from Revenue						
Equalisation Account	43	43	...	...		
plus Borrowings	...	370	+	370		
less Loan Repayments	87	384	+	297		
	<u>34</u>	<u>(158)</u>	(-)	<u>192</u>		

## 6.2 RECURRENT PAYMENTS - VARIATIONS FROM BUDGET

Consolidated Fund recurrent payments in 1990-91 were under budget by \$59 million.

A large part of this variation was due to savings in relation to wage case decisions. The estimated impact of award decisions in 1990-91 is shown in Table 6.2.

Other major variations were -

- \$12 million savings on Police superannuation costs;
- \$12 million expenditure on the Building Industry Royal Commission;
- increased expenditure on natural disaster relief (\$27 million);

As in 1990-91, there were few post-Budget policy initiatives having any significant impact on the final result for the year. Major post-budget policy initiatives in 1990-91 amounted to \$20 million. (These are identified by a double asterisk in Table 6.3.) This compares with \$9 million in 1989-90.

Table 6.3 details all variations, segmented between major policy initiatives and cost variations and other factors, on a Ministerial/departmental basis.

**Table 6.2: Cost of Salaries and Wages Awards, 1990-91**

	Cost in 1990-91 \$m
<b>National Wage Case</b>	
2nd Instalment 3%	222
less Budget provision	290
	<hr/>
Variation on Budget	(-) 68
	<hr/>
<b>Other Awards</b>	
Resident Medical Officers	6
Nurses Professional Rates of Pay	41
Teacher Award Restructuring	71
	<hr/>
	118
less Budget provision	123
	<hr/>
Variation on Budget	(-) 5
	<hr/>
<b>Other Awards (not provided for in Budget allocations)</b>	
Judges, Magistrates, Public Defenders	3
Other Nurses Awards	14
Clinical Academics	2
Other	6
	<hr/>
Variation on Budget	+ 25
	<hr/>
<b>Total Variation on Budget</b>	<b>(-) 48</b>

Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget

Minister Organisation	Variation from Budget					Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	
Legislature  Premier, Treasurer and Ethnic Affairs Cabinet Office  Premier's Department	58.6	55.1	...	(-) 3.5	(-) 3.5	Savings of \$0.2m on employee related payments, \$2.8m on maintenance and working expenses and \$0.5m on Other Services items.  \$0.7m savings on employee related payments offset by \$0.1m overrun on maintenance and working expenses.  \$12.3m on Building Industry Royal Commission, ** \$2.3m on Aboriginal Community Infrastructure Program, ** overruns of \$1.5m on employee related payments, \$0.4m on grants and subsidies and \$11.4m on Other Services related to legal assistance re ICAC; Land Tax payments to land Councils re Aboriginal Land Rights Act; compensation to Promenade Investments; Chelmsford Hospital Inquiry; Eastern Creek Raceway and Olympic Committee, offset by \$1.1m savings on maintenance and working expenses.  Election costs.
	7.2	6.6	...	(-) 0.6	(-) 0.6	
	78.4	105.3	+ 14.6	+ 12.2	+ 26.8	
State Electoral Office	2.6	18.1	...	+ 15.5	+ 15.5	

Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
Independent Commission Against Corruption Ombudsman's Office Treasury	12.0	11.4	...	(-) 0.6	(-) 0.6	\$0.6m savings on legal and other costs.	
	4.2	4.3	...	+ 0.1	+ 0.1		
	1,023.9	1,047.4		+ 23.5	+ 23.5	Overrun of \$27m on Natural Disaster Relief due to carry-over costs relating to previous disasters and flood and storm damages; offset by net savings of \$3.5m due to reduced interest charges.	
Advance to Treasurer	65.0	...	...	(-) 65.0	(-) 65.0	Actual expenditures against this item are made by various organisational units and are included in figures for individual Ministers.	
Ethnic Affairs Commission	7.3	7.6	...	+ 0.3	+ 0.3	Grants to Ethnic groups.	
	1,200.6	1,200.6	+ 14.6	(-) 14.6	...		
Agriculture and Rural Affairs Rural Assistance Authority	25.9	21.6	...	(-) 4.4	(-) 4.4	\$1.8m savings on Rural Adjustment Scheme, \$0.4m on employee related payments, \$1.6m on maintenance and working expenses and \$0.2m on other items.	

Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget					
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	Comment
Department of Agriculture and Fisheries	172.7	174.1	...	+ 1.4	+ 1.4	\$2.9m expenditure on Quarantine Services due to assumption of Service from Commonwealth offset by \$1.5m savings on employee related payments.
Soil Conservation Service	42.1	42.0	...	(-) 0.1	(-) 0.1	
	240.7	237.7	...	(-) 3.0	(-) 3.0	
Attorney General Attorney General's Department	251.9	251.4	...	(-) 0.5	(-) 0.5	\$1.6m saving on employee related payments offset by \$0.9m overrun on Other Services items and \$0.2m elsewhere.
Legal Aid Commission	50.3	50.3	...	...	...	
Office of the Director of Public Prosecutions	34.4	34.3	...	(-) 0.1	(-) 0.1	
Judicial Commission	1.7	1.8	...	+ 0.1	+ 0.1	
	338.2	337.8	...	(-) 0.4	(-) 0.4	

**Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)**

Minister Organisation	Variation from Budget					Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	
<b>Business and Consumer Affairs</b> Business and Consumer Affairs	80.7	88.2	...	+ 7.5	+ 7.5	\$0.7m overrun on employee related payments and \$4.0m on maintenance and working expenses primarily related to back-dated rent costs and to extra costs associated with the transfer of corporate regulation to the Commonwealth, \$0.1m on grants subsidies and \$2.7m on Other Services mainly due to increased Commonwealth funding for the NEIS program.
<b>Chief Secretary and Water Resources</b> Chief Secretary's Department	11.4	11.2	...	(-) 0.2	(-) 0.2	
Department of Water Resources	81.2	74.4	(-) 6.8	...	(-) 6.8	Commercial River Operations moved off-budget.**
	92.6	85.6	(-) 6.8	(-) 0.2	(-) 7.0	
<b>Corrective Services</b> Department of Corrective Services	245.6	235.3	...	(-) 10.3	(-) 10.3	\$10.8m savings on employee related payments due to delays in expansion of facilities which impacted on staffing and \$0.2m on maintenance and working expenses offset by \$0.7m overrun on Other Services items.

Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
Environment Ministry for the Environment	55.7	57.6	...	+ 1.9	+ 1.9		Overruns of \$0.1m on employee related payments for superannuation costs, \$0.7m on maintenance and working expenses for items such as water rates, cleaning and the management of the ES Marks Field and \$1.1m on grants and subsidies payment to Water Board for Pensioner rate rebates.
	39.5	39.9	...	+ 0.4	+ 0.4		
	17.0	18.2	...	+ 1.2	+ 1.2		
National Parks and Wildlife Service							Overrun on employee related payments allowed as an offset to the repayment by the Service of an equivalent amount from internal capital funds.
State Pollution Control Commission							Overrun on employee related payments (\$0.8m) due to staff increase offset by funds raised through increased fees. Overrun in maintenance and working expenses (\$0.2m) due to costs associated with relocation to Bankstown and purchase of workstations and furniture.
	112.2	115.7	...	+ 3.5	+ 3.5		

Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget					
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	Comment
Family and Community Services and Administrative Services Department of Family and Community Services	713.5	681.6	+ 0.8	(-) 32.7	(-) 31.9	\$0.8m savings on employee related payments, \$1.8m on maintenance and working expenses due to better financial management, \$7.4m on Other Services due to fewer children coming into the care of the Department and a general downturn in the demand for certain services; and \$22.7m on grants and subsidies to offset expenditure in the Health, Housing and Transport areas under the Home and Community Care Program and due to later than anticipated approvals for a number of projects, offset by \$0.8m increased spending on the Hostel and Care program. ** Part of these savings have been built into the 1991-92 Estimates.
	15.8	15.7	...	(-) 0.1	(-) 0.1	
Commercial Services Group	19.4	19.1	...	(-) 0.3	(-) 0.3	
Property Services Group	748.8	716.4	+ 0.8	(-) 33.1	(-) 32.4	

**Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)**

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
Health and Arts Department of Health	3,810.1	3,816.6	...	+ 6.5	+ 6.5		\$11.9m savings in debt costs and \$14.8m funds carried forward to 1991-92 offset by a \$23.5m shortfall in hospital revenues, an overrun of \$6.4m on awards costs and \$3.3m other net variations.
	119.5	118.9	...	(-) 0.6	(-) 0.6		
Ministry for the Arts							\$1.0m savings on Other Services and \$0.7m on employee related payments offset by increased maintenance and working expenses (\$0.4m) and additional grants and subsidies (\$0.7m).
	3,929.6	3,935.5	...	+ 5.9	+ 5.9		
Housing Department of Housing	44.8	37.0	...	(-) 7.8	(-) 7.8		\$4.5m savings due to delays in launching two home lending schemes (Commonwealth) resulting in \$4.1m savings on assistance towards stamp duty and land tax concessions offset by an additional \$0.8m growth money for Home and Community Care.

Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget					
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other** \$m	Total Variations \$m	Comment
Industrial Relations, Employment, Training and Further Education Department of Industrial Relations, Employment, Training and Further Education	111.7	112.4	+ 1.1	(-) 0.4	+ 0.7	\$1.1m expenditure on the Job Evaluation Survey,** overruns of \$0.7m on maintenance and working expenses and \$0.4m on Other Services offset by savings of \$0.9m on employee related payments and \$0.6m on grant and subsidies.
	737.7	748.7	...	+ 11.0	+ 11.0	
New South Wales Technical and Further Education Commission	849.4	861.1	+ 1.1	+ 10.6	+ 11.7	Savings on staffing costs associated with relocation of employees (\$0.9m), employee related payments (\$1.4m) and \$0.1m on maintenance and working expenses offset by \$2.0m increase in contribution to Public Reserves Management Trust.**
	74.4	74.2	+ 2.0	(-) 2.2	(-) 0.2	
Lands and Forests and Tourism Department of Lands						

**Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)**

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
Tourism Commission	19.8	27.8	+ 7.9	+ 0.1	+ 8.0	Eastern Creek Raceway loan commitments \$7.7m, ** Grand Prix costs \$0.2m, ** other \$0.1m.	
	94.2	102.0	+ 9.9	(-) 2.1	+ 7.8		
Local Government and Planning Department of Local Government	52.7	53.2	...	+ 0.5	+ 0.5	Overruns of \$0.5m on employee related payments and \$0.2m on maintenance and working expenses due to Local Government Act review and animal research; offset by savings of \$0.2m on grants and subsidies.	
	44.1	42.0	...	(-) 2.1	(-) 2.1		
Department of Planning	12.0	13.2	...	+ 1.2	+ 1.2	Increase in contribution to the Authority for land tax payments.	
Darling Harbour Authority	108.8	108.4	...	(-) 0.4	(-) 0.4		

Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget					Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	
Mineral Resources and Energy Department of Minerals and Energy	35.7	38.2	...	+ 2.5	+ 2.5	Overrun of maintenance and working expenses due to liability for rent in vacated premises at Lend Lease House and rent for Ministerial office previously provided at no cost by Elcom.
	2.4	2.3	...	(-) 0.1	(-) 0.1	
	38.2	40.5	...	+ 2.4	+ 2.4	
Coal Compensation Board						
	936.6	922.8	...	(-) 13.8	(-) 13.8	
Police and Emergency Services Police Department						
NSW Crime Commission	8.1	8.2	...	+ 0.1	+ 0.1	\$0.2m savings on employee related payments and \$0.3m on witness protection expenses offset by \$0.6m increase in maintenance and working expenses.

**Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)**

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
NSW Fire Brigades State Rescue and Emergency Services Board	164.9	164.9	..	..	..		
	1.5	1.1	..	(-) 0.4	(-) 0.4		\$0.3m savings on employee related payments and \$0.1m on maintenance and working expenses.
State Emergency Service	5.6	6.3	..	+ 0.7	+ 0.7		Overrun of \$0.9m on maintenance and working expenses offset by \$0.2m savings on employee related payments.
Department of Bush Fire Services	6.2	6.2	..	..	..		
	1,123.2	1,109.9	..	(-) 13.3	(-) 13.3		
Public Works and Roads Department of Public Works	98.0	93.5	..	(-) 4.5	(-) 4.5		\$3.8m savings on employee related payments due to superannuation billings being less than anticipated; and \$0.7m on maintenance and working expenses.
	239.0	233.2	..	(-) 6.0	(-) 6.0		\$3.6m savings on debt costs due to restructure of RTA's debt; and \$2.4m transfer of funding to Capital Works and Services due to certain principal repayments being funded from internal sources.
Roads and Traffic Authority	337.0	326.5	..	(-) 10.5	(-) 10.5		

**Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)**

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
School Education and Youth Affairs Office of Education and Youth Affairs	89.8	84.9	...	(-) 4.9	(-) 4.9	\$1.0m savings on employee related payments and \$4.2m on Other Services offset by an overrun of \$0.3m on maintenance and working expenses.	
	3,252.3	3,256.3	...	+ 4.0	+ 4.0	\$46.0m overrun on maintenance and working expenses mainly due to school cleaning and \$2.0m on grants and subsidies offset by savings of \$37.0m on employee related payments, \$5.6m on per capita grants to non government schools and \$1.4m on Other Services items.	
Sport, Recreation and Racing Department of Sport, Recreation and Racing	3,342.1	3,341.2	...	(-) 0.9	(-) 0.9		
	44.0	45.9	...	+ 1.9	+ 1.9	Additional expenditure from Sport and Recreation Fund.	

Table 6.3: 1990-91 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
State Development Department of State Development	19.7	13.5	..	(-) 6.1	(-) 6.1	Savings of \$7.2m on the Strategic Economic Development Package offset by overruns of \$0.3m on employee related payments and \$0.8m on maintenance and working expenses.	
Transport Department of Transport	1,402.3	1,397.9	..	(-) 4.4	(-) 4.4	\$2.4m savings on contribution to SIRA superannuation costs, \$1.2m on employee related payments due to reduction in staffing during the year, and \$1.0m on grants and subsidies offset by \$0.2m overrun on maintenance and working expenses.	
<b>GRAND TOTAL</b>	14,450.9	14,391.6	+ 19.6	(-) 78.9	(-) 59.3		

\* Includes cost variations, minor policy initiatives, etc.

# As amended under sections 24 and 26 of the Public Finance and Audit Act.

\*\* Represent policy initiatives undertaken by the Government after the bringing down of the 1990-91 Budget.

### **6.3 RECURRENT RECEIPTS - VARIATIONS FROM BUDGET**

Overall, Consolidated Fund receipts were below the 1990-91 Budget forecast by \$190 million or 1.1 per cent, with \$316 million being in respect of recurrent receipts. When adjustment is made for the repayment by the Electricity Commission of advance the shortfall in Consolidated Fund receipts was \$594 million.

The substantial decrease in recurrent receipts can be attributed in the main to a significant downturn of the property market during 1990-91. This decline affected receipts from stamp duty on contract and conveyances, on loan securities and on leases.

In addition, receipts from payroll tax was reduced by a lower than forecast growth in wages.

Details of the more significant variations from recurrent receipts estimates in the 1990-91 Budget are shown in Table 6.4.

Table 6.4: 1990-91 Recurrent Receipts - Variations from Budget

Receipt Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>TAXES, FEES AND FINES</b>					
Stamp Duty - Contracts and conveyances	933.0	737.2	(-) 198.8	(-) 21.0	The downturn in the property market was more severe and prolonged than had been anticipated. The decline in receipts was mainly due to a weaker than anticipated commercial property market. While the residential property market also remained depressed for most of the year, a modest recovery at the bottom end of the housing market was evident towards the end of 1990-91 with turnover of properties at the top end remaining slow.
Insurance	203.0	187.8	(-) 15.2	(-) 7.5	Receipts were adversely affected by several natural disasters which resulted in some businesses going bankrupt and therefore not renewing policies; the short-term impact of the November 1989 legislative change from a sum insured to a premium basis of taxation; the slowdown in economic activity and intense competition for business among insurance companies.
Loan Securities	110.0	102.2	(-) 7.8	(-) 7.1	Receipts were affected by the slowing of credit growth which coincided with the downturn in the economy and property market. However, collections were partly offset by financial institutions requiring security for a higher than historical percentage of their loans.
Share transfers	140.0	127.2	(-) 12.8	(-) 9.1	The share market remained depressed as a result of the Gulf War, the economic downturn and increased corporate debt.
Leases	45.0	21.4	(-) 23.6	(-) 52.4	The decrease in receipts was due to a weaker than anticipated commercial property market. No large transactions were recorded during the year.

Table 6.4: 1990-91 Recurrent Receipts - Variations from Budget (cont)

Receipt Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>Stamp Duty - (cont)</b> Financial Institutions Duty	436.0	402.0	(-) 34.0	(-) 7.8	Receipts were affected during the latter half of 1990-91 by the slowdown in credit growth, due to the recession.
Motor Vehicle Registration	200.3	197.4	(-) 20.9	(-) 10.4	Receipts reflect the downturn in sales of motor vehicles due to the recession.
First Home Purchase Scheme	25.9	32.0	+ 6.1	+ 23.6	The increase in receipts was primarily due to the higher than anticipated number of homebuyers taking up the discount option which became available in October 1990.
Motor Vehicle Weight Tax	530.0	499.1	(-) 30.9	(-) 5.8	The shortfall in receipts resulted primarily from the lower than anticipated growth in the number of registered vehicles.
Drivers Licence Fees	130.2	120.3	(-) 9.9	(-) 7.6	The demand for longer term photo licences was less than expected resulting in a reduction in receipts.
Vehicle Registration and Transfer Fees	160.8	155.6	(-) 5.2	(-) 3.2	The decrease in receipts was due to the lower than anticipated number of new vehicle registrations and second hand vehicle sales.
Payroll Tax	2,652.0	2,583.2	(-) 68.8	(-) 2.6	The shortfall in receipts resulted primarily from the smaller than anticipated annual rise in wages due to the wage/tax trade-off.
Land Tax	735.5	789.6	+ 54.1	+ 7.4	Receipts reflect improvements in the Land Tax computer system; increased compliance activities and collection of overdue tax.
Debit Tax	66.8	57.0	(-) 9.8	(-) 14.7	The shortfall in receipts was due to the deferment of the tax's starting date until February and the recession impacting on debit transactions. This shortfall was fully offset by an increase in the Financial Assistance Grant.

Table 6.4: 1990-91 Recurrent Receipts - Variations from Budget (cont)

Receipt Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>Poker Machine Tax</b>	291.0	284.4	(-) 6.6	(-) 2.3	The decrease in receipts is primarily due to the changeover to the new duty system and outstanding duty and taxes.
<b>Lotteries and Lotto</b>	168.0	183.9	+ 15.9	+ 9.5	Increase in receipts resulted from higher sales in both lotto and lotteries following successful marketing.
<b>Racing</b>	319.1	311.7	(-) 7.5	(-) 2.4	The shortfall in receipts can be attributed to lower than anticipated TAB sales due to the economic recession.
<b>Business Franchise Licences - Petroleum</b>	450.0	433.7	(-) 16.3	(-) 3.6	The shortfall in receipts is due to a fall in consumption during the Gulf War when petrol prices rose sharply.
<b>Fees</b>	77.7	86.2	+ 8.5	+ 10.9	Increase in receipts is due to higher than anticipated collections of court fees; Corporate Affairs fees and State Pollution Control Commission fees.
<b>Fines</b>	142.0	153.1	+ 11.1	+ 7.8	Increase in receipts is due to a higher than anticipated collection of motor traffic and local courts fines.
<b>LAND TRANSACTIONS AND ROYALTIES</b>					
<b>Land Sales -</b>					
Sale of homesites	33.0	25.4	(-) 7.6	(-) 23.0	Receipts reflect the depressed state of the housing market.
Miscellaneous sales	18.6	26.5	+ 7.9	+ 42.5	Increase in receipts is due to conversion of leaseholds to freeholds and early payouts of land purchases.
Mining Royalties	137.7	155.0	+ 17.3	+ 12.6	Receipts reflect higher than anticipated sales of coal, silver, lead and zinc.

**Table 6.4: 1990-91 Recurrent Receipts - Variations from Budget (cont)**

Receipt Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>INTEREST RECEIVED</b>					
Interest on Treasury funds	120.0	129.5	+ 9.5	+ 7.9	Increase in receipts is due to receipts into Consolidated Fund from Statutory Authorities being greater than originally estimated.
<b>CHARGES FOR GOODS AND SERVICES</b>					
TAFE Admin Charge	32.3	59.5	+ 27.2	+ 84.2	The increase reflects the level of expenditure borne by the Administration Charge within TAFE's recurrent and capital programs.
<b>CONTRIBUTIONS FROM GOVERNMENT ENTERPRISES AND STATE OWNED CORPORATIONS</b>					
Sydney Water Board	67.0	84.7	+ 17.7	+ 26.4	Increase in receipts is due to the change of the formula for calculating dividend to reflect a more commercial approach in setting dividend.
Hunter Water Board	3.0	10.0	+ 7.0	+233.3	Increase in receipts is due to the change of the formula for calculating dividend to reflect a more commercial approach in setting dividend.
Sydney Electricity	75.0	60.0	(-) 15.0	(-) 20.0	Normal dividend in respect of 1989-90 was waived in light of the financial result.
Commercial Services Group	...	12.2	12.2	n.a.	Receipts reflect payments of dividend from its commercial activities.

Table 6.4: 1990-91 Recurrent Receipts - Variations from Budget (cont)

Receipt Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>COMMONWEALTH SPECIFIC PURPOSE PAYMENTS</b>					
Hospital Funding Grant	1,283.4	1,268.1	(-) 15.4	(-) 1.2	The shortfall is due to lower than expected inflation adjustment in terms of the Medical Agreement and diversion of funds to the new Nationally Funded Centres Programs.
Medical Speciality Centres	...	5.7	5.7	n.a.	This new program replaces the Cardiac/Liver Transplant program. It is funded, in part, through a diversion of funds from the Hospital Funding Grant.
Natural Disaster Relief	28.0	48.0	+ 20.0	+ 71.4	The increase in Commonwealth assistance reflects the significantly higher than anticipated State expenditure on restoration of flood, storm and earthquake damage in 1990-91.
Companies Regulation	28.0	22.5	(-) 5.5	(-) 19.6	In addition to agreed annual compensation for the States, the transitional provisions associated with the transfer of companies regulation to the Commonwealth provided for equalisation payments to be made to the States in connection with 1990-91 collections. The NSW share of these payments was less than anticipated.
<b>OTHER RECURRENT ITEMS</b>	6,142.3	6,114.5	(-) 27.8	(-) 0.5	
<b>TOTAL, RECURRENT RECEIPTS</b>	15,784.6	15,468.6	(-) 316.0	(-) 2.0	

## 6.4 CAPITAL PROGRAM - VARIATIONS FROM PROJECTIONS

### Consolidated Fund Capital Budget

The Capital Budget comprises capital works and services of Budget Sector organisations funded from the Consolidated Fund. It forms part only of the State's overall Capital Program which comprises capital works and services of both Budget and Non Budget Sector organisations funded from global borrowings and internal revenue and reserves, in addition to funding from the Consolidated Fund. Details of the outcome of the State's overall Capital Program in 1990-91 are outlined in the next subsection.

The outcome of the 1990-91 Consolidated Fund Capital Budget is summarised as follows -

	Budget Estimate \$m	Actual \$m	Variation \$m
Capital payments	2,891	2,952	+ 61
Capital revenue	1,591	1,717	+ 126
	<hr/>	<hr/>	<hr/>
Result (Deficit)	(1,300)	(1,235)	(65)
	<hr/>	<hr/>	<hr/>

The decrease in the deficit of \$65 million in the 1990-91 Capital Budget was due to an increase of \$126 million in capital revenue partly offset by an increase in capital payments of \$61 million. The increase in capital revenue of \$126 million was largely due to a \$404 million repayment of debt by the Electricity Commission, offset by a shortfall in asset disposal proceeds reflecting the continued slump in the property market.

The increase of \$61 million in capital payments mainly reflects increased expenditure by the Roads and Traffic Authority, Department of Transport, the Police Service and Rural Assistance Authority, offset by a decrease in payments to the Open Space and Heritage Fund.

Details of the 1990-91 Consolidated Fund Capital Budget and revenue compared with estimates are contained in Tables 6.5 and 6.6 respectively.

### Capital Program (Total Payments)

The overall Capital Program includes the Capital Budget plus non-Consolidated Fund revenue and expenditure for the Budget Sector and capital revenue and expenditure of the Outer Budget Sector.

The outcome of the 1990-91 Capital Program is summarised as follows -

	Budget Estimate \$m	Actual \$m	Variation \$m
Capital Program payments	5,617	5,393	(-) 224

Details of 1990-91 Capital Program payments compared with estimates and an explanation of significant variations are contained in Table 6.5.

Table 6.5: 1990-91 Capital Payments - Summary of Variations from Budget

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>CONSOLIDATED FUND</b>					
Legislature	1.2	0.4	(-) 0.8	(-) 66.7	Delays on various minor projects.
Premier, Treasurer and Ethnic Affairs Cabinet Office Premier's Department	35.4	3.7	(-) 31.7	(-) 89.5	Decreased expenditure reflects a reduced contribution to the Open Space and Heritage Fund which receives a percentage of net Consolidated Fund proceeds from the sale of surplus government property.
Independent Commission Against Corruption Ombudsman's Office State Electoral Office Treasury	0.1 ... ... 0.9	0.1 0.1 ... 0.5	+ 0.1 ... ... (-) 0.4	... n.a. ... (-) 44.4	Underexpenditure on Disaster Recovery/Security project.
<b>Agriculture and Rural Affairs</b>	36.4	4.4	(-) 32.0	(-) 87.9	
Rural Assistance Authority	9.9	23.6	+ 13.7	+138.4	Additional funding for Natural Disaster Relief.
Department of Agriculture and Fisheries	7.6	9.2	+ 1.6	+ 21.1	Increased expenditure mainly on purchase of housing and Eilizabeth Macarthur Institute projects.
Soil Conservation Service	0.3	1.1	+ 0.8	+266.7	Additional expenditure on various minor projects offset by savings on recurrent budget.
	17.8	33.9	+ 16.1	+ 90.4	

Table 6.5: 1990-91 Capital Payments - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>CONSOLIDATED FUND (cont)</b>					
<b>Attorney General</b> Attorney General's Department Director of Public Prosecutors	48.1 0.7	58.3 0.9	+ 10.2 + 0.2	+ 21.2 + 28.6	Increased expenditure on Downing Centre project.
	48.8	59.2	+ 10.4	+ 21.3	
<b>Business and Consumer Affairs</b> Department of Business and Consumer Affairs	0.2	0.2	...	...	
<b>Chief Secretary and Water Resources</b> Chief Secretary's Department Department of Water Resources	0.1 44.9	0.4 46.4	+ 0.3 + 1.5	+300.0 + 3.3	Additional expenditure on purchase of equipment offset by savings on recurrent budget.
	45.0	46.8	+ 1.8	+ 4.0	
<b>Corrective Services</b> Department of Corrective Services	105.2	90.6	(-) 14.6	(-) 13.9	Underexpenditure mainly due to delay of development applications by councils and deferment of certain new works.
<b>Environment</b> Ministry for the Environment	2.6	2.1	(-) 0.5	(-) 19.2	Underexpenditure on the Visitors' Information Centre Project at the Bicentennial Park, Homebush.

**Table 6.5: 1990-91 Capital Payments - Summary of Variations from Budget (cont)**

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>CONSOLIDATED FUND (cont)</b>					
National Parks and Wildlife Service	20.0	20.0			
State Pollution Control Commission	1.1	0.9	(-) 0.2	(-) 18.2	
		23.0	(-) 0.7	(-) 3.0	
<b>Family and Community Services</b>					
Department of Family and Community Services	36.2	36.0	(-) 0.2	(-) 0.6	
Commercial Services Group	0.3	0.3			
Property Services Group	15.5	12.8	(-) 2.7	(-) 17.4	Underexpenditure on maintenance program for Government buildings.
		49.1	(-) 2.9	(-) 5.6	
<b>Health and Arts</b>					
Department of Health	40.8	34.8	(-) 6.0	(-) 14.7	Underexpenditure mainly as a result of lower than expected Commonwealth payments.
Ministry for the Arts	21.3	21.5	+ 0.2	+ 0.9	
		56.3	(-) 5.8	(-) 9.3	
<b>Housing</b>					
Department of Housing	395.5	395.5	...	...	

Table 6.5: 1990-91 Capital Payments - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>CONSOLIDATED FUND (cont)</b>					
Industrial Relations, Further Education, Training and Employment Department of Industrial Relations TAFE Commission	0.4 129.9	0.6 142.6	+ 0.2 + 12.7	+ 50.0 + 9.8	Additional expenditure in a number of areas funded by additional recurrent receipts and increased asset sale revenue.
	130.3	143.2	+ 12.9	+ 9.9	
Lands, Forests and Tourism Department of Lands	2.5	13.0	+ 10.5	+420.0	Increased expenditure relates to debt retirement payment.
Local Government and Planning Department of Local Government Department of Planning Darling Harbour Authority	... 3.4 14.1	0.1 5.0 14.1	+ 0.1 + 1.6 ...	n.a. + 47.1 ...	Additional expenditure on a number of projects partially offset by savings within recurrent budget.
	17.5	19.2	+ 1.7	+ 9.7	

Table 6.5: 1990-91 Capital Payments - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>CONSOLIDATED FUND (cont)</b>					
<b>Minerals and Energy</b>					
Department of Minerals and Energy	2.0	2.3	+ 0.3	+ 15.0	
Coal Compensation	50.0	50.0	..	..	
	52.0	52.3	+ 0.3	+ 0.6	
<b>Police and Emergency Services</b>					
NSW Crime Commission	0.3	0.3	..	..	
NSW Fire Brigades	3.2	2.1	(-) 1.1	(-) 34.4	Underexpenditure on communications network project.
Police Service of NSW	41.4	54.4	+ 13.0	+ 31.4	Additional funding from the Consolidated Fund to replace a shortfall in asset disposal proceeds.
State Emergency Services	0.6	0.5	(-) 0.1	(-) 16.7	
	45.5	57.3	+ 11.8	+ 25.9	
<b>Public Works and Roads</b>					
Public Works Department	128.4	127.6	(-) 0.8	(-) 0.6	
Roads and Traffic Authority	1,330.9	1,375.6	+ 44.7	+ 3.4	Increased Commonwealth funding for flood damage restoration and provision of a repayable advance for staff redundancies, partly offset by a shortfall in revenue from petrol and vehicle weight taxes.
	1,459.3	1,503.2	+ 43.9	+ 3.0	

Table 6.5: 1990-91 Capital Payments - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>CONSOLIDATED FUND (cont)</b> <b>School Education and Youth Affairs</b> Office of Education and Youth Affairs Department of School Education	0.5	0.9	+ 0.4	+ 80.0	Additional expenditure due to fit-out costs of head office.
	208.9	204.8	(-) 4.1	(-) 2.0	
	209.4	205.7	(-) 3.7	(-) 1.8	
<b>Sport, Recreation and Racing</b> Department of Sport, Recreation and Racing	4.0	4.0	...	...	Underexpenditure on Tamworth Flying College project.
	5.0	3.1	(-) 1.9	(-) 38.0	
	177.7	191.7	+ 14.0	+ 7.9	
<b>State Development</b> State Development					Increased expenditure on redundancy payments.
<b>Minister for Transport</b> Department of Transport					
<b>TOTAL - CONSOLIDATED FUND</b>	<b>2,891.1</b>	<b>2,952.1</b>	<b>+ 61.0</b>	<b>+ 2.1</b>	

**Table 6.5: 1990-91 Capital Expenditure - Summary of Variations from Budget (cont)**

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>OTHER SOURCES</b>					
Legislature	1.1	0.6	(-) 0.5	(-) 45.4	Underexpenditure on computer development program.
<b>Premier, Treasurer and Ethnic Affairs</b>					
Cabinet Office	0.5	0.5	..	..	
Premier's Department	2.2	1.5	(-) 0.7	(-) 31.8	Decrease in expenditure on computer projects.
Independent Commission Against Corruption	1.5	1.0	(-) 0.5	(-) 33.3	Underexpenditure on computer development program.
State Electoral Office	..	..	..	..	
Treasury	7.9	7.8	(-) 0.1	(-) 1.3	
		12.1	(-) 1.3	(-) 10.7	
<b>Agriculture and Rural Affairs</b>					
Rural Assistance Authority	0.5	0.5	..	..	
Department of Agriculture and Fisheries	2.0	2.1	+ 0.1	+ 5.0	
Soil Conservation Service	0.9	0.9	..	..	
Sydney Market Authority	2.6	0.8	(-) 1.8	(-) 69.2	Delays to proposed expansion of site due to protracted negotiations with local council.
	6.0	4.3	(-) 1.7	(-) 28.3	

Table 6.5: 1990-91 Capital Expenditure - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>OTHER SOURCES (cont)</b>					
<b>Attorney General</b>					
Attorney General's Department	13.0	8.4	(-) 4.6	(-) 35.4	Decreased expenditure on computer projects.
Director of Public Prosecutions	2.1	2.1	..	..	
Judicial Commission	0.4	0.6	+ 0.2	+ 50.0	Increased expenditure on plant and equipment.
Legal Aid Commission	0.6	1.1	+ 0.5	+ 83.3	
	16.1	12.2	(-) 3.9	(-) 24.2	
<b>Business and Consumer Affairs</b>					
Department of Business and Consumer Affairs	4.2	3.4	(-) 0.8	(-) 19.0	Underexpenditure on computer development program.
<b>Chief Secretary and Water Resources</b>					
Chief Secretary's Department	0.2	0.1	(-) 0.1	(-) 50.0	
Department of Water Resources	19.3	16.7	(-) 2.6	(-) 13.5	Underexpenditure due to deferment of various projects as a result of prolonged drought.
Broken Hill Water Board	3.2	0.4	(-) 2.8	(-) 87.5	
	22.7	17.2	(-) 5.5	(-) 24.2	
<b>Corrective Services</b>					
Department of Corrective Services	3.4	2.3	(-) 1.1	(-) 32.4	Underexpenditure due to a shortfall in asset disposals.

**Table 6.5: 1990-91 Capital Expenditure - Summary of Variations from Budget (cont)**

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>OTHER SOURCES (cont)</b>					
<b>Environment</b>					
Waste Management Authority	34.5	7.1	(-) 27.4	(-) 79.4	Cancellation of Londonderry Landfill Site Project and delays on the Belrose and Seven Hills Transfer Stations.
Lord Howe Island Board	1.0	0.6	(-) 0.4	(-) 40.0	
National Parks and Wildlife Service	0.8	0.7	(-) 0.1	(-) 12.5	
State Pollution Control Commission	1.1	1.0	(-) 0.1	(-) 9.1	
Zoological Parks Board	3.9	2.6	(-) 1.3	(-) 33.3	Lower than budgeted visitation numbers resulted in a reduction in available funding.
Hunter Water Board	45.1	42.3	(-) 2.8	(-) 6.2	Delays to various projects.
The Water Board	479.9	439.1	(-) 40.8	(-) 8.5	
	566.3	493.4	(-) 72.9	(-) 12.9	
<b>Family and Community Services</b>					
Department of Family and Community Services	12.9	1.2	(-) 11.7	(-) 90.7	Underexpenditure due to a shortfall in asset disposals.
Property Services Group	13.1	20.1	+ 7.0	+ 53.4	Additional borrowings for pre-sale development of sites.
Public Servant Housing Authority	0.2	0.2	...	...	
	26.2	21.5	(-) 4.7	(-) 17.9	
<b>Health and Arts</b>					
Department of Health	315.6	266.7	(-) 48.9	(-) 15.4	Underexpenditure mainly as a result of a shortfall in asset disposal proceeds.

Table 6.5: 1990-91 Capital Expenditure - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>OTHER SOURCES (cont)</b>					
Ministry for the Arts	2.0	2.9	+ 0.9	+ 45.0	Increased expenditure on various minor projects.
	317.6	269.6	(-) 48.0	(-) 15.1	
Housing Department of Housing	164.5	69.7	(-) 94.8	(-) 57.6	Underexpenditure reflects shortfall in asset disposal proceeds, cutback on land acquisitions and delays to the Aged Persons Housing program.  Expanded land acquisition activity.
Landcom	115.0	126.0	+ 11.0	+ 9.6	
	279.5	195.7	(-) 83.8	(-) 30.0	
Industrial Relations, Further Education, Training and Employment Department of Industrial Relations	5.0	3.6	(-) 1.4	(-) 28.0	Decrease in expenditure on computer development projects.  Underexpenditure on the computer development program.
TAFE Commission	2.1	1.4	(-) 0.7	(-) 33.3	
	7.1	5.0	(-) 2.1	(-) 29.6	

Table 6.5: 1990-91 Capital Expenditure - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>OTHER SOURCES (cont)</b>					
<b>Lands, Forests and Tourism</b>					
Department of Lands	6.9	15.1	+ 8.2	+118.8	Increased expenditure mainly as a result of a repayable advance made to the Newcastle Showground and Exhibition Centre. Accelerated payment on new head office at Pennant Hills.
Forestry Commission	6.0	14.5	+ 8.5	+141.7	
Land Titles Office	3.0	2.3	(-) 0.7	(-) 23.3	
	15.9	31.9	+ 16.0	+100.6	
<b>Local Government and Planning</b>					
Department of Planning	43.1	39.0	(-) 4.1	(-) 9.5	Underexpenditure due to various works being deferred into 1991-92 because of weather delays and contractual problems.
Council-General Purpose Grants	185.0	185.0			
Sydney Cove Redevelopment Authority	12.9	5.8	(-) 7.1	(-) 55.0	
	241.0	229.8	(-) 11.2	(-) 4.6	
<b>Minerals and Energy</b>					
Department of Minerals and Energy	3.9	9.7	+ 5.8	+148.7	Additional expenditure on the Mining Museum project. Reduced borrowing requirements.
Electricity County Councils	21.1	10.5	(-) 10.6	(-) 50.2	
Electricity Commission	407.1	413.6	+ 6.5	+ 1.6	
	432.1	433.8	+ 1.7	+ 0.4	

**Table 6.5: 1990-91 Capital Expenditure - Summary of Variations from Budget (cont)**

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>OTHER SOURCES (cont)</b>					
<b>Police and Emergency Services</b>					
NSW Crime Commission	1.2	1.1	(-) 0.1	(-) 8.3	
NSW Fire Brigades	6.6	5.8	(-) 0.8	(-) 12.1	
Police Service of NSW	22.5	11.6	(-) 10.9	(-) 48.4	Underexpenditure on communications network project. Underexpenditure due to a shortfall in asset disposal proceeds.
State Emergency Services	0.2	0.2	...	...	
	30.5	18.7	(-) 11.8	(-) 38.7	
<b>Public Works and Roads</b>					
Public Works Department	8.8	5.9	(-) 2.9	(-) 33.0	Decreased expenditure reflects shortfall in asset disposal proceeds.
Roads and Traffic Authority	116.5	133.7	+ 17.2	+ 14.8	Increase in expenditure due to increase in asset disposal revenue.
	125.3	139.6	+ 14.3	+ 11.4	
<b>School Education and Youth Affairs</b>					
Office of Education and Youth Affairs	0.6	0.4	(-) 0.2	(-) 33.3	
Department of School Education	20.5	22.1	+ 1.6	+ 7.8	
Teacher Housing Authority	6.0	6.0	...	...	
	27.1	28.5	+ 1.4	+ 5.2	

**Table 6.5: 1990-91 Capital Expenditure - Summary of Variations from Budget (cont)**

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
<b>OTHER SOURCES (cont)</b>					
<b>Sport, Recreation and Racing</b> Department of Sport, Recreation and Racing	1.4	0.8	(-) 0.6	(-) 42.9	Underexpenditure on computer development program.
<b>State Development</b> State Development	0.2	0.3	+ 0.1	+ 50.0	
<b>Minister for Transport</b> SRA Non-Commercial	392.0	398.1	+ 6.1	+ 1.6	
State Transit Authority	43.7	22.4	(-) 21.3	(-) 48.7	Decrease in asset disposal revenue led to the deferral of a number of projects.
GrainCorp	13.6	...	(-) 13.6	(-) 100.0	Borrowing allocation not required.
Maritime Services Board	30.9	15.7	(-) 15.2	(-) 49.2	Slowdown in overall program.
State Rail Authority - Commercial	110.0	85.2	(-) 24.8	(-) 22.5	Decrease in scope of program.
<b>TOTAL - OTHER SOURCES</b>	<b>590.2</b>	<b>521.4</b>	<b>(-) 68.8</b>	<b>(-) 11.7</b>	
	<b>2,726.0</b>	<b>2,440.8</b>	<b>(-) 285.2</b>	<b>(-) 10.5</b>	
<b>TOTAL PROGRAM</b>	<b>5,617.1</b>	<b>5,392.9</b>	<b>(-) 224.2</b>	<b>(-) 4.0</b>	

**Note:** These figures differ from those in the tables in Chapter 5 as the latter have been adjusted to place them on a comparable basis with 1991-92.

**Table 6.6: 1990-91 Consolidated Fund Capital Receipts - Variations from Budget**

Receipt Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Commonwealth Grants for General Capital Purposes	79.8	79.8	...	...	
Commonwealth Payments for Specific Capital Purposes	1,051.5	1,085.7	+ 34.2	+ 3.3	Additional receipts from Commonwealth for Natural Disaster Relief.
Repayments by Departments and Authorities Arising from Previous Years Expenditures and Disposal of Assets	459.6	*551.9	+ 92.3	+ 20.1	The increase reflects a repayment made by the Electricity Commission which has been partially offset by a shortfall in asset disposal revenue.
<b>TOTAL</b>	<b>1,590.9</b>	<b>1,717.4</b>	<b>+ 126.5</b>	<b>+ 8.0</b>	

\* Excludes \$67.4 million from sale of McKell Building, treated as a financing transaction.



# **CHAPTER 7: FINANCIAL ARRANGEMENTS BETWEEN THE COMMONWEALTH AND NEW SOUTH WALES**

## **7.1 Introduction**

## **7.2 Recent Developments in Intergovernmental Financial Relations**

## **7.3 Overview of Commonwealth Payments and Loan Council Allocations**



## 7.1 INTRODUCTION

Historically, Commonwealth payments and loan allocations to New South Wales have funded a significant, though declining, proportion of the State's Budget expenditure. In 1991-92 the Commonwealth will fund around 40 per cent of New South Wales' General Government expenditure. This compares with 52 per cent ten years ago. In addition to this funding, the Commonwealth Government also controls the level of borrowings by State semi-government and local authorities through Loan Council.

Commonwealth payments and allocations to New South Wales take three main forms -

- General revenue funds in the form of the financial assistance grant, which is an unconditional payment to the State.
- Specific purpose payments. These are conditional payments which are to be used for either specific recurrent or capital purposes. They may be either grants (non-repayable) or advances (repayable). In addition, advances may be at market related interest rates, at concessional rates, or interest-free. Specific purpose payments predominantly take the form of grants.
- Loan Council allocations. These consist of both general purpose capital funds provided by the Commonwealth in the form of grants and borrowing allocations for State authorities and departments.

It should be noted that references to aggregate levels for specific purpose payments (and consequently total net payments) excludes those payments for which the States only act as an agent for the Commonwealth. Payments in the areas of higher education, non-government schools, coal industry long service and local government financial assistance grants and road funds are deducted from published Commonwealth specific purpose payments. In addition, growth figures for aggregate payments take account of Commonwealth decisions on the transfer of different taxing powers to the States (mainly Debits tax and payroll tax paid by Commonwealth Government Trading Enterprises), and the increased loan repayments resulting from the 1990 Loan Council decision on the takeover by the States of Commonwealth debt raised on their behalf.

Unless indicated otherwise, amounts shown in this chapter are as shown in the Commonwealth Budget Paper Number 4 "Commonwealth Financial Relations with Other Levels of Government".

It should be noted that this chapter is a condensed version of the previously published NSW Budget Paper 4 which has been discontinued to avoid duplication with the Commonwealth publication which adequately summaries specific purpose payments to New South Wales.

## **7.2 RECENT DEVELOPMENTS IN INTERGOVERNMENTAL FINANCIAL RELATIONS**

Several recent developments in intergovernmental financial relations have important implications for New South Wales. The most significant of these developments include the Commonwealth Grants Commission 1991 Update Report, the 1991 Premiers' Conference-Loan Council meeting, the July 1991 Special Premiers' Conference on microeconomic reform and the forthcoming Special Premiers' Conference on reforms in Commonwealth-State financial relations.

### **Review of Relativities by the Commonwealth Grants Commission**

The Commonwealth Grants Commission is required to report on relativities for the distribution of general revenue funds between the States and Northern Territory based on the principle of fiscal equalisation. The principle used by the Commission is that the distribution of funds "should enable each State to provide, without having to impose taxes and charges at levels appreciably different from the levels imposed by the other States, government services at a standard not appreciably different from the standards provided by the other States".

The Commission operates a complex model of fiscal equalisation which translates the principle set out above into actual recommended relativities. The model utilises revenue and expenditure data for a five year rolling period. The relativities adopted for 1991-92 were based on data for the five years between 1985-86 and 1989-90.

Each year the Commission updates the data for the latest available year and recalculates the relativities. In this update review the underlying methodology remains unchanged.

In April 1991 the Commonwealth Grants Commission completed its 1991 Update review of the distribution of Commonwealth financial assistance grants between the States. Earlier full reviews were completed in 1981, 1982, 1985 and 1988. The Commission's 1991 Update Report is the third of a series of annual updates of relativities which will occur before the next full review in 1993.

In addition to the Update reviews the Commission every five years undertakes a more fundamental review of its approach to fiscal equalisation. At present the Commission is in the initial stages of the 1993 full methodology review. The results of the review will be submitted to the May 1993 Premiers' Conference for implementation in 1993-94.

The Premiers' Conference decision to fully implement the Commission's assessed relativities has resulted in a reduced share of general revenue assistance for New South Wales in 1991-92. In effect, implementation of the Commission's 1991 relativities has resulted in a reduction of around \$130 million in financial assistance grants to New South Wales. Special revenue assistance is to be provided in 1991-92 to the Northern Territory to ensure the Territory is not faced with an unreasonably severe cut in total general revenue assistance. This assistance is expected to be around \$40 million and will reduce the pool of funds to be distributed according to the Grants Commission's relativities.

New South Wales' share of financial assistance grants on a per capita basis continues to remain substantially less than that of the four smallest States (as indicated in table 7.1). Overall New South Wales receives \$ 252 per capita less than the other States and Northern Territory.

**Table 7.1 Financial Assistance Grants per capita In 1991-92**

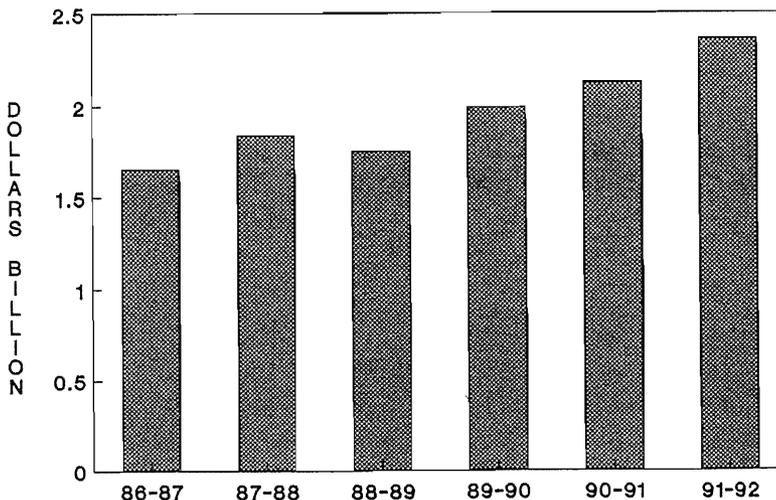
	\$
New South Wales	611
Victoria	601
Queensland	880
Western Australia	949
South Australia	1,020
Tasmania	1,196
Northern Territory	4,492
6 States and Northern Territory	775

The level of cross subsidy provided by New South Wales and Victoria to the smaller States and Territories can be measured on two different bases. The first is to measure the difference between the actual level of payments and the level were payments based on equal per capita shares. On this basis New South Wales subsidises the smaller States by \$977 million. The combined New South Wales and Victoria subsidy is \$1,756 million.

The second method of measuring the level of cross subsidy is to compare the actual payments made with the level of payments were the pool of financial assistance grants distributed in proportion to the level of Commonwealth personal income tax raised in each State. On this measure the level of cross subsidy in 1991-92 from New South Wales and Victoria to the smaller States was \$2,361 million, of which New South Wales contributed \$1,303 million. Over time this broader measure of the level of cross subsidy from New South Wales and Victoria to the other States has increased. Since 1986-87 the cross subsidy has increased by over 40 per cent or around \$700 million (as can be seen in Figure 7.1).

**Figure 7.1**

**REDISTRIBUTION FROM NSW AND VICTORIA  
AS A RESULT OF FISCAL EQUALISATION**



Details of the level of fiscal equalisation subsidy and its components are provided in Table 7.2.

**Table 7.2: Impact of Fiscal Equalisation on the Distribution of Commonwealth General Revenue Assistance\*, 1991-92**

	(1) Commonwealth Tax Equalisation	(2) Revenue Equalisation	(3) Expenditure Equalisation	(4) Revenue and Expenditure Equalisation	(5) Total Redistribution
	\$ per capita				
NSW	(-155	(-153	(-108	(-165	(-220
Vic	(-163	(-24	(-154	(-175	(-238
Qld	146	22	97	104	250
WA	12	(-8	188	174	186
SA	70	167	58	245	315
Tas	77	255	119	421	498
NT	53	37	3,615	3,716	3,769
	\$ million				
NSW	(-325	(-312	(-640	(-977	(-1,303
Vic	(-279	(-108	(-688	(-779	(-1,058
Qld	437	65	292	313	750
WA	21	(-13	316	293	314
SA	102	245	84	359	461
Tas	36	118	55	195	231
NT	9	6	581	597	605
Contribution to total redistribution (g)	605	434	1,328	1,756	2,361
Proportion of total redistribution (%)	26	18	56	74	100

\* The level of cross subsidy consists of three components -

- Commonwealth tax equalisation

This is the difference between an equal per capita distribution and the level of payments if distributed in proportion to personal income tax collections in each State. This amount is the difference between the first and second measures of cross subsidy referred to earlier.

- Revenue equalisation

The Grants Commission assesses fiscal equalisation on both the revenue and expenditure side. The revenue equalisation amount reflects only the impact of the revenue equalisation factors assessed by the Commission.

- Expenditure equalisation

This represents the level of equalisation due to the assessment of disability factors on the expenditure side.

## 1991 PREMIERS' CONFERENCE AND LOAN COUNCIL

The major development at the 1991 Premiers' Conference and Loan Council meetings was the Commonwealth's decision to honour its 1990 commitment to maintaining the pool of general revenue payments in real terms. In addition, tied payments to the States (for the States own purposes), reflecting Commonwealth priorities, were also maintained in real terms. As in 1990-91, basic borrowing allocations to the States were maintained in nominal terms. However, when account is taken of special additions, the States global borrowing limit actually increased by 10.1 per cent.

For New South Wales financial assistance grants declined, in real terms, by \$125 million or 3.3 per cent due to the decline in the State's share of the pool of funds.

In summary, the main outcomes of the 1991 Premiers' Conference/Loan Council were -

### Financial Assistance Grants

The pool of financial assistance grants was maintained in real terms for all States and the Northern Territory. New South Wales' financial assistance grant is expected to decrease, in real terms, by \$124.8 million or 3.3 per cent (after taking account of the Commonwealth's decision to transfer the Debits tax to the States). The real decline for New South Wales reflects the reduction in the State's share of the pool due to the update of the relativities.

It was agreed to make the level of fiscal equalisation between the States more transparent in future by disclosing in Commonwealth Budget Papers the two component of Financial Assistance Grants, the funding amount and the amount for fiscal equalisation. The Commonwealth's Budget Paper 4 went even further and quantified the extent of Commonwealth tax equalisation (See Table 7.2).

### Specific Purpose Payments

Zero real growth for the States and Northern Territory in total specific purpose payments\* (2.7 per cent for NSW). For 1991-92, specific purpose payments comprise 41.1 per cent of Commonwealth payments to the States and Northern Territory. This compares with only 31.2 per cent in 1982-83, the year before the start of the Hawke government. The continuing high level of specific purpose payments conflicts with the objective of the Special Premiers' Conference to provide greater fiscal flexibility to the States by reducing specific purpose payments as a proportion of total Commonwealth payments to the States.

### Loan Council Allocations

Maintenance of six States basic global borrowing limits in money terms (a reduction of 3.4 per cent in real terms). Loan Council agreed to temporary special additions totalling \$698 million, including \$500 million for redundancy payments.

---

\* For State Purposes (see Introduction).

New South Wales' global borrowing limit was increased by 28 per cent to \$1,504 million (\$1,178 million in 1990-91). Included in this total are special additions for redundancy payments (\$200 million) and the Olympic Games bid (\$100 million). The New South Wales' basic limit, excluding special additions, was increased by 2.2 percent from \$1,178 million to \$1,204 million in accord with the 1990 Loan Council decision to adopt a five year phasing in of an equal per capita distribution of global borrowing limits.

Acceptance of an Officers' Report setting out the criteria for exempting commercial authorities from global borrowing limit controls. The necessary conditions for exemption include having commercial objectives, operating in competitive or contestable markets and having a commercial track record.

### **Review of Efficiency Implications of Fiscal Equalisation**

Premiers' Conference agreed to a review of the efficiency and equity issues relating to fiscal equalisation. Details of the review have yet to be finalised.

New South Wales argued at both the 1988 Review of Relativities and the 1990 "Issues in Fiscal Equalisation" Inquiry that the application of the principle of fiscal equalisation results in a significant negative impact on the efficient allocation of resources between States.

In theory, allocative efficiency is maximised when marginal benefits equals marginal costs. New South Wales believes the marginal benefit function does not differ significantly between States. Therefore, if allocative efficiency is the objective, higher costs in one State should result in fewer public services being provided. Such an outcome is, however, not likely given the present emphasis on the principle of fiscal equalisation and its concentration on equity considerations.

Put simply, the Grants Commission's assessment of cost disabilities related to location (particularly scale and dispersion disabilities) drives a wedge between the true economic cost of providing Government services and the tax price imposed on a States' population. The smaller, high cost States are in effect subsidised by the low cost States of New South Wales and Victoria. The population of these higher cost States do not face the true economic cost of services which leads to the over-provision of these services (compared to the efficient optimum). Alternatively, low cost States will be forced to under-provide Government services due to the high tax price imposed on their populations (to cover the subsidy paid to the high cost States).

New South Wales continues to argue that the Grants Commission's assessment of relativities for the distribution of Commonwealth general revenue assistance should take into account both allocative efficiency and equity considerations. It is acknowledged that such a development would result in reduced horizontal equity between individuals living in different States. It should be noted however that any movement away from horizontal equity is likely in the longer term to improve the position of all members of the community through a higher level of economic growth.

## **Interstate Distribution of Local Government General Purpose Grants**

The Commonwealth Grants Commission undertook an assessment of the interstate distribution of general purpose grants to local government were the principle of fiscal equalisation to be fully applied. The relativities determined by the Commonwealth Grants Commission report would have resulted in a drastic redistribution of funds from local government in New South Wales and Victoria to the other States and Territories. For New South Wales the application of the Commission's approach would have reduced payments to local government by around \$160 million or 66 per cent. At the 1991 Financial Premiers' Conference the Commonwealth agreed to retain the existing equal per capita interstate distribution. However, some concern was expressed by the smaller states and it was agreed the Commonwealth would seek the views of the Grants Commission in regard to a further review.

## **Uniform Presentation of Government Financial Information**

Premiers' Conference endorsed the report of the Under Treasurers' working party set up at the previous Premiers' Conference to address the need for governments to move towards uniform presentation of budget information. A timetable was agreed to involving the phase in over the next three years of the presentation of Budget information on a uniform Government Financial Statistics basis. This should bring about more accurate, timely and consistent presentations of information about Government finances, enabling more meaningful comparisons of State and Territory budgets.

## **Prudential Supervision of Non Bank Financial Institutions**

Following initial consideration by the November Special Premier's Conference, the Financial Premiers' Conference endorsed the establishment of a prudential framework for supervision of permanent building societies and credit unions. The scheme involves uniform national prudential policy under the auspice of the Australian Financial Institutions Commission, with supervision undertaken on a State basis.

A report will be provided to the November 1991 Special Premiers' Conference on the extension of the prudential supervision framework to include other non bank financial institutions, including friendly societies, trustee companies and co-operative housing societies.

## **SPECIAL PREMIERS' CONFERENCE**

The establishment of a series of Special Premiers' Conferences arose out of two considerations -

- recognition of the need for all Australian Governments to act together to progress microeconomic reform, and
- acceptance that as part of the microeconomic reform agenda, there was a need to review and reform current Commonwealth and State financial relations.

The broad agenda and framework for the conferences was established at the October 1990 Special Premiers' Conference (details are provided in Budget Paper No 4 of the 1990-91 Budget Papers).

In July 1991 the second Special Premiers' Conference was held which focused in particular on measures to increase national efficiency and international competitiveness and to move towards a single national economy. Details of the decisions taken at this conference are set out in chapter 8 of the Budget Paper.

The next Special Premiers' Conference is to be held in November 1991 and will largely focus on the reform of Commonwealth/State financial relations.

The major matters to be addressed in this area include -

### **Vertical Fiscal Imbalance**

At present the Commonwealth raises around 77 per cent of public sector taxes and accounts for approximately 50 per cent of own purpose public sector outlays.

In contrast the States raise only about 19 per cent of public sector taxes but account for about 45 per cent of public sector outlays.

The result is that the States, and to a lesser extent, local government, are heavily dependent on the Commonwealth for revenue. Overall Commonwealth payments to the States account for around 45 per cent of total State revenue. These payments are divided broadly equally between specific purpose payments and general purpose payments.

This imbalance between revenue powers and expenditure responsibilities and the resultant dependence of one level of government on another level of government for revenue is termed vertical fiscal imbalance.

The problems created by vertical fiscal imbalance include -

- ***reduced or unclear accountability of State Governments***

It is desirable for Governments to be fully accountable for both expenditure and revenue decisions. However, at present State Governments depend substantially for revenue on the Commonwealth which diffuses and makes accountability unclear.

- ***narrow, highly distortional tax bases***

The States have relatively narrow tax bases which tend to distort the allocation of resources.

- ***bias towards higher taxes and expenditure***

Due to the narrow and indirect nature of the State tax system there is a natural bias towards higher taxes and expenditure.

Unless there are strong philosophic views to the contrary, State Governments, faced with the choice of reducing taxes or increasing expenditure, tend to increase expenditure. The reason is that reducing taxes which are narrowly based and very indirect has far less political impact relative to increasing expenditure.

- ***Impediment to microeconomic reform***

State Governments wishing to provide fiscal benefits to the community, have tended to resort to holding down charges of government trading enterprises. Such an approach was usually adopted because of the lack of a broad based tax system through which fiscal benefits could be delivered to the community. Over time this has created significant distortions in pricing systems of government trading enterprises and consequently resource misallocation.

Conversely, any reform of pricing systems that is based on the principle of fiscal neutrality is not able to compensate effectively for price reform by taxation concessions due to the absence of a wide tax base.

Commonwealth and State officials are preparing an analysis of reform options for addressing vertical fiscal imbalance for submission to the November Special Premiers' Conference.

## **Functional Reviews**

In the Australian federal system the Commonwealth has responsibility for a range of responsibilities, including national economic policy, income distribution and social security, foreign affairs and defence. The States have predominant responsibility for the provision of public services in such areas as education, health, public transport, energy, law and order and a host of other policy areas.

However, due to the fiscal dominance of the Commonwealth and a concern in some cases about perceived national policy objectives there has been an increasing tendency for an overlap of roles between the tiers of government and duplication of services.

The October 1990 Special Premiers' Conference agreed to review a wide range of areas and programs where there was considered to be duplication with a view to achieving a more rational allocation of responsibilities. Functional reviews are being undertaken of the Supported Accommodation Assistance Program, public housing, coordination of aboriginal affairs, child care, health and aged care, income support, school education, training, higher education and the Home and Community Care program.

## **Review of Tied (Specific Purpose) Payments**

While there was a significant shift towards increased reliance by the Commonwealth on specific purpose payments during the Whitlam government period between 1972 and 1975, this was reversed in the period up to 1982-83. However, since 1982-83 there has been an increased use of specific purpose payments, often with matching conditions.

This development has constrained the fiscal flexibility of the States and significantly distorted the priority setting processes of the States.

The October 1990 Special Premiers' Conference endorsed the objective of increased fiscal flexibility for the States through the reform of specific purpose payments, with a view to achieving a reduction in such payments as a proportion of total Commonwealth payments to the States.

All specific purpose payments are being reviewed in respect to -

- functional responsibilities of the various levels of Government.
- national, state or local impact or issues associated with such payments and related programs.
- options to achieve more effective service delivery to clients.
- achieving clearer accountability for performance.
- administrative simplicity and effectiveness.

Each specific purpose payment is being reviewed to determine the most appropriate option, including absorption into financial assistance grants, broadbanding into a larger category of payments, reform of terms and conditions or the transfer of the functions to the Commonwealth.

Particular attention is being paid to the reduction or elimination of matching conditions and for the withdrawal of the Commonwealth from operational decision making, including project approval.

This review will be coordinated with the functional reviews.

### 7.3 OVERVIEW OF COMMONWEALTH PAYMENTS AND LOAN COUNCIL ALLOCATIONS

Over the past five years there have been significant real cuts in payments and loan allocations to New South Wales.

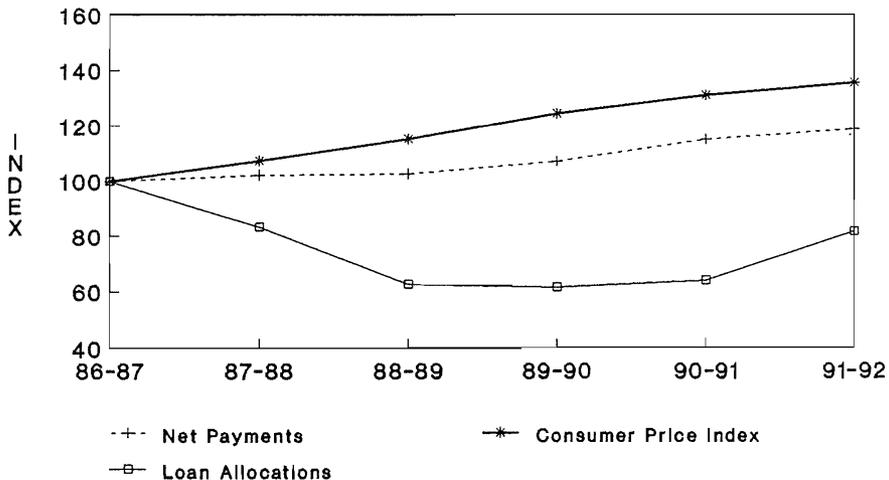
During the period 1986-87 to 1991-92 Commonwealth net payments\* to New South Wales have grown, in money terms, by 3.5 per cent per annum. Expressed in real terms, this represents an average annual reduction of 2.6 per cent. Since 1986-87 total net payments increased by only 18.8 per cent compared to an increase of 35.5 per cent in the Consumer Price Index (see Figure 7.2). This represents a real decline of \$956 million over the period.

Payments to New South Wales in 1991-92 are expected to decline in real terms by \$7 million or 0.1 per cent.

Over the same period, Loan Council loan allocations (global borrowing limits) to New South Wales have fallen, in money terms, by 18.5 per cent. This represents a real decline of \$997 million over the period.

Figure 7.2

#### COMPARISON OF GROWTH IN TOTAL NET PAYMENTS AND LOAN ALLOCATIONS TO NSW AND THE CONSUMER PRICE INDEX

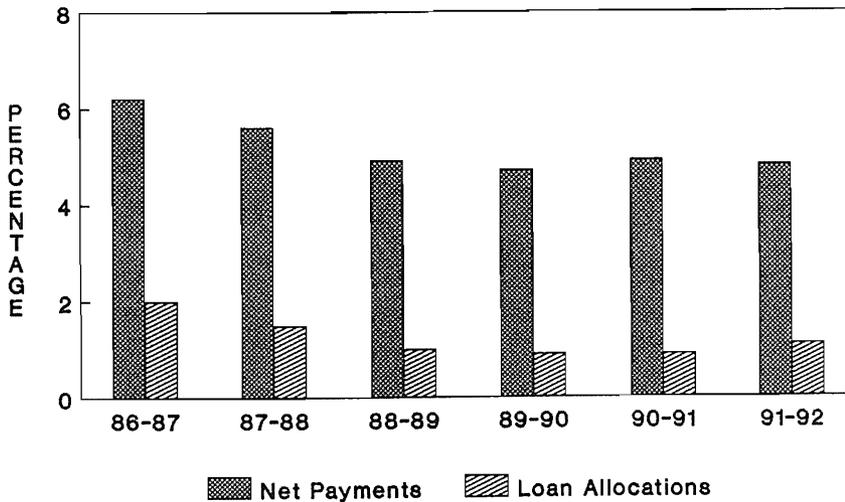


\* For State Purposes and with adjustments for the transfer of different taxing powers to the States and the increased loan repayments associated with the State takeover of debt previously raised by the Commonwealth on the States behalf (see Introduction).

As a proportion of Gross State Product (GSP), total net payments have fallen from 6.2 per cent in 1986-87 to 4.8 per cent in 1991-92. Similarly, loan allocations declined from 2.0 per cent to 1.1 per cent of GSP (see Figure 7.3).

**Figure 7.3**

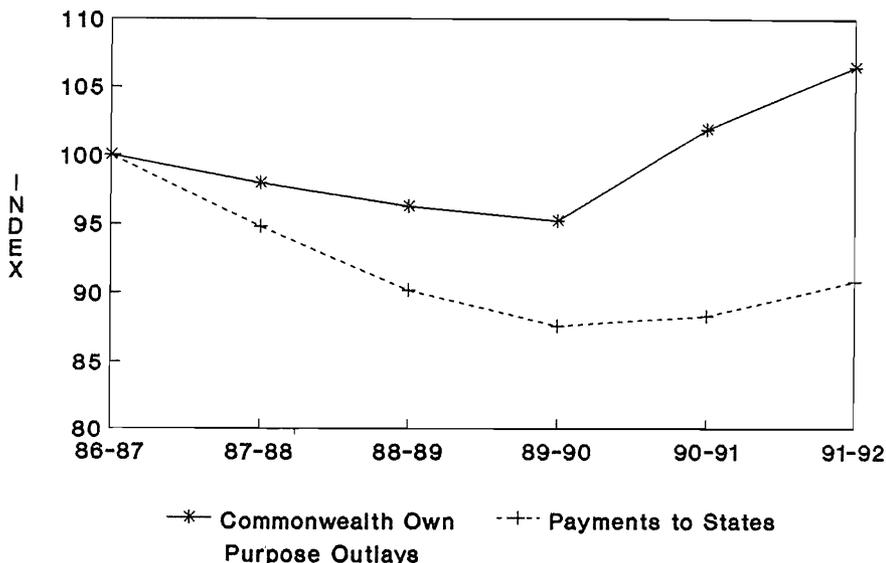
**TOTAL NET PAYMENTS AND LOAN ALLOCATIONS TO NSW**  
as a percentage of GSP



The Commonwealth's own outlays have grown faster than its payments to the States. Over the five year period since 1986-87, total Commonwealth own purpose outlays have increased at an average annual rate of 7.6 per cent compared with a growth rate of 4.2 per cent in Commonwealth net payments to the States and Northern Territory. When expressed in real terms, over the five years since 1986-87, net Commonwealth payments to the States and Northern Territory for own purposes have fallen by 9.2 per cent compared with an increase of 6.5 per cent in Commonwealth own purpose expenditure (see Figure 7.4).

Figure 7.4

### REAL COMMONWEALTH OWN PURPOSE OUTLAYS AND PAYMENTS TO THE STATES AND NT



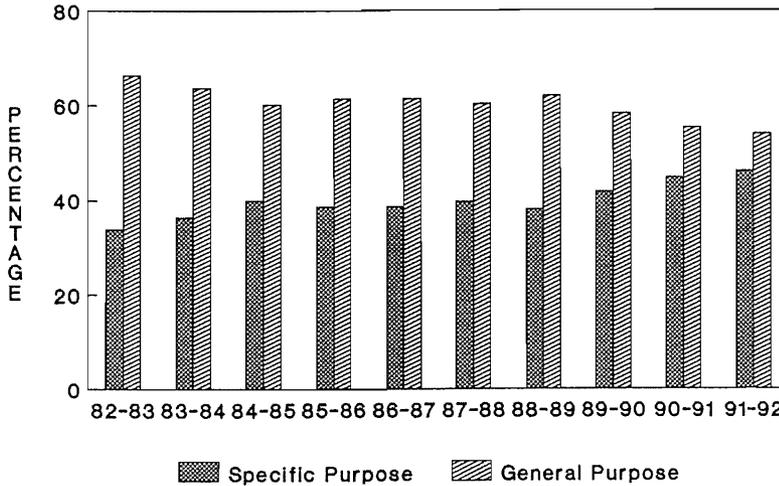
In regard to the composition of Commonwealth payments to New South Wales, it can be seen from Figure 7.5 that since 1982-83 there has been a major shift towards the provision of tied funding (Identified Health Grants are treated as recurrent specific purpose payments). The increased share going to specific purpose payments since 1988-89 reflects both the Commonwealth cutbacks in payments to the States, concentrated in the area of untied grants, and a move by the Commonwealth back towards a more prescriptive approach in its dealings with the States. Overall, tied funds as a proportion of Commonwealth payments have increased from 33.7 per cent in 1982-83 to 46.1 per cent in 1991-92.

A reversal of this trend is currently a matter under consideration as part of the financial reforms to be adopted at the November Special Premiers' Conference.

Increases in tied funds (at the expense of untied funding) are strongly opposed by New South Wales. Reviews of specific purpose payments in New South Wales have highlighted the many problems that exist with such forms of funding. The excessive conditions imposed on many specific purpose payments and the use of matching requirements have led to an extensive degree of overlap, duplication and over-administration in the public sector. New South Wales continues to argue that as part of a broader move to the rationalisation of functions between levels of Government there should in fact be a move to untied funding.

Figure 7.5

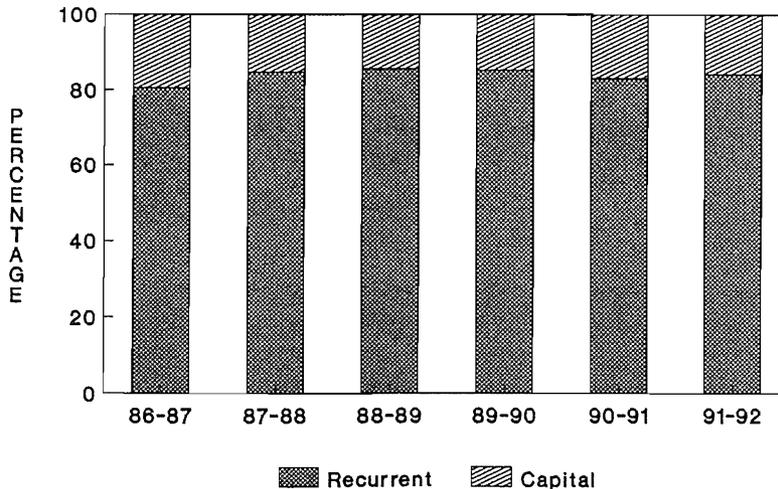
PROPORTION OF PAYMENTS TO NSW FOR  
GENERAL AND SPECIFIC PURPOSES



A further trend evident over the period has been the reduction in the proportion of payments for capital purposes (see Figure 7.6). In 1991-92 capital payments represented only 15.8 per cent of total payments compared with 19.4 per cent in 1986-87.

Figure 7.6

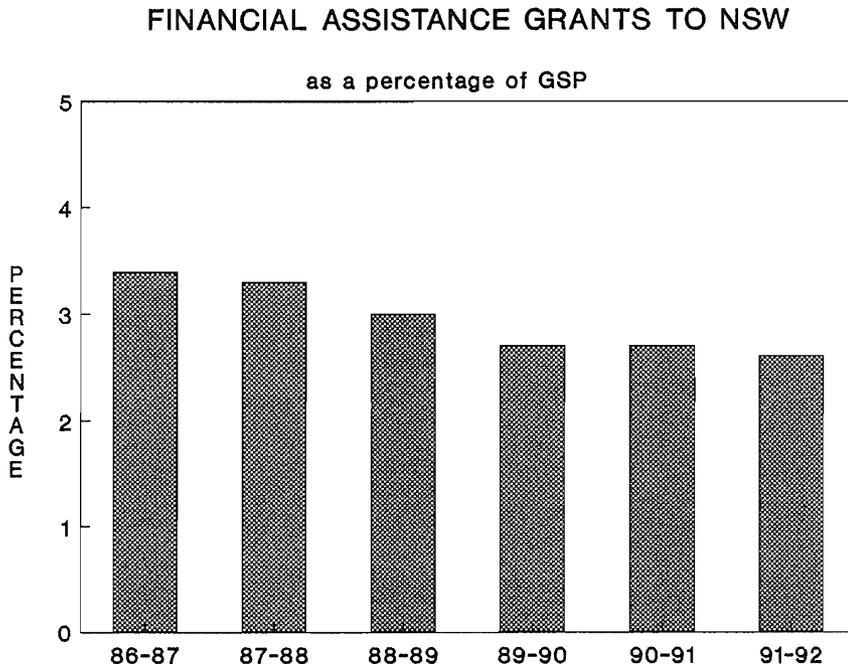
PROPORTION OF PAYMENTS TO NSW  
FOR RECURRENT AND CAPITAL PURPOSES



## Financial Assistance Grants

The Commonwealth Government provides the bulk of its recurrent assistance to the States in the form of financial assistance grants which are, historically, compensation for the transfer of income taxing powers to the Commonwealth. Over the five years to 1991-92 financial assistance grants to New South Wales have increased by an average of 2.7 per cent per annum (after allowing for Commonwealth decisions to transfer taxes such as the Bank Debts tax to the States), a real decline over that period of \$685 million or 15.9 per cent. Financial assistance grants as a proportion of Gross State Product have fallen from 3.4 per cent in 1986-87 to 2.6 per cent in 1991-92 (see Figure 7.7).

**Figure 7.7**



After allowing for the Commonwealth's decision to transfer the Debts tax to the States, New South Wales' financial assistance grant in 1991-92 is expected to increase only marginally in nominal terms. This represents a reduction, in real terms, of \$125 million or 3.3 per cent compared with 1990-91. This reduction was largely due to the Premiers' Conference decision to fully implement the Commonwealth Grants Commission's recommended relativities (1991 Update Report).

New South Wales' 1991-92 financial assistance grant represents a per capita payment 41 per cent less than the average for the less populous States of Queensland, Western Australia, South Australia and Tasmania, and the Northern Territory.

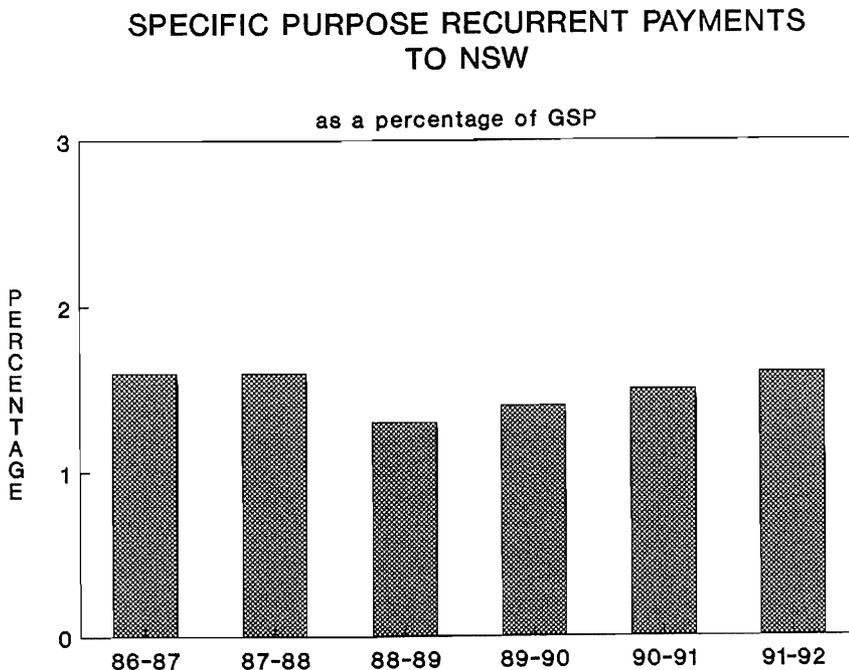
### Specific Purpose Payments - Recurrent

Growth in specific purpose payments for recurrent purposes has been relatively volatile over the five years to 1991-92.

Between 1986-87 and 1991-92 there have been major increases in Commonwealth specific purpose payments for recurrent purposes in the areas of schools, home and community care and financial assistance to local government. A significant increase occurred in 1988-89 when Identified Health Grants were replaced by Hospital Funding Grants. After allowing for the transfer of Identified Health Grants, specific purpose payments for recurrent purposes have increased at an average annual rate of 7.6 per cent. On a similar basis, recurrent specific purpose payments as a proportion of Gross State Product have declined from 1.6 per cent in 1986-87 to 1.3 per cent in 1988-89 with an increase since back to 1.6 per cent (see Figure 7.8).

Specific purpose recurrent payments to New South Wales increased significantly in 1991-92. In real terms, payments rose by \$182 million or 9.1 per cent. Significant increases were experienced in the areas of compensation for companies regulation, nurse education, Home and Community Care (HACC), rural adjustment and debt redemption assistance.

**Figure 7.8**



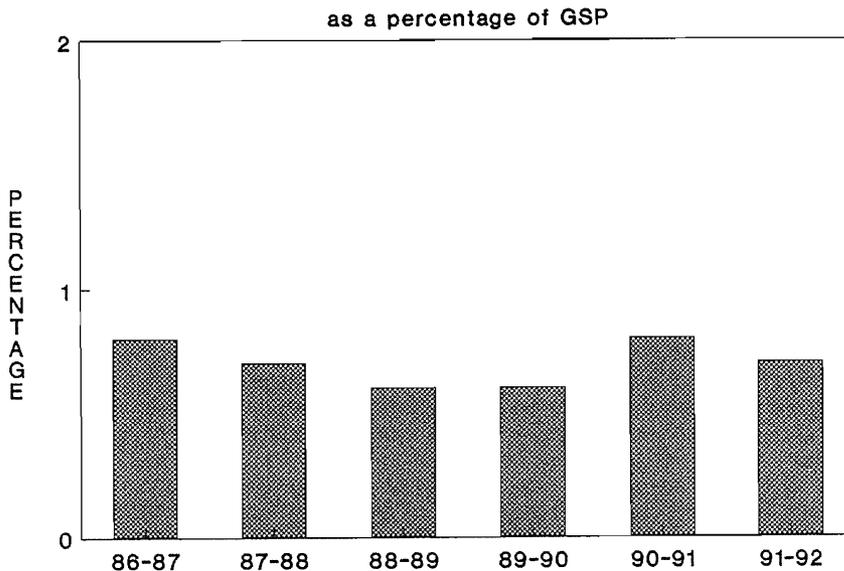
### Specific Purpose Payments - Capital

Even after allowing for the reclassification of local government road funding from capital to recurrent, capital specific purpose payments fell significantly in 1991-92. In real terms, payments decreased by \$97.8 million or 9.0 per cent. Significant reductions were experienced in the areas of TAFE, the hospital enhancement program, and natural disaster relief.

Over the five years since 1986-87, specific purpose payments for capital purposes have increased at an average annual rate of 6.1 per cent. As a proportion of Gross State Product they have fallen marginally from 0.8 per cent in 1986-87 to 0.7 per cent in 1991-92 (see Figure 7.9).

**Figure 7.9**

### SPECIFIC PURPOSE CAPITAL PAYMENTS TO NSW

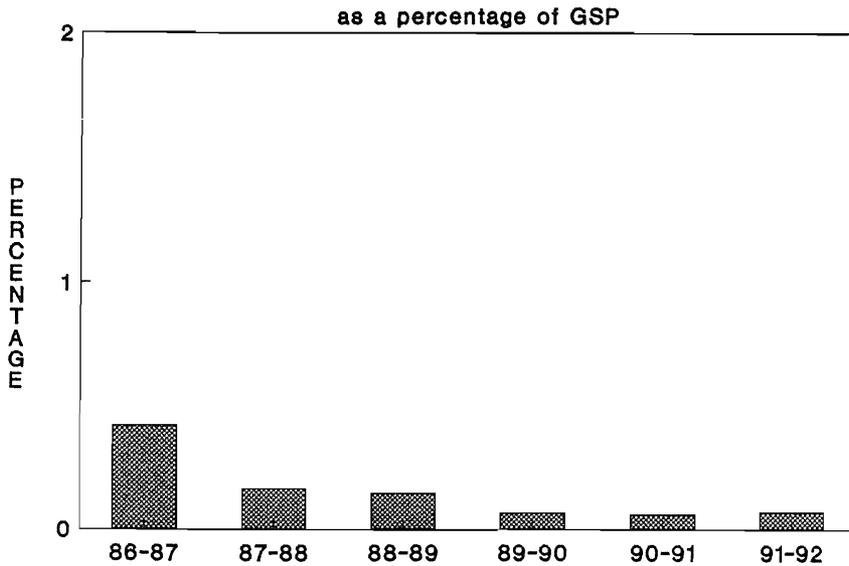


### General Purpose Capital Funds

The greatest proportional cutback in Commonwealth funding to the States in recent years has occurred in the area of general purpose capital funds. In 1986-87 these funds totalled \$389 million for New South Wales. By 1991-92 this payment was only \$99 million - a reduction of 81.3 per cent in real terms. Payments for 1991-92 have increased by \$19 million (23.8 per cent) following agreement between the Commonwealth and the States at the July 1991 Special Premiers' Conference to cooperate in a program of "Building Better Cities". As a proportion of Gross State Product general purpose capital funds have fallen from 0.4 per cent in 1986-87 to 0.1 per cent in 1991-92 (see Figure 7.10).

Figure 7.10

### GENERAL PURPOSE CAPITAL PAYMENTS TO NSW



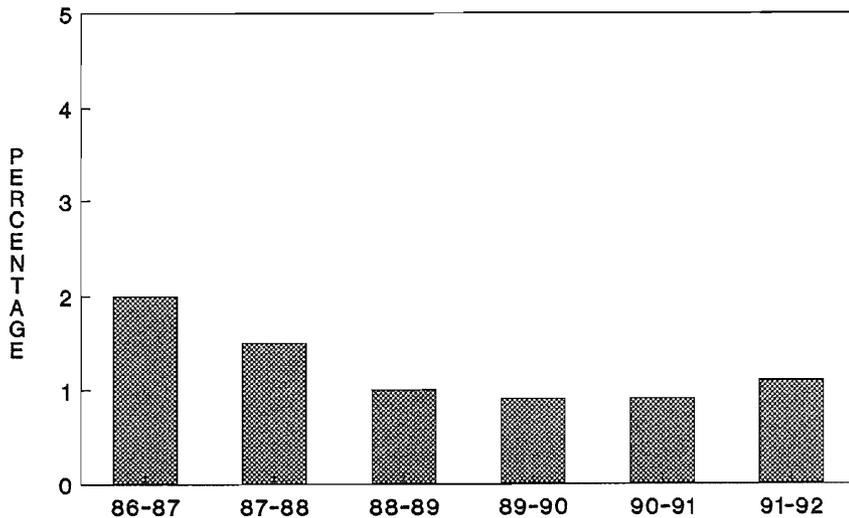
### Semi-Government and Local Authority Borrowings

The introduction of the global borrowing concept in 1984-85 initially saw approved semi-government and local authority borrowing limits increase significantly to reflect the broader coverage of the global borrowing limit relative to the previous loan allocations. However, since 1985-86, semi-government and local authority borrowing limits have declined sharply, reflecting general restraint in public sector outlays. New South Wales semi-government and local authorities borrowing limits now represent 1.1 per cent of Gross State Product compared with 2.0 per cent in 1986-87 (see Figure 7.11).

New South Wales' global borrowing limit in 1991-92 is \$1,504 million which is composed of a basic limit of \$1,204 million and special additions for redundancy payments (\$200 million) and Sydney's Olympic bid (\$100 million). Overall, the States' global limit was increased in real terms by \$285 million or 23.4 per cent.

**Figure 7.11**

**SEMI-GOVERNMENT AND LOCAL AUTHORITY  
BORROWINGS BY NSW**  
as a percentage of GSP

**Tables**

The following tables set out in detail Commonwealth payments and allocations to New South Wales for the period 1987-88 to 1991-92 (Table 7.3 covers the five year period since 1986-87).

Tables 7.3 and 7.5 present information on all payments and allocations to New South Wales. In contrast, Table 7.4 excludes payments where the State only acts as an agent for the Commonwealth i.e. "letterbox" payments.

**Table 7.3: Gross Commonwealth Payments and Loan Council Allocations to or for New South Wales**

	1986-87	1987-88	% change previous year	1988-89	% change previous year	1989-90	% Change previous year
	Amount	Amount		Amount		Amount	
	\$m	\$m		\$m		\$m	
<b><u>PAYMENTS</u></b>							
General Revenue Funds - Financial Assistance Grant (1)	3,350.0	3,594.9	7.3	3,665.1	3.4	3,668.4	0.4
Identified Health Grant	626.6	674.0	7.6	...	n.a.	...	n.a.
Special Revenue Assistance	2.1	7.9	281.5	15.1	91.4	...	(-)99.8
Identified Road Funds	...	...	n.a.	...	n.a.	...	...
Total General Revenue Funds (2)	3,978.7	4,276.8	7.5	3,680.1	3.6	3,668.4	(-)0.1
General Purpose Capital	389.2	172.7	-55.6	172.7	...	86.3 (9)	(-)50.0
Specific Purpose Payments Recurrent	2,058.5	2,229.1	8.3	2,890.2	(-)0.4 (7)	3,178.3	10.0
Capital	893.5	895.2	0.2	838.3	(-)6.4	1,000.9 (9)	19.4
Total Specific Purpose Payments	2,952.0	3,124.3	5.8	3,728.5	(-)1.8 (7)	4,179.2 (9)	12.1
TOTAL GROSS PAYMENTS (1)	7,319.9	7,573.8	3.4	7,581.3	0.7	7,933.9	4.9
Less Repayments of Advances	103.8	104.7	0.9	126.9	21.3	113.7	(-)10.4
TOTAL NET PAYMENTS (3)	7,216.1	7,469.1	3.4	7,454.4	0.4	7,820.2	5.1
Per Capita \$ (3)	1,295	1,320	1.8	1,298	(-)1.1	1,349	4.2
<b><u>LOAN ALLOCATIONS</u></b>							
Semi-Government and Local Authority Global Limit (4)	1,845.0	1,539.6	-16.6	1,152.7	(-)25.1	1,134.0	-1.6
Inflation - C.P.I. (5)	162.6	174.5	7.3	187.3	7.3	202.3	8.0
Economic Activity - GSP \$b (6)	92.6	104.9	13.4	119.3	13.7	129.2	8.3

- (1) Growth rates take account of the tax changes over the period which impacted on the level of financial assistance grants paid to the States (debts tax, payroll and other taxes paid by Commonwealth Government Trading Enterprises).
- (2) Growth rates take account of the tax changes mentioned in (1) as well as the transfer of Identified Health Grants from general revenue funds to recurrent specific purpose payments.
- (3) Growth rates take account of the tax changes mentioned in (1) as well as the increased debt repayments in 1990-91 and 1991-92 resulting from the 1990 Loan Council decision on the takeover by the States of Commonwealth debt raised on the States behalf.
- (4) Actual global borrowings up to 1990-91 and New South Wales' global borrowing limit in 1991-92.
- (5) Weighted average 8 Capital cities index (Treasury forecasts for 1991-92).
- (6) NSW Gross State Product. NSW Treasury estimates.

**Table 7.3: Gross Commonwealth Payments and Loan Council Allocations to or for New South Wales (Continued)**

	1990-91		1991-92		Av Annual % change 1991-92 over 1986-87
	Amount	% change previous year	Amount	% change previous year	
	\$m		\$m		
<b>PAYMENTS</b>					
General Revenue Funds - Financial Assistance Grant (1)	3,701.6	2.4	3,623.3	0.0	2.7
Identified Health Grant	...	n.a.	...	n.a.	n.a.
Special Revenue Assistance	...	(-)100.0	...	n.a.	n.a.
Identified Road Funds	...	n.a.	4.5	n.a.	n.a.
Total General Revenue Funds (2)	3,701.6	2.4	3,627.9	0.2	2.7
General Purpose Capital	79.8	(-)7.6	98.7	23.8	(-)24.0
Specific Purpose Payments					
Recurrent	3,464.0	9.0	3,947.2	11.2 (8)	7.5 (7)(8)
Capital	1,240.9	24.0	1,117.7	(-)2.3 (8)	6.3 (8)
Total Specific Purpose Payments	4,704.9	12.6	5,064.9	7.7 (7)	7.2 (7)
TOTAL GROSS PAYMENTS (1)	8,486.3	7.7	8,791.5	4.6	4.2
Less Repayments of Advances	413.2	4.1 (10)	908.0	(-)7.3 (10)	1.1 (10)
TOTAL NET PAYMENTS (3)	8,073.1	7.8	7,883.5	4.7	4.3
Per Capita \$ (3)	1,377	6.6	1,329	3.5	3.0
<b>LOAN ALLOCATIONS</b>					
Semi-Government and Local Authority Global Limit (4)	1,177.9	3.9	1,504.2	27.7	-4.0
Inflation - C.P.I. (5)	213.0	5.3	220.4	3.5	6.3
Economic Activity - GSP \$b (6)	133.4	3.2	141.2	5.9	8.8

- (7) In order to derive meaningful figures increases take account of the 1987-88 transfer of Identified Health Grants from the general revenue funds to recurrent specific purpose payments.
- (8) In order to derive meaningful figures increases take account of the 1991-92 reclassification of local government road grants from capital to recurrent specific purpose payments.
- (9) Housing nomination loan component (\$86.3 million) transferred to Commonwealth State Housing Agreement (included in Capital Specific Purpose payments) in 1989-90 and converted to a grant. No adjustment has been made to percentage changes.
- (10) In order to derive meaningful figures increases have been calculated after taking account of the increased loan repayments resulting from the 1990 Loan Council decision on the takeover by the States of Commonwealth debt raised on the States behalf.

**SOURCE:** Commonwealth Budget Paper No. 4, "Commonwealth Financial Relations with Other Levels of Government" 1991-92 and corresponding earlier volumes.

**Table 7.4: Net Commonwealth Payments to New South Wales**

	1987-88	1988-89	1989-90	1990-91	1991-92 (est)
	\$ thousands				
General Revenue Funds (a)	4,276,775	3,680,137	3,668,395	3,701,611	3,627,868
Specific Purpose Payments (b)	3,124,341	3,728,481	4,179,176	4,704,925	5,064,890
General Purpose Capital Funds	<u>172,671</u>	<u>172,671</u>	<u>86,335</u>	<u>79,756</u>	<u>98,725</u>
Gross Payments to or for the State (c)	7,573,788	7,581,289	7,933,906	8,486,292	8,791,484
<u>Less</u> Repayment Loans and Advances (d)	<u>104,659</u>	<u>126,903</u>	<u>113,735</u>	<u>413,152</u>	<u>907,986</u>
Net Payments to or for the State	7,469,129	7,454,387	7,820,171	8,073,140	7,883,497
<u>Less</u> Payments for Commonwealth Programs (e)	1,137,253	1,132,747	1,250,891	1,381,446	1,539,062
Payments to Local Government (f)	<u>297,661</u>	<u>310,560</u>	<u>320,729</u>	<u>329,342</u>	<u>343,173</u>
Net Payments to the State for State's Own Purposes	6,034,215	6,011,080	6,248,551	6,362,352	6,001,262

- (a) Includes Tax Sharing Grant/Financial Assistance Grant, Special Revenue Assistance and, until 1988-89, the Identified Health Grant.
- (b) In 1988-89, the Identified Health Grant was replaced by a specific purpose payment for hospital funding.
- (c) Commonwealth payments only. Excludes semi-government and local authorities' borrowings.
- (d) Comprises debt repayments paid in respect of New South Wales' loan liability to the Commonwealth.
- (e) Comprises payments for universities, non-State Schools, and coal industry log service leave. These are payments for which the State acts as intermediary on the Commonwealth's behalf.
- (f) Comprises payments for financial Assistance Grants and local government roads.

Source: Commonwealth Budget Paper No 4, "Financial Relations with other levels of Government", 1991-92 and corresponding earlier issues.

**Table 7.5: Financial Arrangements Between the Commonwealth and New South Wales**

	1987-88	1988-89	1989-90	1990-91	1991-92 (est)
	\$ thousands				
<b>1. GENERAL REVENUE FUNDS</b>					
Tax Sharing Grant/Financial Assistance Grant	3,594,903	3,665,075	3,668,369	3,701,611	3,623,326
Identified Health Grant (a)	674,001	...	...	...	...
Identified Road Grants	7,871	15,062	26	...	4,543
Special Revenue Assistance	...	...	...	...	...
<b>Total General Revenue Funds</b>	<b>4,276,775</b>	<b>3,680,137</b>	<b>3,668,395</b>	<b>3,701,611</b>	<b>3,627,868</b>
<b>2. GENERAL PURPOSE CAPITAL FUNDS</b>					
Loan Council Borrowings (b)(c)	114,447	86,336	...	...	...
Capital Grants	58,224	86,336	86,335	79,756	98,725
<b>Total General Purpose Capital Funds</b>	<b>172,671</b>	<b>172,671</b>	<b>86,335</b>	<b>79,756</b>	<b>98,725</b>
<b>3. SPECIFIC PURPOSE PAYMENTS</b>					
<b>Recurrent Purposes</b>					
<b>Law, Order and Public Safety</b>					
Legal Aid	27,939	29,552	30,940	33,799	37,725
Sharing of Criminal Asset Recovery	...	...	...	122	...
Compensation - Company Regulation	...	...	...	22,902	39,364
<b>Total Law, Order and Public Safety</b>	<b>27,939</b>	<b>29,552</b>	<b>30,940</b>	<b>56,823</b>	<b>77,089</b>
<b>Education</b>					
Allowance for Cost Escalation(d)	...	...	...	...	11,435
Allowance for Cost Escalation*(d)	...	...	...	...	39,089
Higher Education*	705,747	686,974	745,923	796,036	840,079
State's Contribution to Higher Education Superannuation	(-14,229)	(-19,430)	(-12,481)	...	(-23,009)
Technical and Further Education	46,291	46,212	49,541	55,442	60,416
Schools - Government	208,038	237,903	260,266	280,894	311,701
- Non-Government*	310,729	344,897	381,727	410,157	435,938
- Joint Programs	9,210	9,465	11,833	11,632	15,339
Aboriginal Advancement	1,583	2,850	1,513	6,281	7,500
Participation and Equity Program	11,824	...	...	...	...
National Policy on Languages	1,867	2,434	2,389	1,331	...
<b>Total Education</b>	<b>1,291,060</b>	<b>1,321,305</b>	<b>1,440,711</b>	<b>1,561,773</b>	<b>1,698,488</b>
<b>Health</b>					
Hospital Funding Grant (a)	...	1,087,271	1,185,683	1,270,996	1,337,519
Medicare (a)	443,520	...	...	...	...
Hospital Waiting List Reduction	9,073	9,573	...	...	...
Geriatric Assessment	2,554	4,783	6,787	9,287	10,326
Medical Speciality Centres	...	...	...	563	941
High Cost Drugs	...	...	...	...	13,756
Nurse Education	...	5,065	6,829	10,915	15,069
Transfer Pathology Laboratory	...	1,139	7,030	7,506	7,911
Drug Education Campaigns	5,384	5,691	6,259	6,660	9,796
Acquired Immune Deficiency Syndrome	4,757	5,221	7,640	9,295	9,305
Blood Transfusion Services	4,404	4,637	5,060	6,847	7,844
National Diseases Control	90	...	...	...	...
National Better Health	...	123	826	826	826
Other Health Advancement	169	433	1,326	1,657	3,142
Other Health Care Access	...	...	...	339	7,718
Health Program Grants	...	1,180	1,180	1,180	438
Liver/heart Transplant Program	650	679	719	381	...
Youth Health Services	...	...	313	606	789
<b>Total Health</b>	<b>470,601</b>	<b>1,125,795</b>	<b>1,229,652</b>	<b>1,327,058</b>	<b>1,425,380</b>

**Table 7.5: Financial Arrangements Between the Commonwealth and New South Wales (Continued)**

	1987-88	1988-89	1989-90	1990-91	1991-92 (est)
\$ thousands					
<b>Social Welfare Services</b>					
Home and Community Care (e)	57,583	69,320	84,139	93,466	108,731
Supported Accommodation Assistance (e)	12,432	21,026	26,087	29,968	33,345
Mortgage and Rent Relief	8,817	9,257	13,229	10,599	10,533
Rehabilitation Centres	423	428	400	430	485
Children's Services (e)	1,285	1,918	1,837	1,472	2,209
Family Support Scheme (e)	2,581	...	...	...	...
Aboriginal Advancement	1,298	50	36	...	...
Disability Services	...	...	...	...	1,700
Translating/Interpreting Services	247	173	149	...	...
Unattached Refugee Children	164	177	117	32	90
<b>Total Social Welfare Services</b>	<b>84,830</b>	<b>102,349</b>	<b>125,994</b>	<b>135,967</b>	<b>157,093</b>
<b>Housing and Community Services</b>					
Assistance for Housing	1,848	1,848	1,848	1,848	1,848
Rental Housing Subsidy	...	...	...	...	1,023
Home Deposit Assistance	...	...	...	2,263	7,698
Urban Flood Mitigation	14	8	...	71	60
Urban Water Supply and Treatment	105	140	70	186	310
<b>Total Housing and Community Services</b>	<b>1,967</b>	<b>1,996</b>	<b>1,918</b>	<b>4,368</b>	<b>10,939</b>
<b>Recreation and Cultural Services</b>					
Rainforest Conservation	1,617	980	1,386	190	195
<b>Total Recreation and Cultural Services</b>	<b>1,617</b>	<b>980</b>	<b>1,386</b>	<b>190</b>	<b>195</b>
<b>Economic Services</b>					
Community Employment Program (e)	35,573	...	...	...	...
Employment Training - Aboriginal	3,434	2,974	2,694	427	1,375
Coal Mining Industry - Long Service Leave*	29,800	22,792	18,152	15,148	15,030
Interstate Road Transport	1,711	4,357	6,817	5,794	7,067
Aerodrome Local Ownership Plan	...	...	61	240	312
National Industry Extension Service	2,499	2,713	2,998	3,501	3,654
Expo 88 Participation	100	...	...	...	...
Assistance to Tin Mining	...	...	-112	...	...
Coal Rail Freight	10,000	...	10,000	...	...
Other Mining Assistance	262	...	...	...	...
Agricultural Research	418	304	320	14	...
Afforestation Program	338	1,324	1,547	...	320
Rural Adjustment Scheme	11,691	16,674	16,044	18,702	43,722
Fertiliser Assistance	2,788	307	...	...	...
Exotic Diseases Eradication	49	19	100	39	37
Destruction of Organochlorines	...	255	...	...	...
Bovine Brucellosis and T.B. Eradication	1,955	1,271	1,354	1,011	920
Sugar Industry	1,779	605	93	...	...
Soil Conservation	1,295	1,802	5,909	5,168	6,022
Irrigation and Other Water Projects	120	50	50	100	150
<b>Total Economic Services</b>	<b>103,812</b>	<b>55,447</b>	<b>66,027</b>	<b>50,144</b>	<b>78,609</b>
<b>Other Purposes</b>					
Payments under Financial Agreement					
- Sinking Fund on State Debt	16,902	16,678	16,486	16,393	15,360
Debt Redemption Assistance	...	...	...	884	54,000
ARC Research Funds*	...	4,503	26,993	59,507	84,187
Natural Disaster Relief	1,595	2,175	1,074	7,764	2,673
Financial Assistance - Local Govt*	228,800	229,435	237,124	243,138	248,927
Local Govt - Identified Road*	...	...	...	...	94,246
<b>Total Other Purposes</b>	<b>247,297</b>	<b>252,791</b>	<b>281,677</b>	<b>327,686</b>	<b>499,393</b>
<b>Total Specific Purpose Payments - Recurrent Purposes</b>	<b>2,229,124</b>	<b>2,890,217</b>	<b>3,178,305</b>	<b>3,464,008</b>	<b>3,947,187</b>

**Table 7.5: Financial Arrangements Between the Commonwealth and New South Wales (Continued)**

	1987-88	1988-89	1989-90	1990-91	1991-92 (est)
	\$ thousands				
<b>Capital Purposes</b>					
<b>Education</b>					
Higher Education*	72,782	53,226	58,806	73,363	93,725
Technical and Further Education	65,113	53,167	72,311	87,698	77,108
Schools - Government	54,149	58,709	64,552	66,030	70,051
- Non-Government*	18,195	20,355	19,290	27,235	31,014
Aboriginal Advancement	...	...	879	198	889
Video Facilities	93	...	...	...	...
<b>Total Education</b>	<b>210,332</b>	<b>185,457</b>	<b>215,838</b>	<b>254,524</b>	<b>272,787</b>
<b>Health</b>					
Teaching Hospitals	16,811	8,100	16,042	17,239	9,060
Blood Transfusion Services	449	543	372	694	5,689
Albury RALA Sub-Centre	85	...	...	...	...
<b>Total Health</b>	<b>17,345</b>	<b>8,643</b>	<b>16,414</b>	<b>17,933</b>	<b>14,749</b>
<b>Social Welfare Services</b>					
Attendant Care Scheme	839	...	...	...	...
Home and Community Care (e)	1,934	3,062	3,645	4,694	5,415
Supported Accommodation Assistance	...	1,000	1,000	...	...
Crisis Accommodation Assistance	5,447	6,835	13,656	13,595	13,511
Youth Accommodation	...	...	3,444	...	...
Children's Services (e)	3,544	2,440	627	182	597
Aboriginal Advancement	206	1,093	...	...	...
<b>Total Social Welfare Services</b>	<b>11,970</b>	<b>14,430</b>	<b>22,372</b>	<b>18,471</b>	<b>19,523</b>
<b>Housing and Community Services</b>					
Pensioner Housing Grants	14,517	13,869	18,520	18,520	18,520
Housing Assistance for Aborigines	12,345	13,641	17,777	17,777	17,777
Local Government and Community Housing Grants (e)	4,201	5,596	8,404	8,366	8,314
CSHA Block Assistance	184,439	179,027	244,874	252,918	258,913
Housing for Servicemen (b)	1,471	373	...	...	...
Urban Water Supply and Treatment	1,844	1,586	1,340	1,601	1,508
Urban Flood Mitigation(e)	3,158	3,356	4,100	5,135	6,131
<b>Total Housing and Community Services</b>	<b>221,975</b>	<b>217,448</b>	<b>295,015</b>	<b>304,317</b>	<b>311,163</b>
<b>Recreation and Cultural Services</b>					
National Estate (e)	508	547	597	600	619
Bicentennial Program Assistance (e)	3,928	...	...	...	...
National Maritime Museum	10,000	...	...	...	...
<b>Total Recreation and Cultural Services</b>	<b>14,436</b>	<b>547</b>	<b>597</b>	<b>600</b>	<b>619</b>
<b>Economic Services</b>					
Support for Steel Regions (e)	9,053	...	...	...	...
Land Transport Program (e)	243,600	134,895	...	...	...
Bicentennial Road Development (e)	164,900	82,254	...	...	...
Centennial Road Development (e)	...	170,051	...	...	...
Roads (e)	...	...	436,500	518,900	449,860
Aerodrome Local Ownership Plan	...	...	...	72	...
Rail Projects	...	...	...	13,350	...
Badgerys Creek Road System	...	...	...	11,000	9,000
Forestry Development	...	...	800	...	2,000
Plant Genetic Resource Program	6	...	...	...	...
Irrigation and Other Water Projects	24	25	463	1,720	2,448
Salinity Reduction Control	1,576	1,300	1,550	2,950	2,593
<b>Total Economic Services</b>	<b>419,159</b>	<b>388,525</b>	<b>439,313</b>	<b>547,992</b>	<b>465,901</b>
<b>Other Purposes</b>					
Natural Disaster Relief (f)	...	23,214	11,322	97,080	32,961
<b>Total Specific Purpose Payments - Capital Purposes</b>	<b>895,217</b>	<b>838,265</b>	<b>1,000,870</b>	<b>1,240,917</b>	<b>1,117,703</b>
<b>Total Specific Purpose Payments</b>	<b>3,124,341</b>	<b>3,728,481</b>	<b>4,179,176</b>	<b>4,704,925</b>	<b>5,064,890</b>

**Table 7.5: Financial Arrangements Between the Commonwealth and New South Wales (Continued)**

	1987-88	1988-89	1989-90	1990-91	1991-92 (est)
	\$ thousands				
<b>4. PAYMENTS TO OR FOR LOCAL GOVERNMENT</b>					
<u>Payments through the State (g)</u>					
Local Government Financial Assistance	228,800	229,435	237,124	243,138	248,927
Identified Road - Local Gov't	...	...	...	...	94,246
<b>Social Welfare Services</b>					
Home and Community Care Program	3,547	6,336	6,066	7,211	na
Children's Services	598	713	743	708	na
Supported Accommodation Assistance	89	44	42	279	na
Family Support Services	68	119	...	...	na
<b>Housing and Community Services</b>					
Local and Community Housing	1,649	1,154	1,253	722	na
<b>Recreation and Cultural Services</b>					
National Estate	167	152	156	282	na
<b>Economic Services</b>					
Community Employment Program	19,665	...	...	...	na
Roads/Land Transport Program	68,861	81,125	83,605	86,204	na
Flood Mitigation	2,510	3,390	3,460	4,291	na
Support for Steel Regions	883	2,312	...	...	na
Australian Bicentenary	...	775	...	...	na
<b>Other Purposes</b>					
State Emergency Services	176	104	74	121	na
<b>Total Payments to or for Local Government through the State</b>	<b>327,013</b>	<b>325,659</b>	<b>332,523</b>	<b>342,956</b>	<b>343,173(h)</b>
<b>5. REPAYMENT OF LOANS AND ADVANCES</b>					
<u>Sinking Fund Payments on Loan Council Borrowings</u>					
	69,169	76,580	67,526	369,229	864,107
<u>Repayment of Commonwealth Government Advances</u>					
<b>Housing and Community Services</b>					
Loan Council Housing Nomination	1,703	2,333	2,855	2,984	3,118
Housing for Servicemen	524	556	589	625	660
Public Housing	17,221	17,913	18,633	19,382	20,138
War Service Land Settlement	247	256	265	275	286
Growth Centres	67	13,034	6,561	6,569	6,578
Urban Rehabilitation	...	191	...	220	...
Captains Flat Project	16	18	20	22	22
<b>Total Housing and Community Services</b>	<b>19,778</b>	<b>34,301</b>	<b>28,923</b>	<b>30,077</b>	<b>30,802</b>

**Table 7.5: Financial Arrangements Between the Commonwealth and New South Wales (Continued)**

	1987-88	1988-89	1989-90	1990-91	1991-92 (est)
	\$ thousands				
<b>Economic Services</b>					
Sewerage	443	657	722	792	872
Railway Projects	1,616	1,616	1,616	1,616	1,616
Softwood Forestry	728	743	743	743	743
Canned Fruit Industry	383	383	383	383	383
Dairy Adjustment Program	59	63	66	71	75
Rural Adjustment Scheme	1,489	1,772	1,960	2,153	2,221
Rural Reconstruction	3,029	3,217	4,242	3,617	3,557
Chowilla Reservoir	11	...	...	...	...
Dartmouth Dam	587	587	587	587	587
Blowering Reservoir	230	20	...	...	...
Other Mining Assistance	66	...	...	...	...
<b>Total Economic Services</b>	<b>8,641</b>	<b>9,058</b>	<b>10,319</b>	<b>9,962</b>	<b>10,054</b>
<b>Other Purposes</b>					
Natural Disaster Relief	7,071	6,967	6,967	3,886	3,025
<b>Total Repayments of Commonwealth Government Advances</b>	<b>35,490</b>	<b>50,326</b>	<b>46,209</b>	<b>43,925</b>	<b>43,881</b>
<b>Total Sinking Fund Payments and Repayment of Advances</b>	<b>104,659</b>	<b>126,903</b>	<b>113,735</b>	<b>413,152</b>	<b>907,986</b>
<b>6. INTEREST ON LOANS AND ADVANCES</b>					
<u>Interest on Loan Council Borrowings</u>	695,793	691,104	707,771	689,779	638,698
<u>Interest on Commonwealth Government Advances</u>					
<b>Housing and Community Services</b>					
Loan Council Housing Nomination	17,550	21,584	24,282	23,728	23,594
Housing for Servicemen	10,681	10,841	10,858	10,822	11,014
Housing	59,415	58,724	58,004	57,255	56,523
War Service Land Settlement	345	336	327	317	306
Growth Centres	301	294	287	279	269
Captains Flat Project	45	41	41	39	38
<b>Total Housing and Community Services</b>	<b>88,337</b>	<b>91,820</b>	<b>93,799</b>	<b>92,440</b>	<b>91,744</b>
<b>Economic Services</b>					
Sewerage	6,036	7,751	7,693	7,616	7,536
Railway Projects	2,729	2,485	2,249	2,013	1,781
Softwood Forestry	2,214	2,274	2,214	2,154	2,094
Canned Fruit Industry	40	40	40	40	41
Dairy Adjustment Program	48	45	41	37	32
Rural Adjustment Scheme	3,192	3,072	2,932	2,715	2,593
Rural Reconstruction	1,464	1,274	1,375	876	660
Blowering Reservoir	8	1	...	...	...
Dartmouth Dam	750	694	638	582	526
<b>Total Economic Services</b>	<b>16,481</b>	<b>17,636</b>	<b>17,182</b>	<b>16,033</b>	<b>15,263</b>
<b>Other Purposes</b>					
Natural Disaster Relief	...	...	39	98	356
<b>Total Interest on Commonwealth Government Advances</b>	<b>104,818</b>	<b>109,456</b>	<b>111,020</b>	<b>108,571</b>	<b>107,363</b>
<b>Total Interest on Loan Council Borrowings and Commonwealth Government Advances</b>	<b>800,612</b>	<b>800,559</b>	<b>818,790</b>	<b>798,348</b>	<b>746,061</b>
<b>TOTAL GROSS PAYMENTS</b>	<b>7,573,788</b>	<b>7,581,289</b>	<b>7,933,906</b>	<b>8,486,292</b>	<b>8,791,484</b>
<b>TOTAL NET PAYMENTS</b>	<b>7,469,129</b>	<b>7,454,387</b>	<b>7,820,171</b>	<b>8,073,140</b>	<b>7,883,497</b>

## FOOTNOTES TO TABLE 7.5

- \* Programs for which the State only acts as an agent for the Commonwealth.
- (a) In 1988-89 the Identified Health Grant and medicare payment were discontinued and a specific purpose payment for hospitals was introduced.
- (b) Payment is in the nature of a repayable advance. See sections 6 and 7 for repayments and interest respectively.
- (c) Includes the following amounts nominated for public housing purposes: 1987-88, \$114.4m and 1988-89, \$86.3m. Borrowings so nominated attracted the concessional interest rate specified within the Commonwealth/State Housing Agreement. See also sections 6 and 7 for repayments and interest respectively.
- (d) Cost supplementation amount. A dissection between the individual education sectors is not yet available.
- (e) Includes amount for on-passing to Local Government. See section 5 of table.
- (f) Includes a repayable advance component (below). See also sections 6 and 7 for repayments and interest respectively.

	\$ thousands			
	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>
Natural Disaster Relief	805	1,376	12,053	2,672

- (g) These payments are included in the Specific Purpose Payments sections above.
- (h) Total is incomplete as it excludes schemes for which details of payments are not yet available (na).

Source: The amounts shown in Commonwealth Budget Paper No.4, "Commonwealth Financial Relations with Other Levels of Government 1991-92" have been used to prepare this summarised version of the Financial Arrangements between the Commonwealth and New South Wales.

# **CHAPTER 8: MICROECONOMIC AND PUBLIC SECTOR REFORM**

## **8.1 Overview**

## **8.2 Public Sector Reform 1990-91**

## **8.3 Public Sector Performance**

## **8.4 Regulatory Reform 1990-91**

## **8.5 Special Premiers' Conference Reform Program**



## 8.1 OVERVIEW

Microeconomic reform is the process, and the result, of deliberate action to improve the productivity of the economy. Effective action needs to proceed on two fronts - costs and prices. In economists' terminology this translates to -

- **Productive efficiency** - producing goods and services at minimum cost. In Australia, costs in most industry sectors are higher than recorded OECD averages; and
- **Allocative efficiency** - ensuring that prices closely reflect production costs of goods and services in cases where market competition is largely absent. Elimination of over- and under- charging sends the right price signals for an efficient use of resources.

The New South Wales Government's approach to microeconomic reform has been based on instilling a **more commercial and competitive approach** in the delivery of State public sector goods and services. The process is ongoing and affects all New South Wales Government agencies.

In general, the reform process in New South Wales is shaped by the following basic principles -

- the establishment of clear objectives;
- managerial autonomy in pursuit of these objectives;
- performance evaluation and improved financial information;
- rewards and sanctions commensurate with performance; and
- competition and competitive neutrality (ie. the removal of any special advantages or disadvantages in production compared with private firms and opening up the public sector to competition where possible).

A detailed account of past public sector reforms in New South Wales is included in last years's Budget Papers and in "Microeconomic Reform: The NSW Government's Achievements"<sup>1</sup>. General initiatives in 1990-91 and those spanning a number of State agencies are outlined in Section 8.2 following.

The performance of particular State agencies over the period 1984-85 to 1990-91 together with projections to 1993-94 is discussed briefly in Section 8.3. More detail in this regard is to be found in a separate annual publication titled "Performance of NSW Government Businesses", the latest issue of which is soon to be released.

---

<sup>1</sup> "Budget Information 1990-91", Budget Paper No.2, New South Wales Government, September 1990; and "Microeconomic Reform: The NSW Government's Achievements", New South Wales Government, June 1990;

The New South Wales Government (along with the Commonwealth) provides the regulatory and institutional framework for the production, distribution and consumption of goods and services by the private and public sectors. Reform of this framework, ie: **regulatory reform**, is an important, ongoing component of microeconomic reform. The objective is a minimum set of regulations that meets assessed community requirements and minimises compliance and administrative costs. Particular New South Wales Government initiatives in 1990-91 are outlined in Section 8.4.

Finally, cross-border micro-economic reforms which have been implemented as a result of the Special Premiers' Conference reform program, or which are under consideration, are outlined in Section 8.5.

## **8.2 PUBLIC SECTOR REFORM 1990-91**

The history of public sector reform in New South Wales over the last few years is set out in some detail in Budget Paper No. 2, "Budget Information 1990-91", Section 7.2, pp407-412. The presentation in this year's section, is confined to initiatives introduced in the 1990-91 financial year. Discussion of the Government's corporatisation program is not included in this section as there were no new State Owned Corporations (SOCs) established in 1990-91. However, a number of SOCs are expected to be established in 1991-92, beginning with the Electricity Commission of NSW. The initiatives listed in this section are classified according to the key principles outlined earlier in section 8.1.

### **Clear Objectives**

#### **FORWARD 5 YEAR PROGRAM OF CAPITAL WORKS**

From July 1991, a forward 5 year programme of capital works is to be produced for each agency to assist financial planning in agencies and to assist the government in keeping tighter control over growth in Budget expenditures.

### **Managerial Autonomy**

#### **STAFFING CONTROLS**

Controls over staff numbers for the Budget Sector were abolished as at July 1991. Monitoring of staff numbers for both the Budget and Non Budget Sectors continues to apply.

### **Performance Evaluation and Improved Financial Information**

#### **GOVERNMENT FINANCIAL STATISTICS PRESENTATION OF THE BUDGET**

New South Wales has presented supplementary information for the general government, public trading enterprises and the total State on a Government Financial Statistics basis for a number of years. It is intended to present the Budget Sector on this same basis for the first time in 1991-92.

#### **PERFORMANCE MONITORING**

A publication titled "Performance of NSW Government Businesses" was issued in September 1990. The publication contained efficiency, effectiveness and financial performance statistics on ten of the largest Government businesses, covering six years historical data and three year projections. The publication will be updated annually and will be gradually extended to cover most major Government trading Enterprises in New South Wales.

A comprehensive performance monitoring system has also been introduced for Local Government Authorities in NSW. This system is designed to make performance more transparent and thereby make Local Government more accountable to its constituents.

The Special Premiers' Conference approved of a national Government Trading Enterprises monitoring system with the Industry to monitor and publish performance statistics for major Government Trading Enterprises. State/Territory agencies involved will initially be those in energy, rail, water, major ports and urban public transport. Commonwealth agencies to be covered will include Telecom/OTC, Australia Post, the Australian National Line, the Federal Airports Corporation and the Pipeline Authority. Monitoring will be expanded progressively once the system is operational (see Section 8.5 below).

## **ACCRUAL BUDGETING**

The 1991-92 Budget is the second year for the phased implementation of accrual accounting and budgeting for the Budget Sector. Implementation is planned to be completed in 1992-93, with the 1993-94 Budget to be presented on both an accrual and cash basis.

## **QUARTERLY FINANCIAL REPORTING**

The Government Trading Enterprises Monitoring Unit (GTEMU) of Treasury has introduced quarterly financial reporting requirements for 15 Government Trading Enterprises and State Owned Corporations, to improve financial management monitoring and gain a more accurate assessment of dividend requirements.

## **Competition and Competitive Neutrality**

### **SEPARATION OF SOCIAL AND COMMERCIAL ACCOUNTING**

Identification and evaluation of community service obligations (CSO's) performed by the State Rail Authority and State Transit Authority. These services are now funded directly from Consolidated Revenue on a contract basis instead of being partially funded by cross-subsidies from profitable Authority activities.

This approach to the provision of CSOs is gradually being implemented across a wide range of commercial agencies, so that the cost of social activities does not detract from the overall commercial performance of these agencies.

### **NET APPROPRIATION BUDGETING**

Introduction of "net appropriation budgeting" from 1 July, 1991, whereby Consolidated Fund Departments will be allowed to retain revenue from client charges, where such charges constitute only a part of the total cost of providing the service. This will ensure the Budget allocation more accurately reflects what needs to be provided by the Consolidated Fund. Discrete, profit-oriented activities which require no support will continue to be treated as off-Budget, and be expected to pay normal taxes and dividends.

## **RATIONALISATION OF ASSET HOLDINGS**

Efficient management of the Government's asset holdings requires underutilised assets to be put to better use or sold. During the year a number of property assets were sold, including the McKell Building in the Haymarket area of Sydney.

## **COMMERCIALISATION OF FUNCTIONS**

Commercialisation of Department of Mineral Resources laboratory services and termination of other subsidised services.

## **PRIVATE SECTOR PARTICIPATION IN GOVERNMENT PROJECTS**

"Guidelines for Private Sector Participation in Infrastructure Provision" were issued in July 1990 to facilitate private sector involvement. New South Wales was the first Australian State to provide such guidelines, with Victoria following in 1991. As part of this initiative, a Private Infrastructure Committee was formed to facilitate greater private sector investment in infrastructure projects.

The onus within Government is now for public sector Departments to demonstrate why the private sector cannot provide infrastructure - rather than the Departments themselves.

## **PRIVATISATION**

- Transfer of the management of the Government Warehouse in September 1990 to a private company, AWASCO Pty. Ltd., for three years.
- Sale of the Government Clothing factory to Australian Defence Industries Pty. Ltd.
- Commencement of privatisation of Grain Corporation, the GIO and the Electricity Commission collieries.

## 8.3 PUBLIC SECTOR PERFORMANCE

### Overview

An important aspect of the NSW Government's public sector reform program is improved monitoring of the performance of public sector agencies.

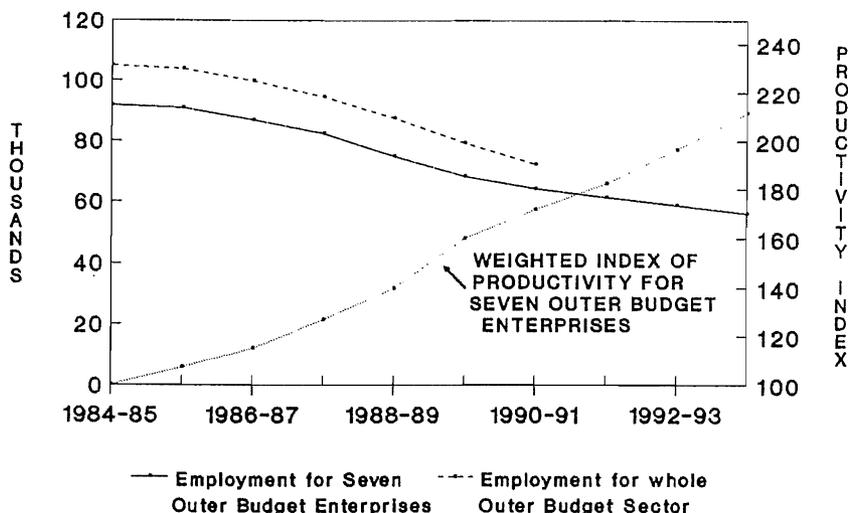
As noted previously, some 15 dividend paying agencies have their financial performance monitored by Treasury on a quarterly basis. The initial success of this program in identifying potential financial problems before they eventuate has resulted in the government giving consideration to reforming the monitoring systems used by portfolio Departments with respect to non-dividend paying GTEs.

In addition to regular financial monitoring, 15 major Government businesses have reported their performance record to the Treasurer for the purposes of producing the latest edition of "Performance of NSW Government Businesses". The publication includes a broad coverage of efficiency, effectiveness and financial indicators, using measures that are as standardised as possible.

While the wide range of activities which public sector agencies undertake makes aggregate comparison of productivity achievements difficult, it is possible to construct aggregate measures for some agencies. Data on seven such agencies are shown in Table 8.1, covering the periods 1987-88 to 1990-91, together with three year projections from the agencies' business plans. These agencies currently account for around 89 percent of Non Budget Sector employment. In aggregate, these data show a 35 percent (weighted by employment) improvement in labour productivity over the past three years and a projected 67 percent improvement if the next three years are also included.

Figure 8.1

### PRODUCTIVITY AND EMPLOYMENT FOR OUTER BUDGET ENTERPRISES



Seven outer budget enterprises include;  
ECNSW, Elec. Councils, GrainCorp, Hunter  
Water Board, SRA, STA & Syd. Water Board

**Table 8.1: Summary of Public Enterprise Performance in NSW**

	1987-88	1988-89	1989-90	1990-91 (E)	87-88 TO 90-91 % CHANGE	1991-92 (F)	1992-93 (F)	1993-94 (F)	87-88 TO 93-94 (% CHANGE) (F)
<b>ELECTRICITY COMMISSION (1)(2)</b>									
EMPLOYMENT(3)	10488	8296	7283	6710	(-136	6660	6660	6660	(-137
PRODUCTIVITY (Gwh/emp)	4.10	5.34	6.43	7.06	72	7.33	7.70	8.01	95.4
<b>ELECTRICITY COUNCILS</b>									
EMPLOYMENT	17255	16579	15538	15012	(-113	14478	14283	14082	(-18.4
PRODUCTIVITY (Gwh/emp)	1.88	2.02	2.31	2.40	28	2.57	2.68	2.81	49.5
<b>GRAINCORP</b>									
EMPLOYMENT	546	535	458	460	(-116	450	450	450	(-118
PRODUCTIVITY (tonnes/manhour)	20.4	19.6	21.6	22	8	20.6	20.8	21	3
- HARVEST RECEIVAL	6.3	7.3	12	13	106	13.5	13.5	13.5	114
- SEABOARD TERMINAL									
<b>HUNTER WATER BOARD</b>									
EMPLOYMENT	1384	1280	1128	1106	(-120	1090	1069	1031	(-25.5
PRODUCTIVITY (megalitres/employee)	61.2	61.1	71.1	77.0	26	79.9	83.0	87.8	43.5
<b>STATE RAIL AUTHORITY</b>									
EMPLOYMENT	36717	33113	28842	26602	(-128	25279	23037	20831	(-142
PRODUCTIVITY	15.6	17.6	19.2	20.9	33	22.7	26.0	30.0	92
- CITYRAIL ('000 pass. journeys/emp)	730	590	805	904	24	898	895	1103	51
- COUNTRYLINK ('000pks/emp) (4)	730	780	985	1066	46	1029	1250	1430	96
- FREIGHT (NFTK/emp)									
<b>STATE TRANSIT AUTHORITY</b>									
EMPLOYMENT	6398	6005	5428	4916	(-123	4500	4162	4112	(-136
PRODUCTIVITY ('000 pjs/emp)	35.4	37.1	39.8	44.0	24	48.0	51.9	52.5	49
<b>WATER BOARD</b>									
EMPLOYMENT	9629	9090	9580	9359	(-13	9000	9000	9000	(-16.5
PRODUCTIVITY (megalitres/emp)	61.4	68.3	68.4	72.1	17.5	75.6	76.1	77.2	26
<b>TOTAL EMPLOYMENT % CHANGE</b>		(-19	(-9	(-16	(-22	(-14	(-5	(-14	(-32
<b>WEIGHTED PRODUCTIVITY % CHANGE (6)</b>		10	15	7	35	8	7	8	67

NOTE:

1 All employment is Equivalent Full Time as at 30 June (GrainCorp as at 30 September).

2 All dollar amounts are reported in 1990-91 prices

3 Figures revised from 1990-91 due to change in treatment of Snowy Mountains Hydroelectricity Authority employees.

4 Indicator has been refined to better measure productivity.

5 Average productivity of each agency weighted by final year employment.

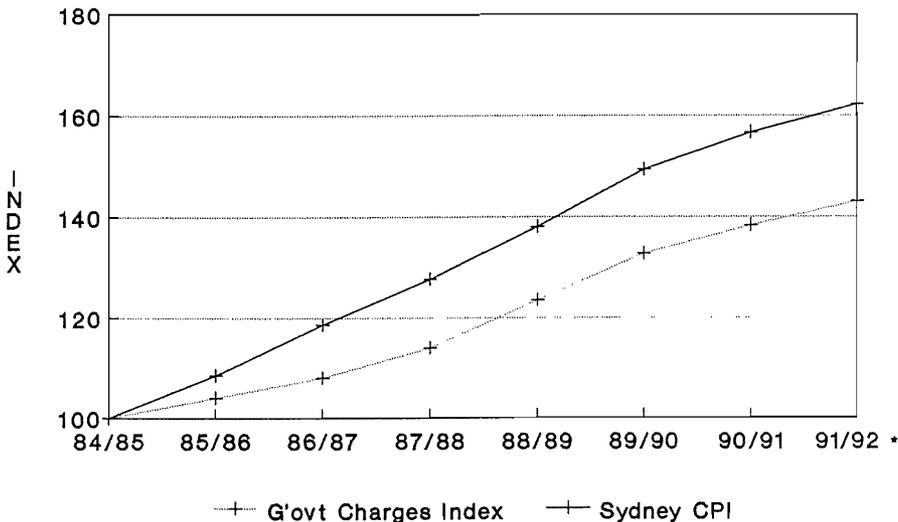
(E) Estimate  
(F) Forecast

It can be seen from Figure 8.1 that the employment losses for the seven selected agencies have been more than matched in the remainder of the Non Budget sector, with employment falling more than 39% from 1984-85 to 1990-91. It is reasonable to infer that productivity for the remainder has also followed a path similar to that shown in Figure 8.1.

As can be seen from Figure 8.2 below, Government charges over this period have been contained below Sydney CPI increases.

Figure 8.2

## INDEX OF STATE GOVERNMENT CHARGES



Source: ABS 6401.0 & NSW Treasury Index of Govt Charges  
 \* 1991/92 estimate

In terms of the key features of microeconomic reform outlined in Section 8.1, it would be fair to say that the recent performance has been impressive in terms of **productive efficiency** - where efficiency is generally defined in relation to output per unit of labour input (data on capital efficiency is generally lacking, with the exception of the Electricity Commission and Freight rail).

However, the performance has been less impressive in terms of **allocative efficiency**. Many agencies have price structures for their services that contain long-standing and substantial cross subsidies and/or average underpricing for total services - for example, the Water Board, CityRail and State Transit. There is a difficult issue of how such price structures are to be rationalised in the face of limited public tolerance to steep price hikes and the lack of a broad-based tax at the state level through which compensation packages could be implemented. Neither side of politics seems prepared to address this issue, even though there are possible adverse economic, social and environmental consequences from continuing with existing price structures.

## 8.4 REGULATORY REFORM 1990-91

### Overview

The purpose of regulation is to ensure acceptable operating practices, consumer protection and observance of safety and environmental standards. In the context of microeconomic reform, regulations include legislation, statutes and administrative decisions which affect the production and consumption of goods and services.

The New South Wales Government approach to regulatory reform has included -

- eliminating unnecessary regulations;
- making necessary regulations as clear as possible;
- reducing their administrative cost; and
- reducing undue compliance cost (reporting requirements, charges, delays, uncertainties).

At the same time, the NSW Government has sought to foster a business climate supportive of entrepreneurial initiative.

### 1990-91 Regulatory Reforms

#### MANUFACTURING

Abolition of Bread Manufacturers' Licence and Operative Bakers' Certificate at the start of 1991, resulting in a lowering of the barriers to entry.

Abolition of seven Local Government licences for retail food outlets and replacement with a regime of health standard inspections with lower administrative cost.

#### TRANSPORT

Reregulation of private transport systems to improve customer service, while achieving a 30 percent reduction in Department of Transport staff numbers, including -

- introduction of short term taxi licences;
- elimination of unnecessary regulation and reporting;
- placing private bus operators on performance-based contracts;

- competitive tendering for new or forfeited route franchises;
- introduction of performance standards for taxi networks; and
- introduction of the Passenger Transport Act 1990, assisting fairer competition by placing the State Transit Authority under much the same regulatory conditions as private bus operators.

## **MINING INDUSTRY**

Conversion of all prospecting licences to exploration licences, resulting in a backlog of 788 applications being cleared in 12 months, compared with 50 per year previously.

## **GAS INDUSTRY**

Reregulation of the gas industry through establishment of the Gas Council of New South Wales in October 1990, providing -

- long term authorisations to gas distributors;
- a price control formula and other mechanisms for adjusting the conditions of authorisation;
- regular review of the price control formula and other mechanisms throughout the term of the authorisation;
- monitoring of compliance and operations of distributors on behalf of consumers; and
- appointment of a review panel, when required, to resolve issues between the Gas Council and distributors.

## **INDUSTRIAL RELATIONS**

Legislation enacted for enterprise agreements as an alternative to State Awards.

The number of salary steps in the New South Wales public service reduced from more than 1,600 to 131, meaning decreased administrative costs for future salary reviews.

## **OTHER**

Under the Subordinate Legislation Act 1989, identification and review of all regulations introduced up to 30 June , 1941. All regulations are to be progressively reviewed, with a view to automatic repeal, unless specifically reintroduced. The Act also requires the preparation of a Regulatory Impact Statement and public consultation prior to making a new regulation. The aim of the initiative is to remove unnecessary regulations and to provide for more appropriate and less costly regulation in the future.

Establishment of the Environmental Protection Agency announced. The Agency will see centralised responsibility for environmental regulation and remove certain potential conflicts of interest within existing portfolios.

Cabinet approval for establishment of the Business Licences Administration Services (BLAS). All licences required from the New South Wales Government will be incorporated into one master licence, to be administered by BLAS. As a result, the issue and reissue of licences should save time and resources for both business and government.

## 8.5 SPECIAL PREMIERS' CONFERENCE REFORM PROGRAM

Many specific microeconomic reform areas have cross-border implications. Accordingly, the New South Wales Government has strongly supported the Special Premiers' Conference (SPC) mechanism as a means of implementing microeconomic reform in a federal system.

The October 1990 Special Premiers' Conference established 11 work programs spanning Commonwealth and State financial arrangements, Government Trading Enterprise reforms and regulatory reforms. Since then two further issues have been added to the agenda: taxation arrangements affecting private sector infrastructure provision, and competition policy.

From the States' perspective the key programs are the ones dealing with reducing vertical fiscal imbalance (ie, the achievement of a better match of expenditure responsibilities with revenue-raising capacity) and reducing the proportion of intergovernmental grants subject to "tied arrangements." These issues are scheduled to be dealt with in November 1991 and are covered in Chapter 7.

Key areas of microeconomic reform advanced under the SPC program during 1990-91 include -

- Regulatory reform - simplification and reduction of compliance costs through mutual recognition of each State's regulations;
- Improved prudential supervision of non-bank financial institutions;
- Land transport arrangements - greater uniformity in heavy vehicle regulations and registration; heavy vehicle charges that recover aggregate costs and are equitable between and within categories as to damage caused; a clearer delineation of Commonwealth, State and Local Government funding responsibilities;
- Establishment of a National Rail Corporation;
- Interstate electricity networking administered through a national grid management council and with a mechanism for sourcing future increments of capacity; and
- Performance monitoring of Government businesses across Australia in a standard way.

## **Government Trading Enterprise National Performance Monitoring**

Consistent with the increased emphasis on performance monitoring introduced in New South Wales the Special Premiers' Conference endorsed a National Performance Monitoring Program for Government Trading Enterprises. In large part this performance monitoring system is designed to make up for the lack of managerial incentives resulting from the absence of competition in many of the markets in which Government Trading Enterprises operate.

By comparing performance across jurisdictions it should be possible for owners, that is governments, to make better assessments of the performance of Government Trading Enterprises' management. Used in this way, performance monitoring can help to ensure that production costs are minimised, the right mix of goods and services is produced, consumer preferences are responded to and an appropriate rate of return is achieved on publicly-owned assets.

Clearly, for this system to be effective, standard definitions of accounting, economic and non-financial performance measures are required. While this will take some time to develop, a trial set of measures utilising accounting data will be produced for 1990-91. Over time these measures will be expanded to include economic and non-financial indicators of performance.

Initially a core group of enterprises will be monitored with the scope of the project expanding as additional data are developed. The initial core group of enterprises involves energy, railways, water, major ports and urban public transport at State and Territory level, and Commonwealth enterprises in the areas of telecommunications, postal services, the Australian National Line, the Federal Airports Corporation and the Pipeline Authority.

As well as producing the report recommending the adoption of a national performance monitoring system, the Special Premiers' Conference Working Group also produced a number of discussion papers as follows -

- "Use of Financial Accounting Indicators in National Performance Monitoring";
- "Economic Performance Monitoring of Government Trading Enterprises: A Survey";
- "Checklist for National Stocktake of Government Trading Enterprises Reforms"; and
- "Characteristics of a Fully Corporatised Government Trading Enterprise".

These papers, which were released for public distribution following the Special Premiers' Conference meeting in July 1991, are available on request from the New South Wales Treasury.

## **Electricity Generation Transmission and Distribution**

The Special Premiers' Conference considered the report of a working group established to assess the efficiency performance of individual States operating independent electricity networks and the potential gains from the establishment and operation of an interstate grid in eastern Australia.

The report of the Working Group concluded that interstate extensions of the existing electricity grids were economically justified and should be considered in relation to the next expansion of generation capacity required by the end of the decade.

In order to facilitate the development of this national grid, the Heads of Government established a National Grid Management Council as the initial co-ordinating mechanism for the development of an interstate grid.

The key tasks of the National Grid Council will be -

- to co-ordinate planning so that the next and future increments of generation capacity will be decided on a competitive multi-State basis having due regard to key national and state policy objectives;
- to co-ordinate arrangements for access to the grid by private generating companies, public utilities, private and public electricity customers; and
- to monitor the performance and report on the National Grid to the Heads of Government and to the public.

While this proposal stopped short of the formal establishment of an interstate grid, it will result in the establishment of principles and procedures for the competitive tendering of generating capacity. Although this does not necessarily mean that individual governments will endorse the most cost effective option for capacity expansion, it does mean that any decisions not to follow the least cost path will be transparent. The Grid Council is also required to explicitly consider demand management alternatives to supply expansion.

Taken together with reforms being implemented within each of the participating State's electricity industries, these proposals will help to ensure a more open, competitive and cost-efficient electricity industry.

## Road Transport

At the October 1990 Special Premiers' Conference, Heads of Government agreed to the establishment of a national heavy vehicle registration scheme together with uniform technical and operational regulations and nationally consistent charges. The key objectives of the project are the harmonisation of regulations governing road users and the establishment of charging systems which relate to the costs which users impose on the road network.

The June 1991 Special Premiers' Conference agreed to the establishment of a National Road Transport Commission to regulate heavy vehicles and to develop a heavy vehicle charging regime. This agreement will achieve uniformity with respect to vehicle construction and maintenance standards, traffic codes, inspection standards, driver licensing standards and procedures and sanctions for breaches of regulations.

The charging system will be based on a nominal administration charge, plus a road use charge component of Commonwealth diesel excise plus a mass distance charge for heavier vehicles which do not meet their road costs through fuel payments alone. It is intended to achieve full cost recovery for all vehicles by 1995, with the exception of road trains - which will have charges progressively lifted to achieve full cost recovery by the year 2000.

Initially, there will be a high charge and a low charge zone for heavy vehicles, reflecting the assumed different levels of road costs within Australia. New South Wales, Victoria, the ACT and Tasmania will be in the high charge zone. Cross-zone movements will require heavy vehicles from the low charge zone to be registered at the higher charge.

The November 1991 Special Premiers' Conference will consider proposals for the extension of this scheme to light vehicles.

## **National Rail Corporation**

At the June 1991 Special Premiers' Conference agreement was reached to establish the National Rail Corporation. This company will be responsible for interstate rail freight right across Australia.

The Commonwealth, New South Wales, Victorian and Western Australian Governments will provide both assets and an initial \$400 million equity injection to establish the National Rail Corporation.

Beginning in the first half of 1992 the National Rail Corporation will be the sole marketer of interstate rail freight in Australia.

Not only will a commercially orientated National Rail Corporation improve the efficiency of interstate operations, it will also provide a benchmark for assessing the performance of intrastate freight operations within Australia.

## **Regulation of Non Bank Financial Institutions**

At the May 1991 Financial Premiers' Conference, Heads of Government reached agreement on the introduction of a uniform national, but State-based, system of prudential supervision of building societies and credit unions. The proposal provides for the establishment of an Australian Financial Institutions Commission (AFIC) which will determine prudential standards and practices and supervise the individual State supervisors in respect of these practices, as well as supervise industry central funding operations.

The proposals require all building societies and credit unions across Australia to achieve the prudential standards equivalent to those applying to institutions in New South Wales and South Australia. The new system also provides for a much more active form of prudential supervision to be exercised by independent State supervisors.

In the case of building societies the regulatory system provides for emergency liquidity arrangements and, in the case of credit unions, State-based contingency funds as well as emergency liquidity arrangements.

The regulatory system will be implemented by the passing of template legislation in Queensland, which will then be adopted through an "application of laws" approach in each of the other States. The Australian Financial Institutions Commission will be located in Brisbane.

Reform of the regulations governing trustee companies, friendly societies and housing co-operatives is also under investigation.

## Mutual Recognition of Regulations

At the June 1991 Special Premiers' Conference, Heads of Government agreed on a model for the implementation of mutual recognition of regulations governing goods and occupations. This reform measure, when implemented, will have the effect of eliminating non-tariff barriers to trade between the States. Under the proposals now being discussed with industry, consumer goods legally produced for sale in accordance with the standards of the State or Territory of production will be free to be sold throughout Australia. In general, governments will be able to impose only temporary restrictions on the trade or sale of goods. These temporary restrictions will only apply for one year, during which time negotiations would occur on the development of national standards.

The Heads of Government have approved a two stage process for the regulation of occupations. Initially persons would be automatically deemed to be registered to carry out an occupation or profession in another State or Territory once they notified the responsible body in that State or Territory that they were registered in their home jurisdiction. Parallel to this approach, governments will be advancing national administrative arrangements and competency standards for occupations.

Consultation on these proposed reforms is occurring in the second half of 1991, with ratification of the proposals expected at the November 1991 Special Premiers' Conference. A discussion paper on these proposals is available from the Special Premiers' Conference Unit of the New South Wales Cabinet Office.

## **CHAPTER 9: STATE PUBLIC SECTOR FINANCES AND EMPLOYMENT**

### **9.1 Interstate Comparison of Public Sector Size and Growth**

#### **9.1.1 Overview**

#### **9.1.2 Revenue, Taxation and Charges**

#### **9.1.3 Outlays**

#### **9.1.4 Employment**

#### **9.1.5 Borrowings, Debt and Debt Costs**

#### **9.1.6 Credit Ratings**

#### **9.1.7 Overview of 1991-92 Public Sector Budgets**

### **9.2 New South Wales Government Liabilities**

#### **9.2.1 Debt and Debt Costs**

#### **9.2.2 Superannuation**



## 9.1.1 OVERVIEW\*

### Size of Government

The size of a government can be measured in terms of its ratio of revenue, outlays, deficits and debt to Gross State Product (GSP), where GSP is the value of all goods and services produced within the boundaries of a State. Another measure of the size of government is the share of its workforce to the total State workforce. These measures provide some indication of the extent to which resources are devoted to the provision of public services within New South Wales, compared with other States.

A comparison of the size of government has been provided on a total public sector and general government basis (refer to appendix for definitions).

Tables 9.1 and 9.2 compare the size of the NSW total public sector and general government to that of other States for the latest year for which statistics are available.

**Table 9.1: Size of Total Public Sector: Latest Year (a)**

	Total Revenue	Tax Revenue	Total(c) Outlays (Percentage of GSP or GDP)	Current Outlays	Deficit	Net Debt	Total Employment (Percentage of Labour Force)
NSW	15.6	6.7	16.6	13.9	0.6	16.2	12.4
Victoria	14.5	6.0	16.2	13.9	1.3	29.1	13.9
Queensland	19.3	5.2	19.2	14.4	0.0	5.4	12.7
WA	17.4	5.2	18.8	14.9	0.9	21.9	14.4
SA	18.8	5.6	20.4	17.2	0.9	17.5	15.4
Tasmania	24.4	6.3	27.6	23.3	2.8	38.8	16.9
NT	32.4	3.9	34.9	29.3	2.1	29.2	22.4
ACT	16.5	5.1	18.7	15.3	1.6	n.a.	12.3
States excl NSW (b)	17.2	5.6	18.5	15.2	1.0	21.4	14.0
All States (b)	16.6	6.0	17.9	14.7	0.8	19.5	13.5
Commonwealth	26.7	24.4	20.0	17.5	0.5	9.2	4.7

Note: Due to revisions the above figures are not comparable to those published in previous Budgets.  
n.a. Not available.

- (a) All items refer to 1990-91 except employment which refers to December 1990. Debt has been estimated on the same basis as the ABS calculation in "Government Financial Estimates" Cat. No. 5501.0.  
(b) These categories include the Australian Capital Territory except for net debt figures.  
(c) Total outlays refer to own purpose outlays.

Source: ABS: Australian National Accounts - State Accounts, 5220.0; Australian National Accounts - National Income and Expenditure, 5206.0; Government Financial Estimates, 5501.0; Employed Wage and Salary Earners 6248.0; The Labour Force Australia, 6203.0.

\* The information in this section is based on budget estimates contained within the ABS publication "Government Financial Estimates". It should be noted that the actual outcomes for 1990-91 may differ significantly from the budget estimates.

**Table 9.2: Size of General Government Sector: Latest Year (a)**

	Total Revenue	Tax Revenue	Total(c) Outlays (Percentage of GSP or GDP)	Current Outlays	Deficit	Net Debt	Total Employment (Percentage of Labour Force)
NSW	14.6	6.7	13.7	12.4	0.6	7.0	10.4
Victoria	12.8	6.0	11.8	10.9	0.7	14.0	10.7
Queensland	16.6	5.2	15.5	12.7	0.0	(-)4.8	11.9
WA	15.1	5.2	14.2	12.5	0.4	6.2	12.4
SA	17.6	5.6	16.1	14.7	0.5	4.5	13.2
Tasmania	22.0	6.3	21.6	19.5	2.2	14.3	14.7
NT	32.9	3.9	29.9	25.2	1.9	16.9	19.4
ACT	16.4	5.1	15.7	13.7	1.2	n.a.	12.4
States excl NSW (b)	15.3	5.6	14.2	12.6	0.6	7.3	11.9
All States (b)	15.1	6.0	14.1	12.5	0.6	7.2	11.4
Commonwealth	25.8	24.5	17.1	16.5	(-)0.3	4.0	2.3

Note: Due to revisions the above figures are not comparable to those published in previous Budgets.  
n.a. Not available.

- (a) All items refer to 1990-91 except employment which refers to November 1990. Debt has been estimated for 1990-91 on the same basis as calculated by the ABS in "Government Financial Estimates", 5501.0.  
 (b) These categories include the Australian Capital Territory except for net debt figures.  
 (c) Total outlays refer to own purpose outlays.

Source: ABS: Australian National Accounts - State Accounts, 5220.0; Australian National Accounts - National Income and Expenditure, 5206.0; Government Financial Estimates, 5501.0; Employed Wage and Salary Earners 6248.0; The Labour Force Australia, 6203.0.

On the basis of the above indicators, it can be seen that the provision of total public sector and general government services in New South Wales generally represents a lower share of the State's resources than the average for the other States.

Apart from Victoria, total revenue as a proportion of GSP is lower in New South Wales than any other State for both the total public sector and general government. While this is not the case for taxation revenue, it ought to be noted that the relatively higher income levels enjoyed in New South Wales contribute toward this result. For New South Wales and Victoria this result is also a reflection of horizontal fiscal equalisation.

Total public sector and general government spending on current and total outlays also represents a lower share of GSP in New South Wales than any other State, except Victoria.

For the total public sector, the share of all States' outlays to GSP is above that of own source revenue. In contrast, the Commonwealth's revenue share of GDP far exceeds that of its own purpose outlays. This reflects the problem of vertical fiscal imbalance, where the Commonwealth raises the bulk of tax revenues but the States account for the bulk of public expenditure responsibilities.

The existence of vertical fiscal imbalance places a great deal of strain on the States in being required to finance an acceptable level of State services to the public. Even with this constraint, the NSW total public sector deficit as a proportion of GSP was estimated to be only slightly above that of the Commonwealth in 1990-91.

Apart from Queensland, the deficit as a proportion of GSP for all other State total public sectors was above that of New South Wales. This is also true for net debt which represents a lower share of GSP in New South Wales than any other State (except Queensland), but is above that of the Commonwealth.

On a general government basis the NSW deficit as a proportion of GSP was on a par with the average of the other States and net debt was slightly below the average.

## Growth of Government

Tables 9.3 and 9.4 show the growth of the NSW total public sector and general government relative to that of other States and the Commonwealth over the last five years.

**Table 9.3: Growth of Total Public Sector, Past Five Years (a)  
(Average Annual Growth Rates, per cent)**

	Total Revenue	Tax Revenue	Total Outlays	Current Outlays	Deficit	Net Debt	Employment
NSW	9.5	14.1	8.3	10.3	(-)11.0	3.5	(-)0.2
Victoria	8.7	12.7	6.3	8.4	(-)9.1	9.3	0.6
Queensland	9.4	16.1	8.0	9.9	n.a*	(-)11.8	0.4
WA	10.2	15.9	9.2	10.0	(-)5.4	6.0	1.1
SA	7.8	13.7	8.0	8.9	(-)0.9	5.4	1.0
Tasmania	8.3	14.5	7.2	10.2	(-)2.0	5.5	(-)1.1
NT	5.4	16.1	3.5	6.8	(-)13.3	13.5	0.7
States excl NSW(b)	8.8	14.1	7.3	9.1	(-)9.5	6.0	0.6
All States(b)	9.1	14.1	7.6	9.5	(-)9.9	5.2	0.3
Commonwealth(c)	8.7	9.5	8.5	7.6	(-)20.6	(-)2.3	(-)4.1

Note: Due to revisions the above figures are not comparable to those published in previous budgets.

- (a) All growth rates are calculated from 1985-86 to 1990-91, except for debt which is for the period June 1986 to June 1991 and employment which is for the period June 1986 to June 1990.
- (b) These categories do not include the ACT as it did not become a self-governing entity until 11 May 1989.
- (c) The Commonwealth figures have been adjusted to exclude significant 'State' transactions previously undertaken in the ACT by the Commonwealth except for net debt and employment figures.
- \* Not applicable as Queensland has moved from a deficit to a surplus.

Source: ABS: Government Financial Estimates 5501.0; Employed Wage and Salary Earners 6248.0.

**Table 9.4: Growth of General Government Sector, Past Five Years (a)  
(Average Annual Growth Rates, per cent)**

	Total Revenue	Tax Revenue	Total Outlays	Current Outlays	Deficit	Net Debt
NSW	10.2	14.1	11.1	12.4	8.0	5.0
Victoria	8.2	12.7	8.3	9.4	(-)0.3	10.4
Queensland	9.6	16.1	9.6	10.4	6.8	n.a *
WA	9.4	15.9	10.0	10.9	(-)13.2	10.0
SA	7.3	13.7	8.5	8.9	(-)3.2	13.1
Tasmania	8.2	14.5	9.3	11.2	7.7	12.3
NT	5.7	16.1	6.2	6.5	(-)13.3	16.8
States excl NSW(b)	8.5	14.1	8.9	9.8	(-)2.7	7.8
All States(b)	9.1	14.1	9.6	10.7	0.4	6.7
Commonwealth(c)	8.6	9.5	7.4	7.4	n.a	(-)10.8

Note: Due to revisions the above figures are not comparable to those published in previous budgets.

- (a) All growth rates are calculated from 1985-86 to 1990-91, except for debt which is for the period June 1986 to June 1991. General government employment figures are not available back to 1985-86.  
 (b) These categories do not include the ACT as it did not become a self-governing entity until 11 May 1989.  
 (c) The Commonwealth figures have been adjusted to exclude significant 'State' transactions previously undertaken in the ACT by the Commonwealth except for net debt and employment figures.

\* Not applicable as Queensland's net debt has reduced from (-)\$36 million to (-)\$2,667 million.

Source: ABS: Government Financial Estimates 5501.0; Employed Wage and Salary Earners 6248.0.

Over the past five years, the total public sector of New South Wales, along with other governments, has experienced an annual average reduction in its deficit. The on going policy of applying commercial principles to State public trading enterprises has greatly contributed to this result in New South Wales and is a reflection of the Government's commitment to restrain government expenditure, especially through increased efficiency in the provision of public services. Consequently, the growth in total public sector net debt for New South Wales has been below that of any other State. The exception is Queensland which has substantially reduced debt.

On a general government basis, the annual average growth in the deficit for New South has been above that of other States. Growth in net debt, however, has been below that of the other States, except for Queensland which has substantially reduced general government net debt.

Growth in total public sector and general government outlays has been generally higher in New South Wales over the last five years than that of the other States. Part of the NSW Government's attempt to restrain outlays is to reduce the level of employment in the public sector. As such, current outlays have been boosted by the inclusion of expenditure on redundancies.

The lower growth in total public sector and general government total revenue compared to tax revenue reflects reductions in Commonwealth payments to New South Wales in recent years. This has placed more pressure on the State to finance expenditure responsibilities through its own taxation sources.

As a result of the redundancy program and the improved efficiency in public sector authorities there has been an annual average decline in total public sector employment in New South Wales over the last four years. The only other State with a decline in employment was Tasmania.

The remainder of this chapter provides a detailed analysis of trends in the size and growth of the NSW State total public sector and general government, as well as some comparisons with other States and the Commonwealth. Unless otherwise stated, all data relating to the absolute level of indicators in 1990-91 includes all States and territories. As the Australian Capital Territory did not become a self governing entity until 11 May 1989, any reference to the growth rate of public sector indicators excludes the ACT.

Sections 9.1.2 and 9.1.3 are devoted to an analysis of NSW revenue and outlays and Section 9.1.4 provides an overview of NSW total public sector and general government employment. Restricting the level of debt is a key target of the budgetary strategy, and an interstate comparison of debt is provided in Section 9.1.5 and an overview of credit ratings is provided in Section 9.1.6. Section 9.1.7 provides a brief overview of the 1991-92 State and Commonwealth budget strategies. The appendix provides detailed definitions of the concepts used in this chapter and indicates the sources of data.

A comprehensive analysis of NSW borrowings, debt and debt costs is provided in Section 9.2.1. Public sector employee superannuation constitutes a significant financial commitment of the NSW Government and detailed information on public sector superannuation schemes is provided in Section 9.2.2.

## 9.1.2 REVENUE, TAXATION AND CHARGES\*

Public sector revenue statistics show that -

- Per capita total public sector revenue in New South Wales in 1990-91 was lower than any other State, except Victoria. Victoria and Queensland were estimated to have lower per capita revenue than New South Wales for the general government sector.
- Total public sector revenue as a proportion of GSP was estimated to be 15.6 per cent in New South Wales in 1990-91 and 14.6 per cent on a general government sector basis. Apart from Victoria, this was below that of other States which averaged 17.2 per cent for the total public sector and 15.3 for general government.
- In 1990-91, taxation revenue per person in New South Wales was estimated to grow by 9.4 per cent to \$1,521. This compares with growth in other States of 10.6 per cent. The per capita level of taxation in New South Wales is higher than that in other States. This is partly due to the higher per capita income levels enjoyed in New South Wales. Nevertheless, tax rates in New South Wales are comparable to the average of the other States.
- Total public sector own source revenue per person in New South Wales was estimated to grow by just 3.7 per cent to \$2,089 in 1990-91. On a general government sector basis own source revenue was expected to increase by 7.0 per cent to be \$1,853 in 1990-91. Own source revenue in New South Wales is some \$73 per capita higher than the average of the other States for the total public sector and \$258 higher for the general government sector.
- New South Wales was estimated to receive \$269 less per person in total public sector Commonwealth grants than the average of the other States in 1990-91 and \$246 less for the general government sector. This outcome largely accounts for New South Wales having to rely more heavily on own source revenue to finance its outlays.

### Level of Revenue and Taxation

In 1990-91, total public sector revenue per person in New South Wales was estimated to be \$3,541 for the total public sector and \$3,329 for general government. This was lower than the average of the other States at \$3,737 for the total public sector but slightly higher than the average of \$3,316 for general government.

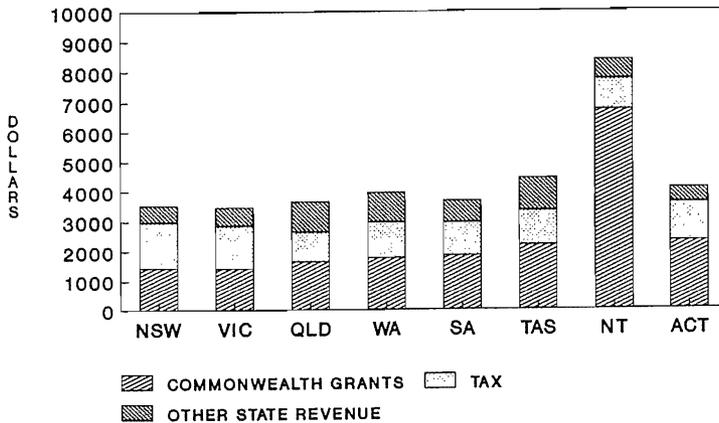
---

\* The information in this section is based on budget estimates contained within the ABS publication "Government Financial Estimates". It should be noted that the actual outcome for 1990-91 may differ significantly from the budget estimates.

The composition of total public sector revenue for each State in 1990-91 is represented in Figure 9.1. In the case of New South Wales own source revenue represents 59.0 per cent of total revenue compared with an average of 54.3 per cent for the other States. The increasing emphasis on own source revenue can be seen by comparing these figures with 1985-86 when own source revenue represented 50.4 per cent for New South Wales and 46.0 per cent for the other States. All States have become much more self reliant since the mid 1980's as a result of reductions in Commonwealth grants as well as expansion of State tax revenue due to asset price inflation in the late 1980's.

On a per capita basis, tax revenue in 1990-91 was estimated to be higher in New South Wales than any other State for both the total public sector and general government. This outcome can be explained by higher per capita incomes in New South Wales which create a relatively larger tax base. To offset this comparative advantage, the Commonwealth Government has traditionally given New South Wales relatively less in grants. In 1990-91, the New South Wales total public sector received an estimated \$1,453 per person from the Commonwealth, compared with an average of \$1,721 for the other States.

**Figure 9.1**  
STATE TOTAL PUBLIC SECTOR REVENUE  
PER PERSON, 1990-91



Source: ABS Cat Nos: 5501.0 and 3101.0

Although New South Wales collects more tax revenue per capita, increases in taxes in other States in recent years have largely eliminated differences in tax scales. In 1987-88, NSW's tax rates were around 4.6 per cent higher than the average of the other States. This difference has since been reduced with tax rates in New South Wales in 1989-90 being only 0.2% higher than the other States (based on latest available Commonwealth Grants Commission figures). Because other States increased their tax rates by more than New South Wales in 1990-91, NSW's tax rates may now be below the average of other States.

Grants Commission figures can be used to compare the tax rates of the States. An index of the severity of NSW's tax rates can be derived by comparing NSW's actual tax revenue with the revenue New South Wales could have raised if it had imposed tax rates at the average national rate. The differences can be seen in Table 9.5.

**Table 9.5: Severity of Tax Rates Compared with NSW  
1989-90, Index**

NSW	VIC	QLD	WA	SA	TAS	NT
100.0	107.0	82.4	109.9	98.7	116.1	100.7

It can be seen that in 1989-90, Victoria, Western Australia, Tasmania and the Northern Territory had higher tax rates than New South Wales while South Australia had marginally lower tax rates. In Queensland the tax rates were significantly lower, reflecting the Government's policy decision to provide a lower standard of public services.

Table 9.6 compares individual tax rates of the States as at December 1990. As can be seen from the table, tax rates in New South Wales are generally lower for land tax, stamp duties and gambling taxes, similar for payroll tax and higher for motoring taxes.

**TABLE 9.6: INTERSTATE COMPARISON OF TAX RATES (a)**

TAX EXAMPLES	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
<b>PAYROLL TAX</b> Average tax rate: On \$1 million payroll On \$10 million payroll Tax free threshold (max):	3.5% 6.65% \$500,000	4.13% 6.97% \$410,000	3.33% 5% \$500,000	3.58% 6% \$320,000	3.66% 5.99% \$414,000	5.83% 7% \$500,000	5% 5.9% \$500,000	3.5% 6.65% \$500,000
<b>STAMP DUTY</b> Average Conveyance Duty On \$10 million property: On \$10 million property:	2.75% 5.36%	4.1% 5.5%	2.8% 3.72%	2.51% 4.21%	3.43% 3.99%	2.84% 3.98%	2.8% 4.93%	2.78% 3.49%
<b>Insurance Duty</b> General Insurance: Motor Vehicle (Comprehensive): Life Insurance (on \$100,000 Policy):	11.5% 2.5% 0.1%	7% 7% 0.12%	8.5% 5% 0.1%	5% 5% 0.1%	8% 8% 1.5% on net premium	8% 8% 0.1%	5% 5% 0.1%	7% 7% 0.1%
<b>Vehicle Registration Duty</b> On a new \$25,000 car:	2%	2.5%	2%	3%	3.8%	3%	2%	2%
<b>Financial Institutions Duty:</b>	0.06%	0.06%	Nil	0.06%	0.1%	0.06%	0.025%	0.06%
<b>Share Duty:</b>	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
<b>Loan Security Duty</b> On \$100,000 loan:	0.34%	0.36%	0.4%	0.35%	0.34%	0.34%	0.35%	0.35%
<b>Cheque Duty:</b>	Nil	Nil	10c	10c	10c	Nil	10c	10c
<b>Hiring Arrangements Duty</b> A week hire of a filson car:	1.5%	1.5%	0.43%	1.8%	1.8%	2%	1.5%	Nil
<b>LAND TAX</b> Interest differences in land values have not been taken into account.	Taxable Value \$ 50,000 nil 100,000 nil 200,000 700 300,000 2,200 1m 12,700 10m 147,700 100m 1,4977m	Taxable Value \$ 50,000 nil 100,000 nil 200,000 1,180 300,000 720 1m 3,100 10m 31,420 100m 355,442m	Taxable Value \$ 50,000 80 100,000 580 200,000 1,780 300,000 3,180 1m 10,033 10m 210,000 100m 2.1m	Taxable Value \$ 50,000 310 100,000 1,020 200,000 2,940 300,000 420 1m 18,940 10m 182,270 100m 1,998,94m	Taxable Value \$ 50,000 nil 100,000 760 200,000 420 300,000 1,443 1m 21,443 10m 246,463 100m 1,8927m	Taxable Value \$ 50,000 313 100,000 913 200,000 2,363 300,000 3,000 1m 21,443 10m 246,463 100m 2.2m	Taxable Value \$ 50,000 500 100,000 1,000 200,000 2,000 300,000 3,000 1m 10m 100m 100,000	Taxable Value \$ 50,000 500 100,000 1,000 200,000 2,000 300,000 3,000 1m 10m 100m 100,000
<b>Tax Free Threshold:</b>	\$160,000	\$150,000	\$150,000	\$5,000	\$80,000	\$1,000	Nil	Nil
<b>BUSINESS FRANCHISE FEES</b>								
<b>Liquor Licence (General Fee):</b>	10%	11%	10%	11%	11%	11%	10%	10%
<b>Tobacco Licence Fee:</b>	35%	50%	30%	50%	50%	50%	50%	35%
<b>Petroleum Licences Fee (Petrol):</b> as at 8.10.90	6.53c per litre	7.25c per litre	Nil	5.67c per litre	4.5c per litre	6.15c per litre	5c per litre	6.53c per litre

(a) Rates are as at December 1990.

TABLE 9.6: INTERSTATE COMPARISON OF TAX RATES (a)

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
<b>MOTORING TAXES</b>								
PRIVATE CAR: (6 cylinder Commodore)								
Registration Flat Fee:	\$33	Nil	\$21	\$10.90	Nil	\$55	Nil	\$46 (once only)
Registration Weight Tax	\$128.45	Nil	\$206	\$78.32	\$108	\$62	\$112	\$168
Drivers' License Fee (1 year):	\$24	\$110 for 10 years	\$8.80	\$21	\$17	\$12	\$17	\$17
HEAVY VEHICLE (Articulated truck - prime mover with trailer)*								
Registration Renewal**:	\$187	\$12	\$117	\$22	n/a	\$12.50	\$41	\$54 (once only)
Registration Weight Tax:	\$3629	\$1898	\$3260	\$2517	\$2648	\$76	\$510	\$4233
Mass Permit Charge***	\$3070	\$1965	n/a	n/a	n/a	n/a	n/a	n/a
<b>GAMBLING TAXES</b>								
Racing Taxes								
On Course, Win/Place, Quinella:	14%	15%	15%	16.5%	14.5%	15%	15%	15%
Bookmakers Turnover Tax:	1%	2.25%	2%	2.25%	2.07%	2%	1.55%	1.25%
Local Metropolitan						Shares with Vic		Shares with NSW and Victoria
Local Lotteries (Government rate based on % of net subscriptions)	34.54% to 36.6%	35% to 36% plus share of profits	37% to 40% plus 5% stamp duty	25%	33% to 34%		32.5%	
Poker Machine Taxation: (The Qld Tax has yet to become Law).	1% to 22.5% of profit	Nil	Clubs: 4% Hotels: 10% of gross turnover	Nil	Nil	Nil	Nil	5% to 20% of the net theoretical return of the machine
Casinos	Nil	Nil	10% to 20%	15%	20%	15%	8% to 11%	Nil
As a proportion of gross revenue:								

(a) Rates are as at December 1990.

\* The example provided for the heavy vehicle is a 3 axle prime mover with a 3 axle trailer. Total weight of unit is 42.5 tonnes.

\*\* Registration renewal includes a registration fee (administrative charge), inspection fee, levies and non road track related vehicle weight taxes.

\*\*\* Mass Permit Charge reflects the additional costs to roads of allowing heavy vehicles to carry loads above the standard 35 tonnes. The charge typically applies to commercial long distance trucks.

n/a means not applicable.

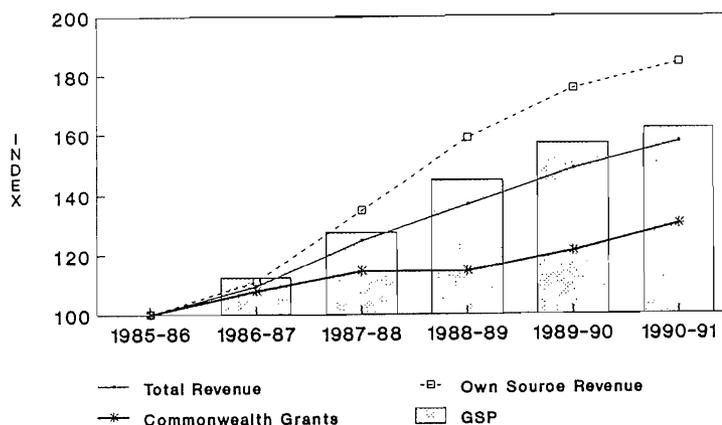
## Growth in Revenue and Tax Receipts

Growth in the different components of NSW's total public sector revenue since 1985-86 is shown in figure 9.2. Total revenue growth over the last five years has averaged 9.5 per cent per year for New South Wales compared to an average of 8.8 per cent for the other States. The growth in total revenue in New South Wales was broadly in line with the growth in GSP until 1987-88. Since then, it has been slightly below the growth in GSP. Over this period, Commonwealth grants to New South Wales grew by only 5.4 per cent annually, which was well below that of GSP and the 5.6 per cent average growth for the other States. This has forced New South Wales to increasingly rely on own source revenues, which showed an annual average growth rate of 13.0 per cent. One of the main components of the increase in own source revenues has been taxation.

Growth in the different components of NSW revenue for the general government sector over the last five years have followed a similar trend to that of public sector revenues. Total revenue growth over the last five years for this sector has averaged 10.2 per cent compared to an average of 8.5 per cent for the other States. This differential can be explained by the relatively higher growth in own source revenue for New South Wales which represents a larger proportion of general government total revenue than that of other States.

**Figure 9.2**

### NSW TOTAL PUBLIC SECTOR REVENUE GROWTH Indices, 1985-86 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

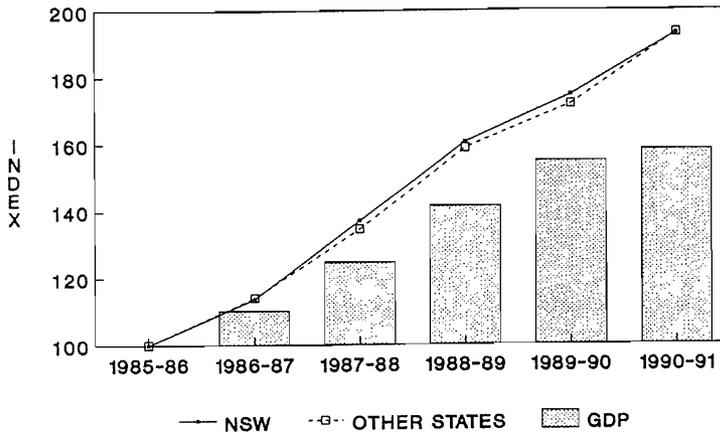
Figure 9.3 shows growth in State taxation revenue since 1985-86. Growth in taxation revenue for New South Wales in 1990-91 was estimated to be slightly higher following subdued growth in 1989-90. This subdued growth was largely a result of the property and sharemarket slump which was evidenced by reductions in the collection of contracts and conveyancing duty which alone accounted for a fall in revenue of \$515 million. The reduction in State tax receipts along with real reductions in Commonwealth grants resulted in the Government policy decision to increase tax rates in 1990-91 so as to put NSW's finances in a strong and stable position. Other States, apart from Queensland, also took a similar route.

Taxation revenue in New South Wales has grown by an average annual rate of 14.1 per cent since 1985-86. This is in line with the average of the other States. The growth in tax revenue in New South Wales in 1990-91 was 10.6 per cent. This was lower than the average increase in other States which was 12.4 per cent.

Growth in taxation revenue in New South Wales and other States has outstripped growth in Gross Domestic Production (refer Figure 9.3). This growth was necessary to compensate for the slow growth in Commonwealth grants, which declined in real terms over the period (refer Figure 9.2).

**Figure 9.3**

**STATE TAXATION REVENUE  
NSW AND OTHER STATES**  
Indices, 1985-86 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

## Government Charges

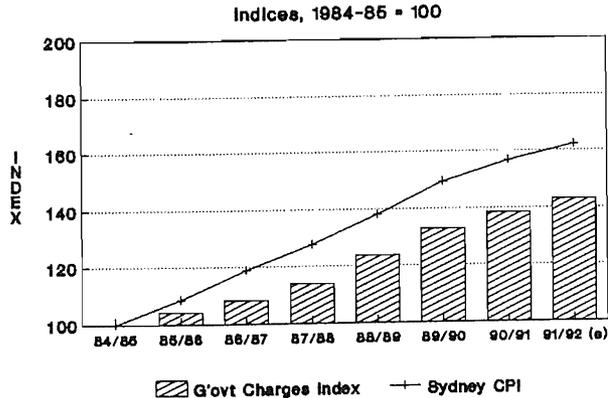
The NSW Treasury compiles an Index of State Government Charges based on the key authorities whose charges constituted the bulk of public sector impacts on both households and business. A detailed breakdown of all these charges is contained in Table 9.7.

Average increases in charges for each authority are prepared by that authority and incorporated in the Index by the NSW Treasury. Several authorities have refined their methodology for calculating the average increase in these charges, which has resulted in significant changes to estimates for previous years.

The Government Charges Index has been compiled to provide a more comprehensive analysis of the impact of State Government charges on New South Wales than does the State and Local Government Charges Index published by the Australian Bureau of Statistics. The latter makes no provision for business charges (which have a sizeable impact on State activity), and provides a less comprehensive coverage of consumer charges at the State level which impact on consumers.

Figure 9.4 shows that since 1984-85, increases in State Government charges have remained well below the increase in the general price level, as measured by the Consumer Price Index for Sydney.

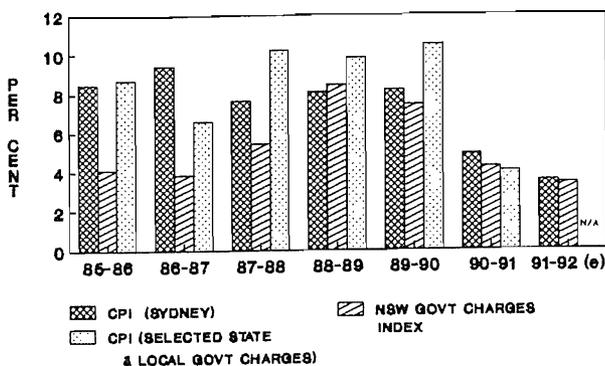
**Figure 9.4**  
**NSW GOVERNMENT CHARGES**



Source: ABS 6401.0 & NSW Treasury Index of Govt Charges

Figure 9.5 shows annual percentage changes in the Government Charges Index for NSW since 1985-86 compared with movements in the Consumer Price Index (CPI) for Sydney and the State and Local Government Charges Index. It indicates that since 1985-86 annual increases in State Government charges have been consistently below CPI movements, except for 1988-89 when the State Government charges increased by 8.4 per cent compared to 8.1 per cent for the Sydney CPI. This slight real increase in charges during 1988-89 was a result of a number of authorities moving to partially restructure prices to more closely reflect the cost of providing services.

**Figure 9.5**  
**NSW GOVERNMENT CHARGES**  
 Percentage Change on Previous Year



Source: ABS 6401.0 & NSW Treasury Index of Govt Charges

During 1990-91 the increase in Government charges averaged 4.2 per cent, compared to an overall inflation rate of 4.9 per cent. This outcome reflected real decreases in passenger fares on bus, ferry and rail services, as well as electricity charges.

Projections for NSW Government charges over 1991-92 are for an increase of 3.4 per cent, which is in line with the forecast increase in the Sydney CPI of 3.5 per cent. In the three years to 1991-92 NSW Government charges, as measured by the Treasury Index, will have risen by 21.3 per cent, compared with an increase in the Sydney CPI of 22.7 per cent. This represents a fall in real terms of 1.4 per cent.

Table 9.7 Index of NSW State Government Charges

AGENCY	ITEM	1986-87 REVENUE \$	REVENUE FRACTION weight	% MOVEMENT IN PRICE						
				85-86	86-87	87-88	88-89	89-90	90-91	91-92(e)
State Rail Authority	Freight Services	663.6	0.133293	2.5	1.5	1.0	6.2	4.7	6.3	3.0
	Passenger Services (r)	223.4	0.044873	7.8	8.9	7.7	12.8	6.4	8.2	4.7
State Transit Authority	Revenue - Bus & Ferry (r)	81.2	0.016310	11.6	7.5	8.7	12.5	7.2	7.8	2.4
Maritime Services Board	Port Charges (r)	196.6	0.039490	6.0	0.0	0.0	0.0	0.0	0.0	-4.5
Roads and Traffic Authority	Drivers Licences	70.3	0.014121	0.0	5.0	4.8	2.6	2.9	7.3	4.5
	Vehicle Registration	70.3	0.014121	0.0	10.0	22.7	7.4	7.2	6.5	3.1
Forestry Commission	Forest Royalty	56.2	0.011289	8.0	8.8	7.0	10.4	8.0	3.2	2.0
Mineral and Energy	Coal Royalty (Prescribed)	132.6	0.026635	0.0	0.0	-20.0	0.0	25.0	0.0	0.0
Land and Housing Corporation	Rents (r)	253.3	0.050879	4.6	3.5	13.9	8.4	9.2	1.8	-1.6
Land Titles Office	Charges	28.3	0.005684	10.8	17.7	5.2	14.6	5.0	7.2	5.8
Registry of Births etc	Certified Copies	5.9	0.001185	11.1	10.0	18.2	8.3	7.7	13.3	17.6
Valuer General	Valuation lists Fees	12.0	0.002410	0.0	0.0	-31.5	29.7	6.3	0.0	0.0
Waste Management Authority	Bulk Solid Waste	20.8	0.004178	0.0	6.5	8.1	34.2	8.4	5.9	#4.9
	Bulk Liquid Waste	3.7	0.000743	8.4	7.7	14.3	33.7	8.4	8.5	#4.8
Business and Consumer Affairs	Corporate Affairs Fees	49.6	0.009963	0.0	9.0	9.1	7.7	8.0	NOW FEDERAL	
Electricity Commission	Sales (all users) (r)	2038.0	0.409360	2.9	3.0	7.9	8.3	3.3	3.0	4.9
Health Department	Accommodation Charges	262.6	0.052747	15.8	9.2	8.4	14.9	9.7	8.3	5.2
	Ambulance Services	26.5	0.005223	7.0	7.0	7.0	0.0	6.5	8.3	5.2
Sydney Water Board	Domestic Usage & Service /Value Based Charges (r)	688.60	0.138314	4.2	4.7	3.7	8.9	20.0+	4.4	4.0
Hunter Water Board	Rates and Water Usage	95.0	0.019082	N/A	N/A	N/A	5.2	9.6	4.6	4.6
	Total Average % Movement	4978.5	1.00000	4.1	3.8	5.5	8.2	7.4	4.2	3.4
	CPI (Sydney all Groups) Year Avg % Movement			8.5	9.4	7.6	8.1	8.2	4.9	3.5

N/A Data not available.

# Not yet approved. Waste disposal charges under review by Treasury.

(r) Prior year data revised.

+ Figures for 1989-90 reflect a reduction in the annual kilolitre allowance free of charge from 300 KL to 250 KL, and the introduction of the environment levy. Estimates for 1990-91 reflect the application of user pays policy. The free water allowance was scrapped and as a consequence all water users receive a bill, as opposed to only about 40% of water users in previous years.

### 9.1.3 OUTLAYS\*

A comparison of total public sector and general government own purpose outlays for each State and the Commonwealth shows that -

- Per capita total public sector own purpose total outlays in New South Wales in 1990-91 were lower than all other States, except for Queensland. The general government sectors of Victoria and Queensland had lower per capita outlays than that of the NSW's general government.
- Since 1986-87 the growth in NSW total public sector own purpose outlays has been less than the growth in economic activity. For the general government this growth was above the growth in the economy for 1989-90 and 1990-91.
- Over the last five years, the growth in NSW's total public sector outlays has been above the average of the other States but slightly below that of the Commonwealth. For the general government, the growth in New South Wales has been above that of other governments.
- Growth in NSW's total public sector and general government current outlays since 1985-86 has been above the average of the other States as well as the Commonwealth. On the other hand, growth in NSW's capital outlays has been below the average of the other States and the Commonwealth for both the total public sector and the general government.

### Level of Outlays

The public sector in New South Wales spends the majority of its revenue on programs of its own responsibility. However, a proportion of its revenue (both from the Commonwealth and its own sources) is passed on to local government. Adjusting ABS figures for payments to local government provides an estimate of State total public sector own purpose outlays. A measure of own purpose outlays by general government can be obtained by adjusting for payments to public trading enterprises and other governments. Commonwealth figures on own purpose outlays have also been adjusted for transfers to the States and local government to derive the total public sector and adjusted for public trading enterprises to derive general government.

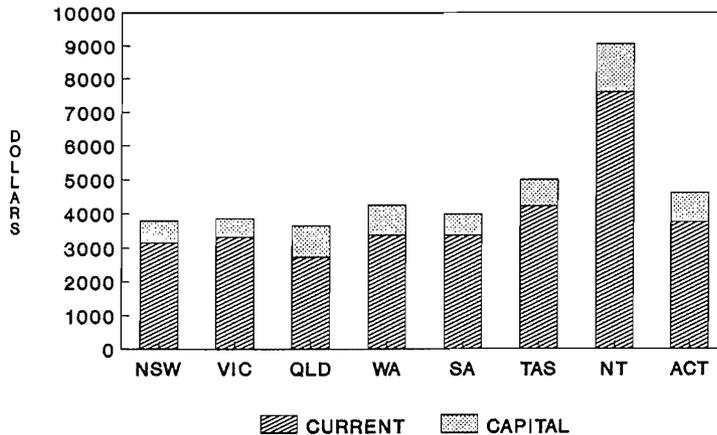
Figure 9.6 illustrates on a per capita basis the level and composition of State total public sector own purpose outlays. Current outlays are generally ongoing expenditures of government departments and authorities, whereas capital outlays are generally expenditures on works of a permanent nature such as spending on public buildings, bridges, rolling stock and other infrastructure.

---

\* The information in this section is based on budget estimates contained within the ABS publication "Government Financial Estimates". It should be noted that the actual outcome for 1990-91 may differ significantly from the budget estimates.

Figure 9.6

**STATE TOTAL PUBLIC SECTOR OUTLAYS  
PER PERSON, 1990-91**



Source: ABS Cat. Nos 5501.0 and 3101.0

In 1990-91, NSW's total public sector own purpose outlays per resident were \$3,787. Of this, 83.3 per cent (\$3,155) was allocated for current purposes and 16.7 per cent (\$632) for outlays of a capital nature. With per capita total public sector total outlays of \$3,650, Queensland was the only Government with lower per capita outlays than New South Wales.

For the general government, total per capita outlays in New South Wales were \$3,120 in 1990-91. This compared to an average of \$3,090 in other States with Queensland and Victoria having lower per capita outlays.

The Commonwealth Grants Commission makes an annual assessment of the level of current expenditure necessary for each State to provide a comparable national standard of service (standardised expenditure). The assessment takes account of a range of factors including demographic characteristics, dispersion of population and economies of scale in the provision of public services. While New South Wales does not fully accept the Commission's methodology it does provide the only available measure of expenditure across States standardised for "disability" factors.

In 1989-90, NSW's actual expenditure was 0.4 per cent higher than that which the Commonwealth Grants Commission assessed as necessary for it to provide a standard of service comparable to the average for all States. Table 9.8 compares the actual expenditure of each State with its standardised expenditure. Using New South Wales as a base, the index for each State is derived.

**Table 9.8: Relative Expenditure Levels Compared with NSW  
1989-90, Index**

NSW	VIC	QLD	WA	SA	TAS	NT
100.0	111.8	77.9	100.8	100.6	101.1	96.5

The Index shows that, compared with the expenditure assessed by the Commonwealth Grants Commission as necessary to provide a common national standard of service, Victoria, Western Australia, South Australia and Tasmania spent in excess of New South Wales while Queensland and the Northern Territory spent less.

## Growth in Outlays

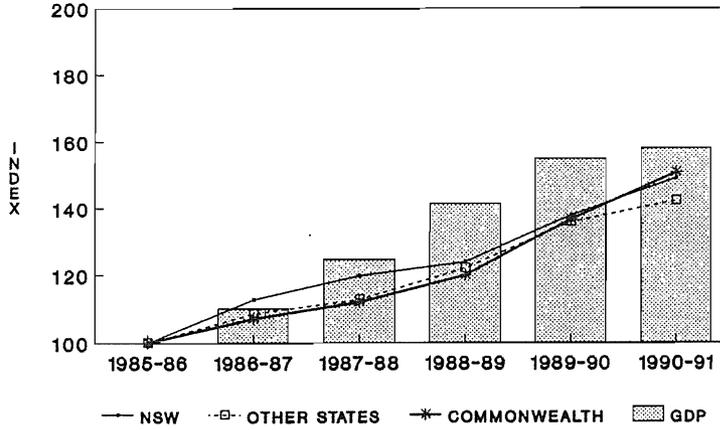
Over the period 1985-86 to 1990-91, NSW's total public sector own purpose outlays grew by an average of 8.3 per cent per annum compared with 7.3 per cent for the other States.

The growth in total public sector own purpose outlays over the period 1985-86 to 1990-91 for the various governments is shown in Figure 9.7. Since 1986-87 the growth in NSW's total outlays have been less than the growth in the economy. The subdued growth in outlays in 1988-89 was mainly due to cuts in the areas of capital expenditure on welfare, recreation and culture, economic services and general administration. Capital expenditure for economic services and welfare increased in 1989-90 and contributed toward an increase in capital outlays in this period. Growth in total outlays for 1990-91 was expected to be below that of the Commonwealth and economic activity (as measured by GDP), but slightly above the average growth of the other States.

Growth in general government outlays for New South Wales and other governments is shown in figure 9.8. Over the last five years the annual average growth in total outlays for New South Wales has been 11.1 per cent compared with 8.9 per cent for the other States. Much of the growth in total outlays in New South Wales is a result of growth in current outlays, particularly in 1989-90. The sharp increase in that year can be partly attributed to higher redundancy payments associated with reducing the size of the public sector workforce and increased expenditure on roads as a result of the 3x3 Road Improvement Program.

**Figure 9.7**

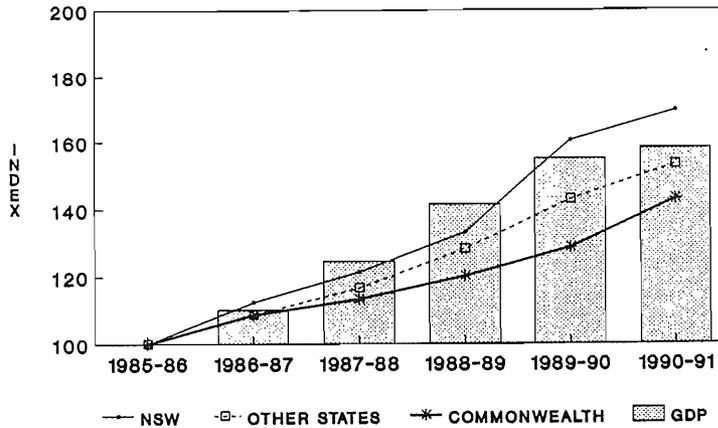
**GROWTH IN OWN PURPOSE TOTAL OUTLAYS  
TOTAL PUBLIC SECTORS**  
Indices, 1985-86 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

**Figure 9.8**

**GROWTH IN OWN PURPOSE TOTAL OUTLAYS  
GENERAL GOVERNMENT SECTORS**  
Indices, 1985-86 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

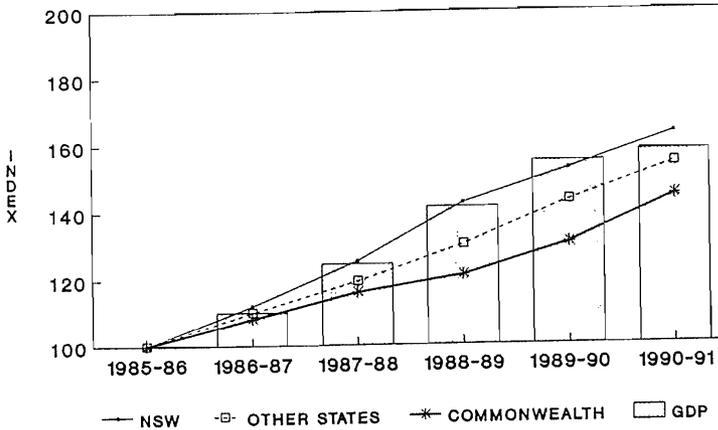
Growth in total public sector and general government current outlays over the period 1985-86 to 1990-91 is shown in Figures 9.9 and 9.10. Over this five year period the annual average growth in total public sector current outlays has been 10.3 per cent for New South Wales compared to 9.1 per cent for the other States, 7.6 per cent for the Commonwealth and 9.6 per cent for the economy generally.

For the general government sector the growth in New South Wales was 12.4 per cent compared to 9.8 per cent for the other States. The higher growth in current outlays in New South Wales results from factors such as the State's redundancy program.

New South Wales has been much more restrained in its growth in capital outlays. The average annual growth in total public sector capital outlays for New South Wales over the last five years has been only 0.7 per cent compared to 1.1 per cent for the average of the other States. The general government growth in capital outlays for New South Wales over the last five years was 2.1 per cent compared to 3.3 per cent for the other States.

**Figure 9.9**

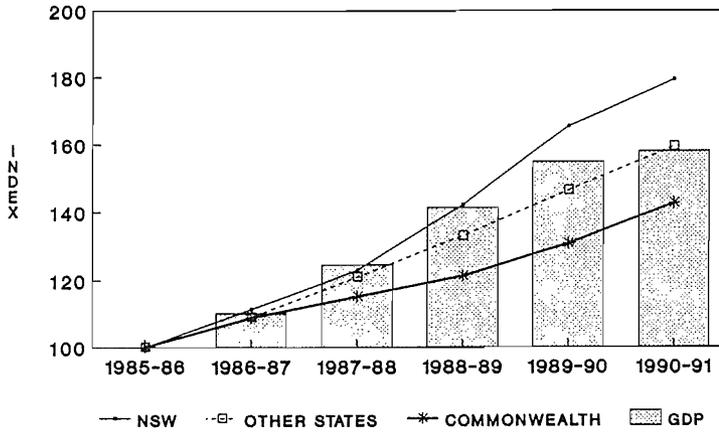
**GROWTH IN OWN PURPOSE CURRENT OUTLAYS  
TOTAL PUBLIC SECTORS**  
Indices, 1985-86 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

Figure 9.10

GROWTH IN OWN PURPOSE CURRENT OUTLAYS  
 GENERAL GOVERNMENT SECTORS  
 Indices, 1985-86 = 100



Source: ABS Cat. Noe 5501.0 and 5208.0

## 9.1.4 EMPLOYMENT

Information on State public sector employment, based on Australian Bureau of Statistics (ABS) data, shows that -

- There are fewer State public sector employees per head of population in New South Wales than any other State;
- Public sector employment in New South Wales has been declining since June 1987. By contrast, public sector employment for the total of the other States has increased each year, except for the period June 1990 to December 1990; and
- Notwithstanding the subdued level of public sector employment, total employment in NSW has been increasing up until June 1990. As a result of the economic recession, there was some decline in employment between June 1990 to December 1990.

### Level of Employment

Figure 9.11 compares the level of State public sector employment for New South Wales and other States. In December 1990, New South Wales had 61 State public sector employees per 1,000 of population, the lowest of any State. This level was followed closely by Queensland (63) and the Australian Capital Territory (69).

**Figure 9.11**

#### LEVEL OF GOVERNMENT EMPLOYMENT NSW AND OTHER STATES Employment per 1,000 Population

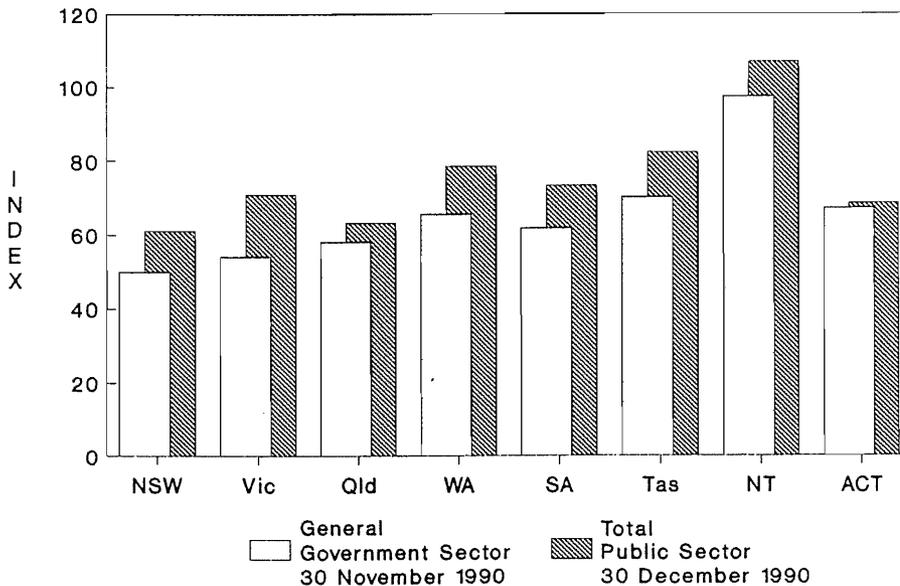


Figure 9.11 also compares the level of employment in General Government Enterprises. In December 1990, New South Wales had the lowest rate of 50 per 1000 population followed by Victoria (54) and Queensland (58).

## Growth in Public Sector Employment

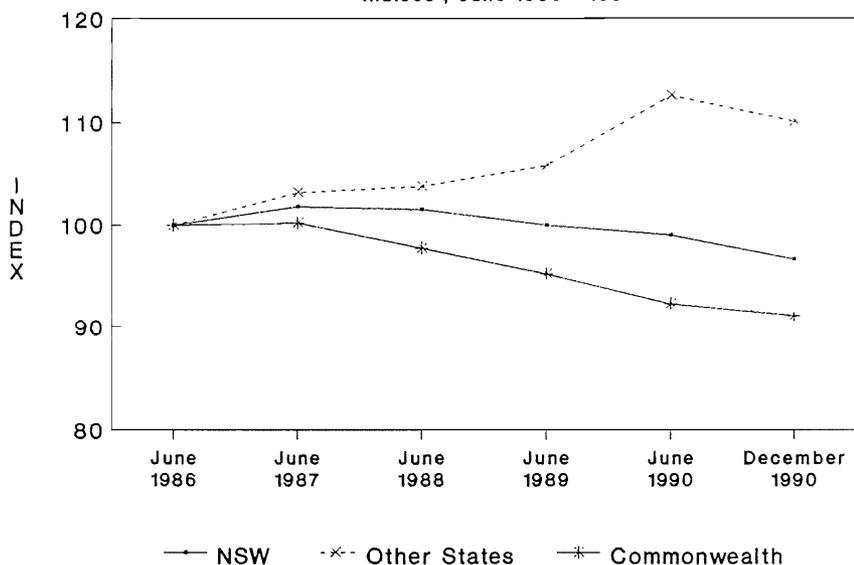
Figure 9.12 compares the change in NSW public sector employment with that of other States and the Commonwealth. Following some growth in public sector employment during 1986-87, NSW public sector employment has since declined to a level of 358,600 employees in December 1990. By contrast, public sector employment for the total of the other States has risen each year, except for the period June 1990 to December 1990. Employment in the Commonwealth has been declining since June 1987.

The annual average growth in public sector employment for the period June 1986 to June 1990 was (-)0.2 per cent for New South Wales compared to 0.6 per cent for the other States and (-)4.1 per cent for the Commonwealth.

**Figure 9.12**

### GROWTH IN GOVERNMENT EMPLOYMENT NSW AND OTHER GOVERNMENTS

Indices, June 1986 = 100



Source: ABS Cat. No: 6248.0

## Level and Growth of NSW Public Sector Employment

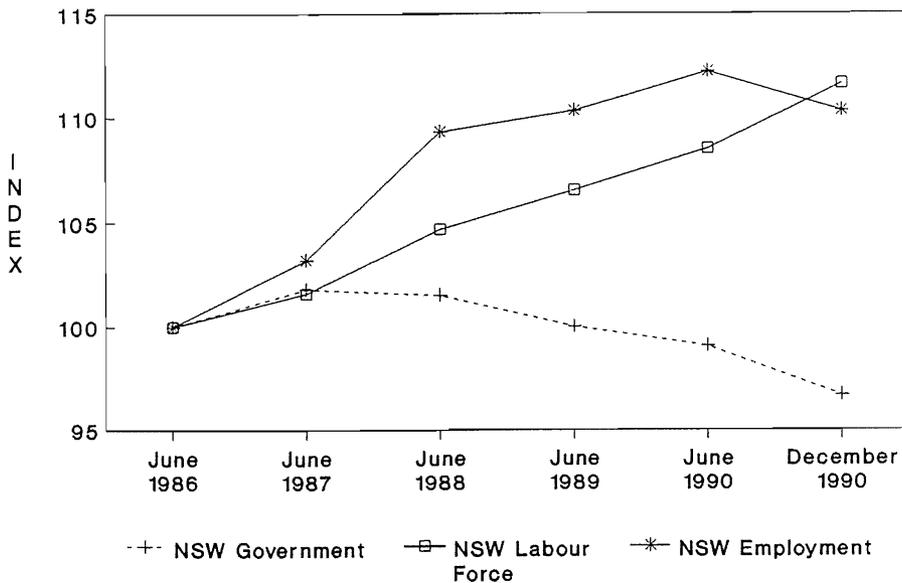
On the basis of ABS employment data, Figure 9.13 compares the growth of NSW public sector employment with the growth in NSW total employment and the labour force for the period June 1986 to December 1990.

From June 1986 to June 1990, the annual average contraction of NSW public sector employment was 0.2 per cent. This compares with a growth of 2.9 per cent in NSW total employment and 2.1 per cent for the labour force. From June 1990 to December 1990, growth in NSW public sector employment was (-)2.4 per cent compared to (-)1.6 per cent for NSW total employment and 2.8 per cent growth in the labour force.

It should be noted, though, that ABS employment data is a head count and as such does not distinguish between part time and full time employment.

**Figure 9.13**

### NSW PUBLIC SECTOR EMPLOYMENT TOTAL EMPLOYMENT AND LABOUR FORCE Indices, June 1986 = 100



Source: ABS Cat. Nos: 6203.0 and 6248.0.

The NSW Treasury compiles staff statistics which provide a more accurate measure of the absolute size and trend in NSW public sector employment, because employment is expressed in terms of equivalent full time (EFT) positions.

Table 9.9 shows the trends in NSW public sector employment by sector since June 1987 and the percentage changes over that period. The classification of organisations into budget and non budget sector reflects the findings of the report on "Classification and Control of State Organisations" adopted by Cabinet in June 1989.

The inner budget sector has recently been renamed the Budget Sector, whereas the outer budget and non budget sectors are now both referred as Non Budget Sector.

**Table 9.9: NSW Public Sector Employment, June 1987-91 (a)**  
000's

Sector	June 1987	% Change	June 1988	% Change	June 1989	% Change	June 1990	% Change	June 1991	% Change
Budget	214.0	3.4	216.8	1.3	215.7	(-)0.5	215.8	0.0	218.6	1.3
Non Budget	101.0	(-)4.0	95.7	(-)5.2	88.7	7.3	80.8	(-)8.9	73.7	(-)8.8
Financial	9.0	6.2	9.1	1.2	9.3	2.2	9.8	5.2	9.7	(-)0.6
Total	324.0	1.1	321.6	(-)0.7	313.7	(-) 2.5	306.4	(-)2.3	302.0	(-)1.4
Total NSW Labour Force	2,626.2	1.6	2,705.5	3.0	2,751.5	1.7	2,804.4	1.9	2,827.3	0.8

Source: NSW Public Sector Employment Statistics; Australian Bureau of Statistics Catalogue No. 6203.0.

Notes: (a) Table shows effective full time positions. Data for earlier years have been refined to make them comparable to the structure of Government administration in 1991-92 and are therefore not comparable with the data appearing in the corresponding table in earlier budget papers.

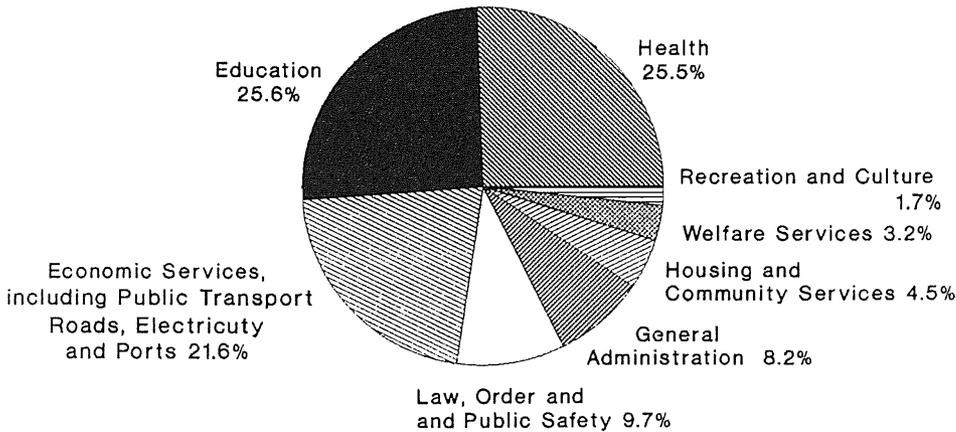
This table shows that NSW public sector employment has fallen by 6.8 per cent since June 1987. The sharpest fall has been in the non budget sector where staffing has decreased by 27.0 per cent since June 1987. This trend reflects the Government's policy to boost productivity in the State public sector, particularly Government Trading Enterprises.

## Functional Classification of NSW Public Sector Employment

Figure 9.14 shows the share of public sector employment by functional classification. While the same functional classification is used for expenditure and employment, it is not possible to record and classify the employment related to certain payments (such as various transport subsidies). Nevertheless, Education and Health are again the largest functional areas of government employment, each accounting for about one quarter of the total. Economic Services, including transport, electricity generation, road construction and maintenance and provision of port services, accounts for a further 21.6 per cent of NSW public sector employment.

**Figure 9.14****NEW SOUTH WALES PUBLIC SECTOR EMPLOYMENT  
BY FUNCTION**

Percentage Share at June 1991



Source: NSW Public Sector Employment Statistics

Table 9.10 shows the level of NSW public sector employment for June 1990 and June 1991 for each department and agency, classified by function and Budget Sector. These figures refer to employment during June not at 30 June and are not directly comparable with average staffing shown in Budget Paper No. 3 which are twelve month averages. Major revisions have been made to the classification of public sector employees by organisation and so the figures are not comparable with published figures in previous Budgets (refer Appendix for details).

During 1990-91, there was an overall reduction of 4,362 in total Public Sector employment consisting of a 7,169 decline in the Non Budget and Financial Sectors and a 2,800 increase in the Budget Sector.

For the Budget Sector, the increases in employment were concentrated in the area of law, order and public safety (increase in Corrective Services due to the large increase in prisoner numbers, increase in the Director of Public Prosecutions due to the program of reducing Court backlogs), Technical and Further Education Commission (increase in enrolments), Department of Community Services, Department of Agriculture (impact of duplication of positions in the transition phase of moving to Orange), State Electoral Office (impact of 1991 State Sector).

The decline in the Non Budget Sector was mainly in the economic services area, principally Public Works Department, Maritime Services Board, State Rail Authority, State Transit Authority, Electricity Commission, and the Commercial Services Group (due to increased productivity in the Government Cleaning Service).

**Table 9.10: NSW Public Sector Employment, by Department and Agency,  
Classified by Policy Area and Budget Sector**

Function/Agency	June 1990			June 1991		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
<b>LAW, ORDER AND PUBLIC SAFETY</b>						
Attorney General's Office	352	...	352	384	...	384
Department of Bush Fire Services	42	...	42	53	...	53
Compensation Court of New South Wales	151	...	151	167	...	167
Department of Corrective Services	4,487	...	4,487	5,091	...	5,091
Director of Public Prosecutions	404	...	404	515	...	515
New South Wales Crime Commission	68	...	68	112	...	112
Department of Court Administration	2,800	...	2,800	2,928	...	2,928
New South Wales Fire Brigades	3,374	...	3,374	3,300	...	3,300
Independent Commission Against Corruption	118	...	118	133	...	133
Judicial Commission	16	...	16	20	...	20
Legal Aid Commission	476	...	476	501	...	501
Motor Accident Authority	...	16	16	...	20	20
Police Service of New South Wales	16,325	...	16,325	16,331	...	16,331
Public Trust Office	...	424	424	...	448	448
Registrar of Births, Deaths and Marriage	...	126	126	...	127	127
State Emergency Services	86	...	86	75	...	75
<b>Total, Law, Order and Public Safety</b>	<b>28,699</b>	<b>566</b>	<b>29,265</b>	<b>29,610</b>	<b>595</b>	<b>30,205</b>
<b>EDUCATION</b>						
Department of School Education	58,461	...	58,461	58,609	...	58,609
Office of Education and Youth Affairs	350	...	350	381	...	381
Technical and Further Education Commission	17,178	...	17,178	17,928	...	17,928
<b>Total, Education</b>	<b>75,989</b>	<b>...</b>	<b>75,989</b>	<b>76,918</b>	<b>...</b>	<b>76,918</b>

Function/Agency	June 1990			June 1991		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
<b>HEALTH</b>						
Department of Health	76,418	...	76,418	76,886	...	76,886
Total, Health	76,418	...	76,418	76,886	...	76,886
<b>WELFARE SERVICES</b>						
Department of Community Services	7,092	2,625	7,092	7,339	2,329	7,339
Home Care Service of New South Wales	...	...	2,625	...	...	2,329
Total, Welfare Services	7,092	2,625	9,717	7,339	2,329	9,668
<b>HOUSING AND COMMUNITY SERVICES</b>						
Broken Hill Water Board	...	103	103	...	101	101
Department of Housing	...	2,259	2,259	...	2,101	2,101
Hunter Valley Water Board	...	1,114	1,114	...	1,082	1,082
Office of the Minister for Housing	10	10	10	10	...	10
Department of Planning	417	...	417	416	...	416
State Pollution Control Commission	298	...	298	313	...	313
The Water Board	...	9,472	9,472	...	9,365	9,365
Waste Management Authority	...	127	127	...	139	139
Total, Housing and Community Services	725	13,075	13,800	739	12,788	13,527

Function/Agency	June 1990			June 1991		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
<b>RECREATION AND CULTURE</b>						
Bicentennial Park Trust .....	30	..	30	65	..	65
Centennial Park Trust .....	19	..	19	19	..	19
Greyhound Racing Control Board .....	..	27	27	..	27	27
Harness Racing Authority .....	..	47	47	..	47	47
Jenolan Caves Reserve Trust .....	..	38	38	..	40	40
Ministry for the Arts .....	1,355	..	1,355	1,442	..	1,442
Ministry for the Environment .....	26	..	26	31	..	31
National Parks and Wildlife Service .....	958	..	958	1,007	..	1,007
Royal Botanic Gardens and Domain Trust .....	282	..	282	273	..	273
Sydney Opera House .....	..	376	376	..	383	383
Department of Sport, Recreation and Racing .....	373	..	373	388	..	388
Sydney Cricket Ground Trust .....	..	79	79	..	44	44
State Sports Centre Trust .....	..	35	35	..	27	27
Totalizer Agency Board .....	..	984	984	..	973	973
Tourism Commission .....	..	58	58	..	..	..
Tourism Commission - Caves Resorts .....	167	..	167	173	..	173
Zoological Parks .....	..	282	282	..	267	267
<b>Total, Recreation and Culture .....</b>	<b>3,210</b>	<b>1,926</b>	<b>5,136</b>	<b>3,398</b>	<b>1,808</b>	<b>5,206</b>
<b>ECONOMIC SERVICES</b>						
Agriculture, Forestry and Fishing .....						
Dairy Corporation .....	..	178	178	..	153	153
Department of Agriculture .....	3,007	..	3,007	3,261	..	3,261
Department of Conservation and Land Management .....	568	..	568	561	..	561
(State Pollution Control) .....	..	65	65	..	73	73
Fish Marketing Authority .....	..	..	..	..	..	..

Function/Agency	June 1990			June 1991		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
<b>ECONOMIC SERVICES</b>						
Agriculture, Forestry and Fishing (cont)						
Forestry Commission	...	1,851	1,851	...	1,776	1,776
Grain Corporation	...	518	518	...	507	507
Homebush Abattoir Corporation	...	39	39	...	31	31
Irrigation Areas and Districts	...	709	709	...	636	636
Meat Industry Authority	...	20	20	...	20	20
Office of Fisheries	322	...	322	293	...	293
Rural Assistance Authority	45	...	45	62	...	62
SoilBusiness	...	334	334	...	400	400
Sydney Market Authority	...	106	106	...	87	87
Department of Water Resources	1,051	...	1,051	1,121	...	1,121
<b>Sub-Total, Agriculture, Forestry and Fishing</b>	<b>4,993</b>	<b>3,820</b>	<b>8,813</b>	<b>5,298</b>	<b>3,683</b>	<b>8,981</b>
<b>Mining, Manufacturing and Construction</b>						
Building Services Corporation	...	192	192	...	196	196
Department of Mineral Resources	518	...	518	473	...	473
Coal Compensation Board	45	...	45	45	...	45
Lord Howe Island Board	...	33	33	...	33	33
Mines Subsidence Board	...	13	13	...	13	13
Office of Energy	94	...	94	104	...	104
Public Works (Other Sources)	...	2,921	2,921	...	2,648	2,648
<b>Sub-Total, Mining, Manufacturing and Construction</b>	<b>657</b>	<b>3,159</b>	<b>3,816</b>	<b>622</b>	<b>2,890</b>	<b>3,512</b>
<b>Transport and Communication</b>						
Department of Transport	371	...	371	251	...	251
Maritime Services Board	...	2,309	2,309	...	1,462	1,462

Function/Agency	June 1990			June 1991		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
<b>Transport and Communication (cont)</b>						
Roads and Traffic Authority .....	10,418	..	10,418	10,290	..	10,290
State Rail Authority .....	..	28,525	28,525	..	26,387	26,387
State Transit Authority .....	..	5,362	5,362	..	4,889	4,889
<b>Sub-Total, Transport and Communication .....</b>	<b>10,789</b>	<b>36,196</b>	<b>46,985</b>	<b>10,541</b>	<b>32,738</b>	<b>43,279</b>
<b>Other, Economic Services</b>						
Department of Consumer Affairs .....	871	..	871	624	..	624
Development Corporations .....	..	3	3	..	3	3
Department of Industrial Relations, Employment, Training and Further Education .....	1,256	..	1,256	1,496	..	1,496
Electricity Commission .....	..	7,250	7,250	..	6,686	6,686
Motor Vehicle Repair Industry Council .....	..	32	32	..	32	32
Department of State Development .....	224	..	224	237	..	237
Sydney Cove Redevelopment Authority .....	..	38	38	..	47	47
<b>Sub-Total, Other, Economic Services .....</b>	<b>2,351</b>	<b>7,323</b>	<b>9,674</b>	<b>2,357</b>	<b>6,768</b>	<b>9,125</b>
<b>Total, Economic Services .....</b>	<b>18,790</b>	<b>50,498</b>	<b>69,288</b>	<b>18,818</b>	<b>46,079</b>	<b>64,897</b>
<b>GENERAL ADMINISTRATION</b>						
<b>Legislative Services</b>						
Legislature .....	529	..	529	534	..	534
Parliamentary Counsel's Office .....	46	..	46	46	..	46
State Electoral Office .....	30	..	30	244	..	244
<b>Sub-Total, Legislative Services .....</b>	<b>605</b>	<b>..</b>	<b>605</b>	<b>824</b>	<b>..</b>	<b>824</b>

Function/Agency	June 1990			June 1991		
	Budget Sector	Non Budget Sector	Total	Budget Sector	Non Budget Sector	Total
<b>Financial and Fiscal Services</b>						
Auditor General	183	186	186	190	183	183
Chief Secretary's Department	..	..	183	..	..	190
Government Insurance Office	..	2,672	2,672	..	2,956	2,956
Internal Audit Bureau	..	18	18	..	16	16
Property Services Group	..	255	255	..	284	284
State Lotteries Office	..	314	314	..	297	297
NSW Superannuation Office	..	136	136	..	132	132
State Bank	..	6,638	6,638	..	6,282	6,282
State Authorities Superannuation Board	..	630	630	..	682	682
Treasury	805	..	805	777	..	777
Treasury Corporation	..	61	61	..	65	65
Valuer General's Department	..	418	418	..	387	387
Workcover Authority	..	745	745	..	846	846
<b>Sub-Total, Financial and Fiscal Services</b>	<b>988</b>	<b>12,073</b>	<b>13,061</b>	<b>967</b>	<b>12,130</b>	<b>13,097</b>
<b>Other, General Administration</b>						
Cabinet Office	88	..	88	90	..	90
Darling Harbour Authority	53	..	53	56	..	56
Commercial Services Group	185	9,025	9,210	35	6,919	6,954
Department of Conservation and Land Management (Department of Lands)	1,071	..	1,071	1,030	..	1,030
Ethnic Affairs Commission	93	..	93	86	..	86
Government Actuaries	..	11	11	..	11	11
Land Titles Office	214	820	820	210	791	791
Department of Local Government and Co-operatives	68	..	68	71	..	71
Ombudsman's Office	353	..	353	476	..	476
Premier's Department	1,119	..	1,119	1,014	..	1,014
Public Works Department (Consolidated Fund)	..	..	..	..	..	..
<b>Sub-Total, Other, General Administration</b>	<b>3,244</b>	<b>9,856</b>	<b>13,100</b>	<b>3,068</b>	<b>7,721</b>	<b>10,789</b>
<b>Total, General Administration</b>	<b>4,837</b>	<b>21,929</b>	<b>26,766</b>	<b>4,859</b>	<b>19,851</b>	<b>24,710</b>
<b>TOTAL, ALL FUNCTIONS</b>	<b>215,760</b>	<b>90,619</b>	<b>306,379</b>	<b>218,567</b>	<b>83,450</b>	<b>302,017</b>

## 9.1.5 DEFICITS, DEBT AND DEBT COSTS\*

Deficits, debt and debt costs are important measures of the financial position of the total public and general government sectors. They are also important intergovernmental indicators when measured in relation to the size of State economies, population and State revenue.

ABS data for 1990-91, based on budget estimates for that year, are available for deficits and debt servicing costs\*. Estimates of comparable State net debt over the period June 1986 to June 1991 have been calculated on the same basis as the ABS in the publication "1990-91 Government Financial Estimates, Australia". This has involved using June 1988 as a base date for calculation.

Interstate comparisons of deficits, debt and debt costs show that -

- The total public sector per capita deficit in New South Wales was below that of all other States except Queensland. For the general government sector the per capita deficit in Western Australia and Queensland was below that of New South Wales.
- At June 1991, NSW's total public sector net debt as a proportion of GSP was estimated to be 16.2 per cent compared with an average of 21.4 per cent for the other States. The NSW general government net debt as a proportion of GSP was also estimated to be below the average of the other States in June 1991.
- Over the period June 1986 to June 1991, NSW's total public sector net debt as a proportion of GSP has been consistently below the average of the other States. General government net debt grew by an annual average of 5.0 per cent for New South Wales over this period compared to an average of 7.8 per cent for the other States.
- In 1990-91, NSW's total public sector debt servicing ratio was 13.5 per cent. Queensland, Northern Territory and the ACT were the only States with lower debt servicing ratios.
- Over the last five years NSW's total public sector debt servicing ratio has been consistently below the average of the other States.

### Level of Deficits

A public sector's deficit provides some indication of its financial position. The ABS defines a deficit as an amount equal to outlays less revenue plus increases in provisions other than for depreciation.

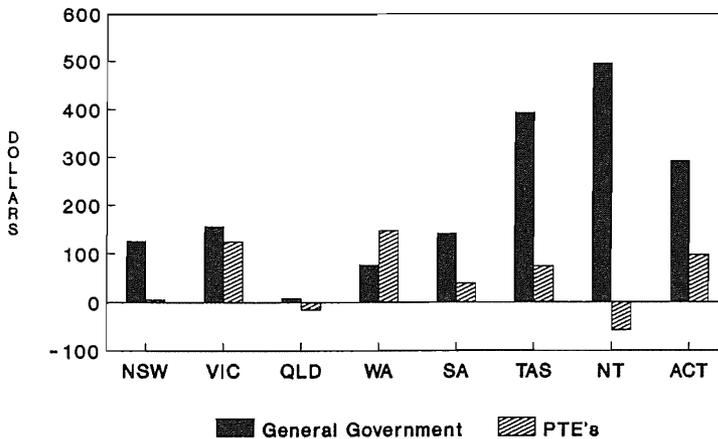
---

\* The information in this section is based on budget estimates contained within the ABS publication "Government Financial Estimates". It should be noted that the actual outcome for 1990-91 may differ significantly from the budget estimates.

Figure 9.15 compares per capita State government deficits for general government and public trading enterprises in 1990-91. The total public sector per capita deficit in New South Wales was below that of all other States except Queensland. The Government's on-going policy in New South Wales of applying commercial principles to public trading enterprises has greatly contributed to this result.

For the general government sector the per capita deficit in Queensland and Western Australia was below that of New South Wales.

**Figure 9.15**  
STATE GOVERNMENT DEFICITS  
PER PERSON, 1990-91



Source: ABS Cat. Nos: 5501.0 and 3101.0

## Growth of Deficits

Tables 9.11 and 9.12 shows the deficits of the total public and general government sectors for the States from 1985-86 to 1990-91.

Table 9.11: Total Public Sector Deficit: 1985-86 to 1990-91 (1)

Public Sector	(\$ million)						Annual Average Growth Rate	Per cent of GSP	
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91		1985-86 to 1990-91	1985-86
NSW	1,434	2,129	1,170	(-1,675)	344	799	(-111.0)	1.7	0.6
Victoria	2,176	1,942	1,765	1,640	2,700	1,353	(-9.1)	3.2	1.3
Queensland	409	484	(-310)	(-911)	(-1,696)	(-15)	n.a.	1.2	0.0
WA	467	489	271	591	603	354	(-5.4)	2.1	0.9
SA	258	413	89	183	577	246	(-0.9)	1.3	0.9
Tasmania	261	184	157	219	107	236	(-2.0)	4.8	2.8
NT	178	170	68	48	120	87	(-13.3)	6.9	2.1
States excluding NSW	3,749	3,682	2,040	1,770	3,411	2,271	(-9.5)	2.4	1.0
All States	5,163	5,811	3,210	1,085	3,755	3,070	(-9.9)	2.2	0.8
Commonwealth	6,401	3,921	(-12,992)	(-16,858)	(-12,639)	2,026	(-120.6)	2.7	0.5-

(1) Note that this table does not include the ACT and so will not necessarily correspond with the figures presented in Section 9.1.1.

Source: ABS Cat. No. 5501.0

Table 9.12: General Government Sector Deficit: 1985-86 to 1990-91

Public Sector	(\$ million)						Annual Average Growth Rate	Per cent of GSP	
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91		1985-86	1990-91
NSW	503	970	340	(-494)	976	739	8.0	0.6	0.6
Victoria	699	1,113	848	1,057	845	688	(-10.3)	1.0	0.7
Queensland	18	(-172)	(-473)	(-732)	(-335)	25	6.8	0.1	0.0
WA	254	305	69	324	310	125	(-13.2)	1.3	0.4
SA	240	384	254	149	462	204	(-13.2)	1.1	0.5
Tasmania	124	115	124	187	85	180	7.7	2.3	2.2
NT	159	148	98	41	140	78	(-13.3)	6.1	1.9
States excluding NSW	1,494	1,993	920	1,026	1,607	1,300	(-12.7)	1.0	0.5
All States	1,997	2,963	1,260	532	2,583	2,039	0.4	0.8	0.5
Commonwealth	5,611	2,535	(-2,264)	(-6,141)	(-7,855)	(-1,066)	n.a	2.3	(-10.3)

(1) Note that this table does not include the ACT and so will not necessarily correspond with the figures presented in Section 9.1.1.

Source: ABS Cat. No. 5501.0

The total public sector and general government budget outcome improved greatly in New South Wales in 1988-89 due to the boom in State revenue. Based on budget estimates the average annual change in the NSW deficit over the last five years was (-)11.0 per cent for the total public sector compared to an average of (-)9.5 per cent for the other States. The only other States with a greater reduction in their deficits was Queensland (which moved from a deficit to a surplus) and the Northern Territory.

The general government deficit in New South Wales has increased by an annual average of 8.0 per cent over the last five years compared to a reduction of 2.7 per cent for the average of the other States. The different growth rates in New South Wales for general government and the total public sector is a result of the relatively better performance of public trading enterprises compared to general government.

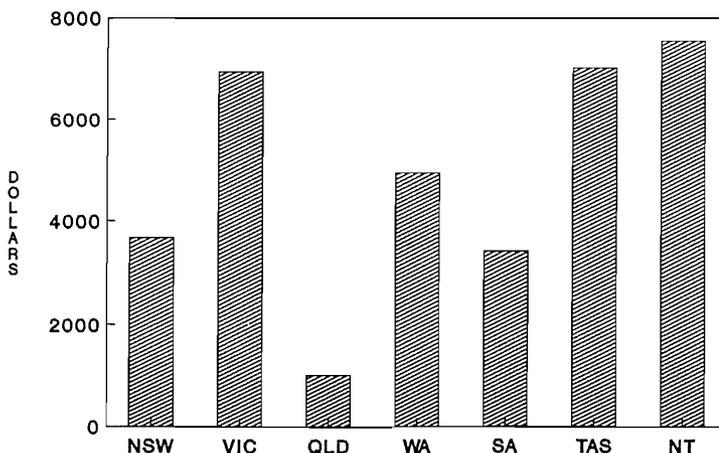
## Debt

Estimates of net debt on a comparable basis for all States (including the Northern Territory) have recently been published by the ABS. Net debt has been defined as gross debt less financial assets (for more detailed definitions refer to the appendix)

Figure 9.16 shows total public sector net debt per person at June 1991. New South Wales had the third lowest per capita total public sector net debt at \$3,677, compared with an average of \$4,619 for the other States. Queensland and South Australia were the only States with lower net debt per person than New South Wales. However, in the case of South Australia, the recently announced \$2.2 billion rescue package for the State Bank of South Australia would increase net debt from 17.5 per cent of GSP to 25.3 per cent.

For the general government sector, Queensland, South Australia and Western Australia were expected to have lower per capita net debt than New South Wales at June 1991. Again, it should be noted that the South Australian State Bank rescue package would adversely affect the South Australian general government result.

**Figure 9.16**  
STATE TOTAL PUBLIC SECTOR NET DEBT  
PER PERSON, JUNE 1991



Source: ABS Cat Nos 5501.0 and 3101.0

Tables 9.13 and 9.14 provides information on the level of total public sector and general government net debt for each state both as a proportion of GSP and per person.

**Table 9.13: Total Public Sector Net Debt, June 1991**

	\$m	%GSP	Per Person (\$)
NSW	21,552	16.2	3,677
Vic	30,591	29.1	6,941
Qld	2,989	5.4	1,017
WA	8,164	21.9	4,948
SA*	4,959	17.5	3,425
Tas	3,226	38.8	7,028
NT	1,194	29.2	7,557
States (excl NSW)	51,123	21.4	4,619
All States	72,675	19.5	4,295

\* When adjusted for the State Bank of South Australia rescue package, net debt for South Australia would have been estimated to be \$7,159 million which represents 25.3 per cent of GSP and \$4,944 per capita.

**Table 9.14: General Government Net Debt, June 1991**

	\$m	%GSP	Per Person (\$)
NSW	9,367	7.0	1,598
Vic	14,746	14.0	3,346
Qld	(-)2,667	(-)4.8	(-)908
WA	2,300	6.2	1,394
SA	1,273	4.5	879
Tas	1,188	14.3	2,588
NT	692	16.9	4,380
States (excl NSW)	17,532	7.3	1,584
All States	26,899	7.2	1,590

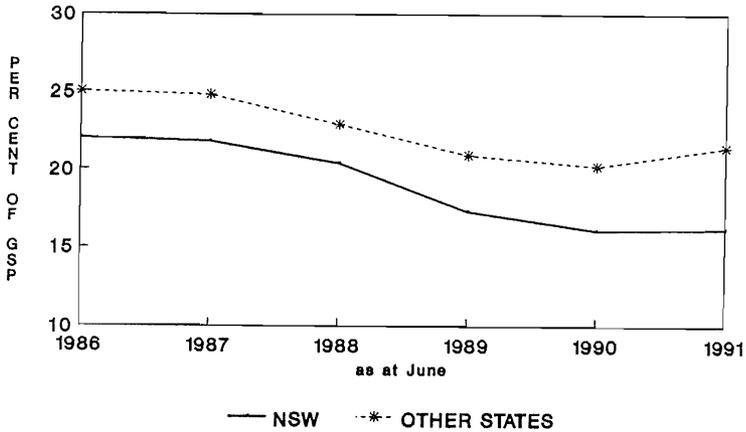
Source: ABS: 5206.0 Australian National Accounts; ABS: 3101.0, Australian Demographic Statistics.

As at June 1991, NSW's total public sector net debt was 16.2 per cent of GSP compared with an average of 21.4 per cent for the other States. For the general government sector net debt in New South Wales was 7.0 per cent compared to 7.3 per cent for the other States.

Growth in total public sector net debt for the period June 1986 to June 1991 was 3.5 per cent per year for New South Wales, compared to 6.0 per cent for the average of the other States. NSW's total public sector net debt as a proportion of GSP declined over the period June 1987 to June 1990 with an expected slight pick up in June 1991 (refer figure 9.17). This is in line with the trend evidenced for the other States. However, over this period, NSW's net debt as a proportion of GSP has been consistently below the average of the other States.

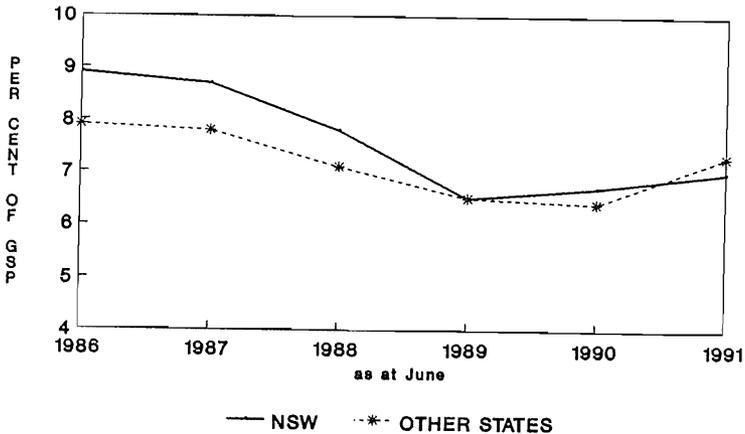
General government net debt in New South Wales grew by an annual average of 5.0 per cent over the last five years compared to 7.8 per cent for the average of the other States. General government net debt declined in New South Wales over the period June 1986 to June 1989 and has been estimated to increase slightly since then (refer figure 9.18). Net debt for the average of the other States decreased over the period June 1986 to June 1990 but was estimated to increase dramatically in June 1991.

**Figure 9.17**  
**TOTAL PUBLIC SECTOR NET DEBT**  
**AS A PROPORTION OF GSP**  
**NSW AND OTHER STATES**



Source: ABS Cat Nos 5501.0 and 3101.0

**Figure 9.18**  
**GENERAL GOVERNMENT NET DEBT**  
**AS A PROPORTION OF GSP**  
**NSW AND OTHER STATES**



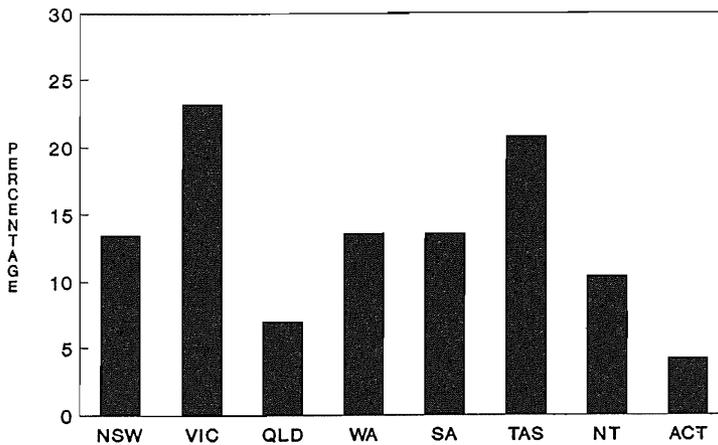
Source: ABS Cat Nos 5501.0 and 3101.0

## Debt Cost

Debt costs are an indicator of the present burden created by past borrowings. Figure 9.19 shows the debt servicing ratio, defined as the net interest costs as a proportion of State revenue, for New South Wales and the other States in 1990-91 on a total public sector basis. A comparison on a general government sector basis has not been provided due to inconsistencies in state government policies on funding for public trading enterprises.

NSW's debt servicing ratio was 13.5 per cent in 1990-91. Queensland, Northern Territory and the ACT were the only States with lower debt servicing ratios.

**Figure 9.19**  
NET INTEREST PAYMENTS  
STATE TOTAL PUBLIC SECTORS  
PERCENTAGE OF STATE REVENUE, 1990-91

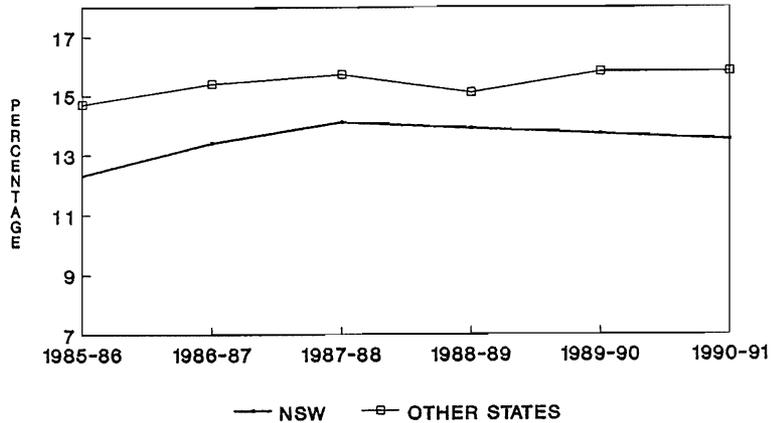


Source: ABS Cat. Nos 5501.0 and 3101.0

Over the five years to 1990-91, NSW's total public sector net interest payments grew by 12.1 per cent per year, reflecting the strong growth in debt up to 1987-88. This was higher than that of the other States which averaged 11.0 per cent per year.

Figure 9.20 shows growth in the debt servicing ratio for New South Wales and the other States.

**Figure 9.20**  
**NET INTEREST PAYMENTS**  
**STATE TOTAL PUBLIC SECTORS**  
**PERCENTAGE OF STATE REVENUE**



Source: ABS Cat. No 5501.0

NSW's debt servicing ratio was increasing up to 1987-88 and has since remained reasonably stable even though it has resumed strong growth in other States since 1988-89. Over the last five years NSW's debt servicing ratio has been consistently below the average of the other States.

## 9.1.6 CREDIT RATINGS

### Introduction

Australian States were first assigned credit ratings by the major ratings agencies in the mid-1980's. Initially these ratings were issue-specific, being assigned to foreign currency debt issues. The ratings assigned to foreign currency debt of the States are bound by the agencies' adherence to the "sovereign ceiling rule". Under this provision, no domestic issuer can be rated more highly than the Commonwealth of Australia.

By the late-1980's States' ratings had been expanded to encompass the majority of debt issued in both domestic and offshore markets. Initially, the ratings assigned to the domestic debt of Australian States were heavily governed by the opinion of the agencies of an implicit backing from the Commonwealth. However, in recent times greater emphasis has been placed on the financial and economic performance of individual States in assessing credit worthiness. This more rigorous approach to credit assessment has seen the emergence of a differential ratings structure between Australian States and in turn a wider variation in debt costs.

### Factors Affecting Credit Ratings

The growth and increased sophistication of the market in State semi-government securities in recent years have led to greater focus on the relative credit status of individual issuers such as the New South Wales Treasury Corporation.

Both of the major agencies in Australia, Moody's Investors Service and S&P Australian Ratings have continued to refine their assessment techniques in respect to Australian States and each now publish regular detailed supplements on their ratings. In formulating and reviewing ratings of the States, the agencies consider a variety of factors including:

- nature and functions of the States and the system of linkages within the Federal system;
- economic and revenue positions;
- financial policies and liability profile; and
- liability management policies, liquidity and financial flexibility.

In determining credit standing, considerable emphasis is placed on the level of debt and contingent liabilities relative to the size of a State's economy and revenue base. For instance New South Wales had a net debt to gross State product (GSP) ratio of 18.4 per cent in June 1990, which compared favourably with Victoria's ratio of 26.4 per cent and Tasmania's of 40.9 per cent. Similarly New South Wales' net debt to revenue ratio was 93.1 per cent in June 1990, which compared well with Victoria's 144.2 per cent and Tasmania's 146.2 per cent.

The level of unfunded liabilities also varies between the Australian States with the sub-triple A States having ratios of unfunded liabilities to GSP in excess of 20 per cent.

A further feature is the significant difference in the size and relative risks of State owned financial institutions. For instance, in South Australia the ratio of financial institution liabilities to GSP is a high 99.8 per cent, compared to New South Wales' modest 14.8 per cent. In the context of a large State economy, New South Wales' publicly-owned financial institutions are relatively moderate in size, and they are lower in risk in terms of asset quality and capital adequacy.

While the relative ranking of States in respect to these key financial ratios plays an integral role in determining credit standing, attention is also given, to the general economic conditions prevailing, as these will impact on the level of income and hence revenue generated which may be used to service debt.

The level of analysis undertaken by the major agencies in considering these factors has been enhanced as a result of the trend towards greater clarity in State financial reporting. New South Wales played a leading role in achieving Premiers' Conference support for greater uniformity in the reporting of State's financial and budget positions.

## Current Status of Credit Ratings

The greater depth of analysis undertaken by the major ratings agencies has revealed disparities in the economic and financial performance of the States. These disparities have been reinforced during the current economic recession which has placed additional pressure on State finances.

In acknowledging these differences, through the assignment of differential credit ratings, the agencies have reinforced the need for State governments to maintain prudent financial management policies as well as providing a full account of performance.

### Credit Ratings of Australian States

STATE	MOODY'S INVESTORS SERVICE		S&P AUSTRALIAN RATINGS*	
	Short-Term	Long Term	Short-Term	Long-Term
NEW SOUTH WALES	P-1	Aaa	A.1+	AAA
QUEENSLAND	P-1	Aaa	A.1+	AAA
WESTERN AUSTRALIA	P-1	Aaa	A.1+	AA+
SOUTH AUSTRALIA	P-1	Aa1	A.1+	AA
VICTORIA	P-1	Aa2	A.1+	AA
TASMANIA	P-1	Aa2	A.1+	AA-

\* Effective from 1 October 1991

Prior to June 1990, the domestic debt of all mainland Australian States was rated equally at triple A. The movement towards a differential ratings structure commenced with a decision by Moody's Investors Service and S & P Australian Ratings on 20 June 1990 to lower the credit ratings assigned to the debt to Victoria. Similarly the ratings assigned to South Australia were downgraded by both agencies in 1991.

More recently, S & P Australian Ratings announced a new structure of ratings aimed at bringing domestic ratings into line with global relativities. The move resulted in a realignment of the ratings assigned to Western Australian, South Australia and Tasmania.

These changes in the ratings structure of Australian States have left only two States - New South Wales and Queensland - with uniform triple A ratings.

## **Credit Ratings and the Cost of Debt**

The implementation of differential credit ratings between Australian States has produced a pronounced divergence in the debt costs. This variation in costs is a reflection of the higher relative yields faced by the sub-triple A issuers as well as a degree of limitation in the markets that may be accessed.

Recent analysis by S&P Australian Ratings indicated that a yield differential of around 30 to 40 basis points existed between triple A and double A rated securities issued in the eurobond markets. A similar differential is thought to exist in the domestic fixed interest market.

While it is difficult to quantify accurately the dollar cost of a change in rating (due to differences in States' debt-type and maturity profiles), it is generally accepted that a realignment from triple A to double A would increase new debt costs by over 0.3 per cent per annum.

## 9.1.7 OVERVIEW OF 1991-92 PUBLIC SECTOR BUDGETS

With the exception of South Australia, the Budget outcomes presented in the tables below have been analysed on an ABS Government Finance Statistics basis for the General Government sector. South Australian estimates are compiled on an outlays basis using the Consolidated Fund only. Outlays are reported net of user charges, asset sales and advances repaid for all States and deficits are net of increase in provisions.

To facilitate intergovernmental comparison, budget estimates of revenue, outlays and deficits are provided on a per capita basis in Tables 9.15 and 9.16. Budget forecasts of the level of outlays, revenue and deficit, as well as estimated growth on 1990-91, are shown in Table 9.17.

In order to finance outlays in 1991-92, New South Wales is expected to rely relatively heavily on own source revenues such as taxation. This outcome is partly due to real cuts in Commonwealth grants to New South Wales over the last few years.

The budget strategy of New South Wales is expected to result in a per capita deficit of \$187 after excluding extraordinary items. Queensland with a budget per capita surplus of \$72 and Tasmania with a per capita deficit of \$143 are the only States with a lower expected per capita budget financing transaction than New South Wales. Last year's Commonwealth surplus is expected to shift this year to a net deficit of \$343 per capita, well above the \$193 per person deficit of the six States.

**Table 9.15: Estimates of Revenue and Expenditure (Per Capita), 1991-92**

	Total Revenue	Tax Revenue	Total Outlays (\$ Per Capita)	Current Outlays	Deficit
NSW	3330	1590	3536 *	3087	187 *
Victoria	2643	1339	2978	2577	335
Queensland	3218	996	3145	2601	(-)72
WA	3447	1197	3743	3152	293
SA	3007	1042 **	3233	2965	225
Tasmania	4125	1186	4268	3808	143
States excl NSW	3032	1179	3228	2774	196
6 States	3136	1322	3335	2883	193
Commonwealth	5590	5252	5867	5714	343

Note: Total outlays refer to own purpose outlays. Taxation refers to taxes, fees and fines. Deficits exclude provisions.

Source: Published State Budgets 1991-92; ABS Population Estimates.

\* Excludes extraordinary items such as sale of business assets.

\*\* NSW Treasury estimate of taxes, fees and fines.

Although the economic climate of the past year has tended to depress public revenue, the 1991-92 State Budgets are consistent in their avoidance of major new tax initiatives. Revenue growth this financial year is in most cases expected to depend upon the full year effect of previously announced tax changes.

The New South Wales Government announced a number of tax initiatives in the 2 July Financial Statement, including an increase in the tobacco tax rate and indexation of the base component of the petroleum business franchise licence fee.

Revenue growth in the Victorian economy reflects the reintroduction of motor vehicle registration fees (announced in the June Statement) and the first full year effect of higher rates of payroll tax and business franchise licence fees, although some minor tax concessions are provided.

The Queensland Budget contains no new taxes or increases in existing taxes. Instead, some land and payroll tax concessions have been provided. Forecast growth in tax revenue reflects an expected pick up in economic activity. Similarly, revenue growth in Western Australia is expected to be driven by economic growth, an aggregate rise in Commonwealth Grants and tax changes announced in the previous budget. Minor stamp duty concessions should have a small counteracting impact on 1991-92 collections in Western Australia.

The South Australian Government expects taxation receipts to grow mainly on the strength of tax changes implemented in 1990-91. Some additional revenue is expected from the announced increase in the marginal land tax rate and the proposed increase in the determined value of petroleum products for tax assessment. Tasmania again expects an increase in revenue from Commonwealth Grants and the full year effect of 1990-91 tax revenue initiatives. The Tasmanian Government has announced modest cash flow relief to employers by means of raising the payroll tax exemption threshold from \$500,000 to \$520,000.

All States have undertaken to continue expenditure restraint in 1991-92. As is evident from the table below, revenue growth is generally low and, with the exception of Queensland, outlays growth per capita is expected to be below 10 per cent. Current and total outlays growth in New South Wales is below the aggregate per capita growth expected in the other States. The Commonwealth Government expects its revenue to decline by 2.4 per cent per capita in 1991-92 but has forecast growth in outlays of 4.2 per cent per capita.

**Table 9.16: Growth in Revenue and Expenditure (Per Capita), 1991-92**

	Total Revenue	Tax Revenue	Total Outlays (% Per Capita)	Current Outlays	Deficit
NSW	6.0	10.1	6.3 *	5.5	19.6 *
Victoria	5.6	9.2	6.9	6.9	18.4
Queensland	6.7	5.9	10.1	8.7	(-)54.7 **
WA	3.6	5.3 ***	3.4	2.5	8.2
SA	7.7	11.4 ***	6.3	9.8	(-)9.1
Tasmania	8.0	8.9	2.5	(-)0.1	(-)58.6
States excl NSW	6.0	8.0	6.7	6.5	20.2
6 States	6.0	8.8	6.6	6.1	21.4
Commonwealth	(-)2.4	(-)3.3	4.2	6.1	n.a.****

Note: Total outlays refer to own purpose outlays. Taxation refers to taxes, fees and fines. Deficits exclude provisions.

Source: Published State Budgets; ABS Population Estimates.

\* Excludes extraordinary items, such as the sale of business assets

\*\* Queensland expects a reduction in its surplus in 1991-92.

\*\*\* Based on NSW Treasury estimate of taxes, fees and fines.

\*\*\*\* The Commonwealth expects a deficit to follow the 1990-91 surplus.

General government per capita outlays in New South Wales are expected to rise by 6.3 per cent in 1991-92. The New South Wales deficit is expected to rise 19.6 per cent in 1991-92, to \$187 per capita. Commonwealth financing transactions, however, are expected to shift from a surplus to a deficit of \$343 per capita, well above New South Wales and the aggregate of the six States.

The Victorian budget provides for growth in total per capita outlays of 6.9 per cent. This is expected to be driven by increases in current expenditure for wage based operating costs, interest payments and subsidies - including a \$180 million annual subsidy to the Tricontinental Group. Public sector redundancy payments are costed at \$300 million in 1991-92. The net effect is an increase in the deficit to \$1.5 billion in total, or \$335 per capita.

Queensland is the only State predicting a net surplus in 1991-92. The State has budgeted for a strong 10.1 per cent growth in total outlays, part of which is the result of a \$200 million increase incurred in award costs for teachers, nurses and police. Public sector employment is expected to increase under a new and substantial capital works program.

The Western Australian Government has targeted recurrent spending restraint through performance monitoring and emphasis on cost effective service provision. Employment reductions are targeted in a \$50 million redundancy payments allocation from the General Loan and Capital Works Fund. An 8.2 per cent increase in the per capita deficit is indicated.

Current outlays in South Australia are forecast to grow by 9.8 per cent per person in 1991-92. Most of this increase is due to superannuation increases and interest expenses associated with the State Bank rescue package. Under a program to reduce public employment by 1095 persons, departmental expenditure should show only marginal growth and the per capita deficit fall by 9.1 per cent.

Although Tasmania has budgeted for strong growth in capital outlays, a fall in per capita current outlays should see the deficit halve to \$143 per person.

The Budgets for the Commonwealth and each of the States are summarised in Table 9.17.

**Table 9.17: Estimates of Revenue, Expenditure and Deficits  
for the States and Commonwealth 1991-92  
(Actual and Percentage Change on Previous Year)**

	New South Wales		Victoria		Queensland		Western Australia		South Australia		Tasmania		Commonwealth	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
<b>Revenue</b>	19762	7.3	11773	6.7	9653	8.9	5798	5.6	4405	8.9	1910	8.9	97555	(-11.1)
Commonwealth Grants	8782	3.1	4949	2.0	5043	5.9	3083	5.5	2358	4.4	1085	10.5	n.a.	n.a.
Taxes, Fees and Fines	9433	11.4	5967	10.4	2987	8.2	2014	7.3	1527**	12.7	549	9.8	91667	(-2.0)
Other	1547	7.3	857	10.7	1623	20.9	701	1.3	602	20.3	276	1.5	5888	15.7
<b>Outlays</b>	20984*	7.6	13267	8.0	9435	12.4	6295	5.4	4736	7.6	1976	3.3	102396	5.7
Current	18316	6.8	11482	8.1	7804	11.0	5301	4.5	4344	11.1	1763	0.7	99722	7.6
Capital	2668	13.9	1785	7.6	1631	19.3	995	10.3	392	(-20.3)	213	31.5	2664	(-36.5)
<b>Deficit</b>	1113*	21.1	1494	19.6	(-217)	(-53.7)**	493	10.3	330	(-8.1)*	66	(-58.2)	5981	n.a.
<b>Deficit per Capita (\$)</b>	187	19.6	335	18.4	(-72)	(-54.7)	293	8.2	225	(-9.1)	143	(-58.6)	343	n.a.

Note: All State Budgets are presented on a Government Finance Estimates Basis except South Australia which is shown on an outlays basis. Deficit excludes provisions. Other figures may not sum due to rounding.

\* Excluded extraordinary items such as sale of business assets.

\*\* NSW Treasury estimate.

\*\*\* Queensland expects a reduction in its surplus in 1991-92.

## APPENDIX - CONCEPTS, DEFINITIONS AND SOURCES OF INFORMATION

### Coverage

This chapter has compared indicators of the size of government on a State and Commonwealth basis for the total public sector and general government. Local government has been excluded from the analysis.

Estimates of indicators such as public sector revenue, outlays, deficits and debt have been based on definitions used by the ABS in their publication "Government Financial Estimates, Australia" (GFE)

Classifications used in the GFE are applied to enterprise units of the non-financial public sector and their transactions. This sector excludes public enterprises dealing in financial activities (eg, State owned banks). The general government sector and public trading enterprises are included in the non-financial sector and have been defined by the ABS as -

- **General government sector** - This consists of public enterprises which are mainly engaged in the production of goods and services outside the normal market mechanism for consumption by governments and the general public. Costs of production are mainly financed from public revenues so that goods and services are provided to the public free of charge or at nominal charges well below costs of production.
- **Public trading enterprises** - This consists of public enterprises which are mainly engaged in the production of goods and services for sale in the market with the intention of maximising profits and financial returns to their owners or, at least, of recovering all or a significant proportion of their operating costs.

The total public sector includes both the general government and public trading enterprises.

Definitions of the intergovernmental indicators used in this chapter are provided below.

### Revenue

Estimates of revenue were sourced from "1990-91 Government Financial Estimates", ABS Catalogue No. 5501.0.

Revenue for the total public sector has been defined to include taxes, fees and fines, other revenue (eg, interest on fixed deposits) and grants received as well as the net operating surplus of public trading enterprises. For the general government sector the net operating surplus of public trading enterprises is excluded.

In particular, taxes, fees and fines have been defined by the ABS statistician as -

- **Taxes:** This is a compulsory levy imposed by government, mainly designed to raise revenue. There is usually no clear and direct link between payment of taxes and the provision of particular goods and services by government. Taxes are levied, inter alia, on incomes, wealth, production, sales and use of goods and services as well as the performance of activities.
- **Fees from Regulatory Services:** This is a levy which is not primarily designed to raise general revenue and which is associated with the granting of a permit or privilege or regulation of activity. Excluded are fees for the provision of services which directly benefit individual payers and for which payment is made voluntarily. Also excluded are fees mainly designed to raise revenue (which are classified as taxes).
- **Fines:** Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities. Penalties imposed by tax authorities are added to taxes received.

The ABS classifies types of taxes by the basis on which the taxes are levied. To facilitate international reporting requirements the classification is comparable, at the group and sub-group levels, with that adopted by the OECD. The tax groups are -

- Taxes on income, profits and capital gains;
- Taxes on employers' payroll and labour force;
- Taxes on property;
- Taxes on provision of goods and services; and
- Taxes on use of goods and performance of activities.

These tax groups are divided into sub-groups according to types of entities, property, activities and goods or services being taxed. The classes generally describe the specific types of tax actually collected in Australia. A full description of each of the categories is given in the "Classifications Manual for Government Finance Statistics, Australia" (ABS Catalogue No. 1217.0).

## Outlays

Estimates of outlays were sourced from "1990-91 Government Financial Estimates Australia", ABS Catalogue No. 5501.0.

The ABS classifies outlays as either capital or current outlays.

Capital outlays cover expenditure on (and sale of) fixed assets, stocks, land and intangible assets as well as the provision of funds, in the form of capital transfers and net advances, for the purpose of acquiring such assets. All other outlays are considered to be current outlays and consist of general government final consumption expenditure and current transfer payments. The fundamental distinction between current and capital transactions rests on whether the commodities underlying the transaction are "used up" over a period (conventionally taken to be one year) or represent assets which generate a future stream of benefits. For instance, road maintenance falls under current outlays while new road construction qualifies as capital outlays.

While this definition has been used, only those categories which relate to a government's own sources has been included.

State total public sector own purpose outlays are State outlays minus all transfers to local government (i.e. grants for recurrent and capital purposes and net advances). The general government sector also excludes transfers to public trading enterprises. Commonwealth own purpose outlays are Commonwealth outlays minus all transfers to State and local governments for the total public sector and also exclude transfers to Commonwealth public trading enterprises for the general government.

## Employment

Estimates of public sector employment were sourced from "Employed Wage and Salary Earners", ABS Catalogue No. 6248.0.

During 1984, ABS introduced a new collection which is not comparable with the previous series. Previous figures have been estimated by the Treasury on the basis of data collected in the new ABS survey. The ABS no longer adjusts any part-time staff to full-time equivalent. This accounts for much of the difference between the two series at June 1983. Also, the new series includes various employees working interstate and overseas, those employed in a few small organisations not previously enumerated and all staff employed by the State Government under various special employment programs.

Thus, this data overstates the total workforce in the NSW Government sector. Nevertheless, the statistics are a useful indicator of the general trends in State Government employment over the past few years.

In 1986, a further substantial revision was made to the new ABS series with the Home Care Service being reclassified from the private sector to the the NSW Government sector. This statistical change resulted in a higher measure of employment in both the category of Social Security and Welfare and the Government sector as a whole in New South Wales.

Estimates of labour force and total employment for the States were sourced from "The Labour Force, Australia", ABS Catalogue No. 6203.0.

## NSW Employment Data

In June 1985 the NSW Treasury instituted its own direct collection of employment statistics from departments and authorities funded and controlled by the State. Compared with the ABS collection, this series excluded Members of Parliament, Universities and Colleges of Advanced Education, Pasture Protection Boards and the commercially managed colliery companies associated with the Electricity Commission, but included a number of hospitals run by religious and charitable organisations which received considerable funding from the State. The Treasury statistics are superior to the ABS data as they are enumerated on a full time equivalent basis and are not just simply head counts. They also exclude special employment schemes.

The data is now classified according to the policy document "Classification and Control of State Organisations", NSW Treasury June 1989. The use of this classification has resulted in the transfer of agencies between sectors while restructuring and the rationalisation of departments and other agencies is continuing, thereby resulting in other transfers of staff between agencies and sectors. All prior results have been revised to account for these transfers. As such, care should be taken when comparing data for individual agencies and sectors.

## Deficit

Estimates of deficits were sourced from "1990-91 Government Financial Estimates, Australia", ABS Catalogue No. 5501.0.

The deficit of a government sector is equal to its outlays less revenue and is also net of increases in provisions (for details refer to the ABS "Classifications Manual for Government Finance Statistics, Cat. No. 1217.0).

## Debt

Statistics on debt were sourced from "1990-91 Government Financial Estimates, Australia", ABS Catalogue No. 5501.0.

The definition of debt used by the ABS is net debt which is gross debt less financial assets. Gross debt comprises amounts outstanding at 30 June on all forms of liabilities (deposits held, advances received, borrowing) of the non-financial public sector, except equity, contingent liabilities and employee related liabilities such as superannuation and long service leave.

Financial assets cover the financial claims (currency and deposits, advances paid, investments) of the non-financial public sector on other organisations (including other government authorities and overseas organisations) and households and include shares and other forms of equity in companies listed on a stock exchange. A government's equity in its own organisations is excluded.

The ABS figures on net debt cover the period June 1987 to June 1990. In order to derive estimates for the period June 1986 to June 1991, net debt has been calculated on the same basis as the ABS in the publication "Government Financial Estimates, Australia, 1990-91".

## **Debt Servicing Ratio**

Estimates of debt servicing ratios were sourced from "1990-91 Government Financial estimates, Australia", ABS Catalogue No. 5501.0.

A total public sector debt servicing ratio is defined as net interest as a proportion of total revenue (where total revenue is adjusted for subsidies paid to public trading enterprises and interest received).

Net interest is interest payments less interest received on bank balances, investments and advances. Interest payments are required transfer payments for the use of money, eg in respect of bonds and loans.

## **Gross State Product, Gross Domestic Product and Population**

Estimates of Gross State Product for the period up to 1989-90 were sourced from "Australian National Accounts, State Accounts, 1989-90", ABS Catalogue No. 5220.0. Estimates for 1990-91 were made by NSW Treasury.

Estimates of Gross Domestic Product were sourced from "Quarterly Estimates of National Income and Expenditure Australia, June Quarter 1991", ABS Catalogue No. 5206.0.

Gross State Product (GSP) is the total market value of goods and services produced in a State after deducting the cost of goods and services used up in the process of production (intermediate consumption), but before deducting consumption of fixed capital. Gross Domestic Product is the same as GSP except that it is defined for production in Australia.

Estimates of resident population were sourced from "Australian Demographic Statistics", ABS Catalogue No. 3101.0 and Commonwealth Budget Paper No.4 1991-92.

The population figures used are mean resident populations for a particular financial year. The ABS compiles population estimates according to the place of usual residence of the population.

## 9.2.1 DEBT AND DEBT COSTS

### Measurement of Debt

There are several methods for valuing debt. In this Section both capital value and face value are used. Capital value is presented in Table 9.18 and measures debt on the basis of purchase value, adjusted to reflect the amortisation of the difference between purchase value and its value at maturity. Face value is the value of debt at maturity and is shown in Table 9.19.

A further method of valuation that is commonly employed is market value, which is the present value of all future principal and interest payments, discounted at current interest rates.

In economic terms, the most relevant measure of debt is market value. However, this measure is relatively volatile and can be difficult to interpret. Of the two other measures, face value and capital value, the preferred measure is capital value. Face value can be distorted by the issue of deep discount bonds.

### Budget and Non Budget Sector Debt

New South Wales public sector debt can be divided into the Budget and Non Budget Sector debt. Budget Sector debt has its debt servicing costs met from the Budget. Non Budget Sector debt is serviced by user charges levied by Government Trading Enterprises.

Budget Sector debt consists of four main categories -

- Borrowings raised on behalf of the State Government by the Commonwealth Government under the Financial Agreement. Refinancing of this is being transferred to the States under arrangements agreed to at the 1990 Premiers' Conference.
- Repayable advances for specific purposes made by the Commonwealth to the State.
- The State's overdraft, finance leases and other obligations incurred by departments and authorities.
- Borrowings raised by the New South Wales Treasury Corporation and on-lent to the New South Wales Government through the New South Wales Capital Works Financing Corporation or to other entities that are directly funded by the Budget.

Non Budget Sector debt comprises direct debt and debt-like obligations such as finance leases and deferred payment arrangements of Government Trading Enterprises that are financed off budget by user charges.

In accord with statistical standards, debt data in this section excludes debt and financial assets of State financial institutions, namely the State Bank and the Government Insurance Office.

**Table 9.18: State Debt (Budget and Non Budget Sectors) - Capital Value (a)**

Outstanding Liabilities as at 30 June \$ Million

	1986	1987	1988	1989	1990	1991
<b>Budget Sector Debt</b>						
Indebtedness under Financial Agreement	5,991.1	6,042.6	5,962.7	5,888.0	5,855.1	5,485.6
Other Indebtedness to Commonwealth	2,001.7	2,127.8	2,205.1	2,230.7	2,185.4	2,153.8
Other	4,615.7	6,158.4	6,489.0	6,928.7	7,160.8	8,416.1
<b>Total Budget Sector Debt (b)</b>	<b>12,608.5</b>	<b>14,328.8</b>	<b>14,656.8</b>	<b>15,047.4</b>	<b>15,201.3 (c)</b>	<b>16,055.5</b>
<b>Financial Assets</b>	<b>1,372.6</b>	<b>1,211.1</b>	<b>2,201.5</b>	<b>2,713.7</b>	<b>2,180.0</b>	<b>2,215.7</b>
<b>Net Budget Sector Debt</b>	<b>11,235.9</b>	<b>13,117.7</b>	<b>12,455.3</b>	<b>12,333.7</b>	<b>13,021.3</b>	<b>13,839.8</b>
<b>Non Budget Sector Debt</b>	<b>9,687.6</b>	<b>10,093.7</b>	<b>10,609.3</b>	<b>10,842.0</b>	<b>11,043.1 (c)</b>	<b>11,549.2</b>
<b>Financial Assets</b>	<b>2,491.7</b>	<b>2,198.6</b>	<b>2,927.5</b>	<b>4,438.7</b>	<b>4,588.3</b>	<b>5,421.5</b>
<b>Net Non Budget Sector Debt</b>	<b>7,195.9</b>	<b>7,895.1</b>	<b>7,681.8</b>	<b>6,403.3</b>	<b>6,454.8</b>	<b>6,127.7</b>
<b>Gross State Debt</b>	<b>22,296.1</b>	<b>24,422.5</b>	<b>25,266.1</b>	<b>25,889.4</b>	<b>26,244.4</b>	<b>27,604.7</b>
<b>Total Financial Assets (d)</b>	<b>3,864.3</b>	<b>3,409.7</b>	<b>5,129.0</b>	<b>7,152.4</b>	<b>6,768.3</b>	<b>7,637.2</b>
<b>Net State Debt</b>	<b>18,431.8</b>	<b>21,012.8</b>	<b>20,137.1</b>	<b>18,737.0</b>	<b>19,476.1</b>	<b>19,967.5</b>
<b>Gross State Product (\$ billion)</b>	<b>81.6</b>	<b>91.4</b>	<b>104.9</b>	<b>119.3</b>	<b>129.2</b>	<b>133.4</b>
<b>Percent of Gross State Product</b>						
- Gross Debt	27.3	26.7	24.1	21.7	20.3	20.7
- Net Debt (Total)	22.6	23.0	19.2	15.7	15.1	15.0
- Net Debt (Budget)	13.8	14.4	11.9	10.3	10.1	10.4
- Net Debt (Non Budget)	8.8	8.6	7.3	5.4	5.0	4.6

(a) Non-Debt Obligations have been excluded from the figures contained in this Table. The debt statistics are based on a survey of the New South Wales public Sector, using Australian Bureau of Statistics concepts and definitions.

(b) Budget Sector has on-lent \$2,206.2 million (1990: \$2,665.8 million) to the Non Budget Sector in the form of advances.

(c) Adjustment made to the debt figure published in 1990 to enable comparability with the classification of Budget authorities in 1991 (reduction to the Budget Sector debt of \$82.9 million).

(d) Overdraft has been deducted from the Cash and Securities component of Financial Assets shown in this table.

(e) Data have not been collected for authorities financial assets and county councils' own name debt before June 1988. The split between the Budget and Non Budget financial assets for 1986 and 1987 is based on the average proportion in the 1988 to 1991 period.

**Table 9.19: State Debt (Budget and Non Budget Sectors) - Face Value (a)**Outstanding Liabilities as at 30 June \$ Million

	1988	1989	1990	1991
<b>Budget Sector Debt</b>				
Indebtedness under Financial Agreement	5,962.7	5,888.0	5,855.1	5,485.6
Other Indebtedness to Commonwealth	<u>2,205.1</u>	<u>2,230.7</u>	<u>2,185.4</u>	<u>2,153.8</u>
	8,167.8	8,118.7	8,040.5	7,639.4
Other	6,548.5	6,974.1	7,362.1(c)	8,803.0
<b>Total Budget Sector Debt (b)</b>	14,716.3	15,092.8	15,402.6	16,442.4
<b>Non Budget Sector Debt</b>	11,582.6	12,040.7	12,684.1(c)	14,567.9
<b>Gross State Debt</b>	26,298.9	27,133.5	28,086.7	31,010.3
<b>Net State Debt (d)</b>	21,169.9	19,981.1	21,318.4	23,373.1
<b>Percent of Gross State Product</b>				
- Gross Debt	25.1	22.7	21.7	23.2
- Net Debt	20.2	16.7	16.5	17.5
<b>Per Capita (\$000)</b>				
- Gross Debt	4,612.6	4,701.0	4,820.2	5,289.9
- Net Debt	3,713.0	3,461.8	3,658.6	3,987.1

- Note (a) Non-Debt Obligations have been excluded from the figures contained in this Table. The debt statistics are based on a survey of the New South Wales public Sector, using Australian Bureau of Statistics concepts and definitions.
- (b) Budget Sector has on-lent \$2,206.2 million (1990: \$2,665.8 million) to the Non Budget Sector in the form of advances.
- (c) Adjustment made to the debt figure published in 1990 to facilitate comparability with the classification of Budget authorities in 1991 (reduction to the Budget Sector debt of \$128.1 million).
- (d) Financial assets, as shown in Table 9.18 have been offset against gross debt.

## Gross Versus Net Debt

A significant part of State public sector debt is offset by holdings of financial assets. Financial assets are shown at cost or market value (where applicable) in Table 9.18.

Financial assets include selected assets of departments and authorities, including statutory authorities. Additionally, the Treasury holds substantial investments which are managed by the New South Wales Treasury Corporation which arise from daily cash surpluses and from funds held on behalf of both Budget and Non Budget Sector agencies. Public authorities, principally in the Non Budget Sector, have substantial financial assets held outside the Treasury facility.

## Market Value of Debt

The valuation of debt on a mark-to-market basis provides a more economically relevant measure of State debt as it takes account of the cost of extinguishing the outstanding debt. Through this approach consideration is given to the term-to-maturity of the outstanding debt as well as the current interest rate environment.

At the end of June 1991 it was calculated that the market value of New South Wales Public sector debt stood at \$28,298.0 million. The higher market value measure relative to capital value reflects the significant fall in interest rates (and hence yields) in the period which increases the market value of debt.

## Budget Sector Debt Management

In August 1989, the Government's Treasury Function Advisory Committee (TFAC) adopted a comprehensive set of liability management guidelines. Since then, authorities have been actively involved in managing their debt portfolios, with the prime objective being to minimise the ongoing costs associated with the debt portfolio.

The debt portfolio of the Budget Sector is managed by the NSW Treasury Corporation which also provides advice to Non Budget Sector authorities on debt management techniques.

During 1990-91, liability management activities undertaken by Treasury Corporation on behalf of the Budget Sector resulted in portfolio cost savings of over \$230 million while total savings for all Sectors is \$329 million.

An important component of debt management has involved the consolidation of the numerous Treasury Corporation loans in many Budget Sector loans books. In most cases a group of less than ten standardised loans could be substituted for several hundred non-standard existing loans, resulting in administrative cost savings for both the Treasury and Treasury Corporation.

Ongoing debt management has seen the average maturity of the Budget Sector's debt portfolio adjusted in response to the changing interest rate environment. As interest rates have fallen, the maturity dates of outstanding loans have been gradually lengthened with the intention of locking in lower interest rates for longer time periods.

The task of debt management has been facilitated by the pre-eminent position of Treasury Corporation fixed interest securities. As the benchmark in Australian fixed interest markets they possess superior liquidity and security, making them easily accessible and tradeable for both offshore and domestic investors, as well as allowing portfolio adjustments to be made with a minimum of transaction costs.

## **Trends in New South Wales Government Debt**

Gross public debt of New South Wales grew significantly in the first half of the 1980's, peaking at 28.2 per cent of Gross State Product in June 1985, (on the capital value basis). Since this time there has been a decline in the proportion of the capital works program financed from borrowings, with a consequent easing in the ratio of debt to GSP to 20.7 per cent in 1991.

Budget Sector gross debt increased as a proportion of GSP up to June 1985, peaking at 15.9 per cent, reflecting the use of borrowings to finance social infrastructure. Since 1987, Budget Sector debt has declined and was 12.0 per cent of GSP at June 1991.

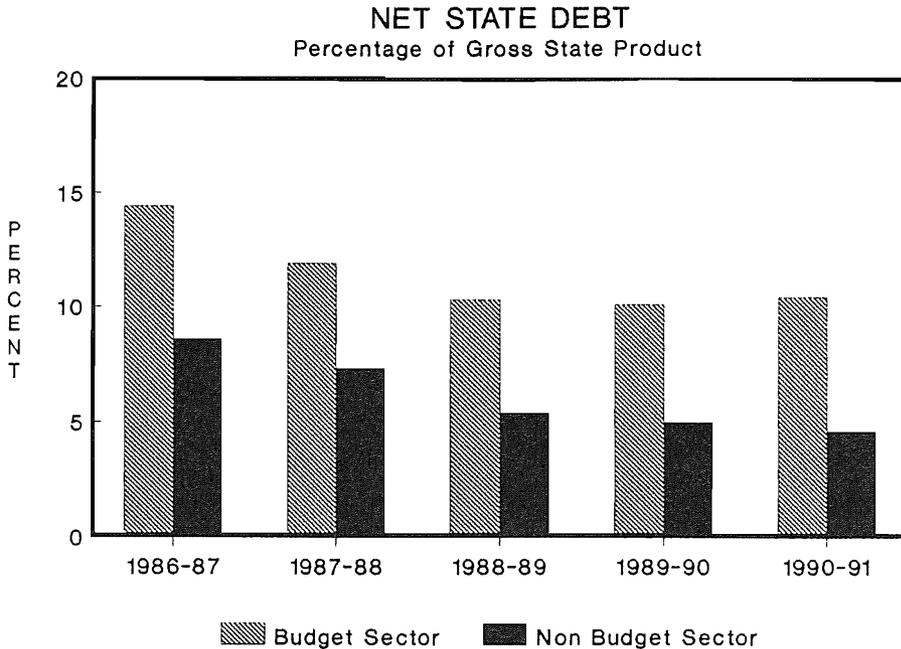
Non Budget Sector gross debt has steadily declined from 12.3 per cent of GSP at June 1985 to 8.7 per cent of GSP at June 1991.

Net debt statistics have not been maintained on a consistent basis over time, due to a broadening in the range of financial assets covered in June 1988. In June 1988, net debt was 19.2 per cent of GSP, and by June 1991 had declined to 15.0 per cent of GSP (on the capital value basis).

On a face value basis, New South Wales' gross debt has decreased from 25.1 per cent of GSP at June 1988 to 23.2 per cent at June 1991 and net debt has decreased from 20.2 per cent of GSP to 17.5 per cent over the same period.

The application of active liability management techniques to authority debt portfolios has continued to see a marked movement in the level of debt as measured on a capital value basis. This movement reflects the fact that debt management techniques such as the reconstruction of existing authority loans has reduced the capital value of the original liability, in some cases increasing the face value of the debt.

Trends in the level of debt are shown in Figure 9.21.

**Figure 9.21**

## Overseas Borrowings and Debt

International investors continue to provide significant financing for the State's capital works program, through their purchases of Treasury Corporation securities.

The State and its authorities have directly and indirectly accessed international capital markets for many decades. There was a major expansion of this beginning in 1979, under the Special Infrastructure Financing Program established by the Australian Loan Council.

The Loan Council regulations in this area were subsequently broadened from specific project financing to a ceiling proportion of the State's 'new money' global borrowing allocation being permitted to be raised in direct overseas borrowings. This ceiling of 22 per cent of the global program was lifted by the Commonwealth Government in its August 1991 Budget. Consequently, States are now not limited in their access to international capital markets.

Between 1979 and 1985, virtually all overseas borrowings were in foreign currencies. After 1985 there was minimal increase to foreign currency exposures. This was facilitated by the development of offshore Australian dollar markets and swapping previous foreign currency exposures back into Australian dollars. Foreign currency exposure, which had peaked at over \$4 billion in 1986-87, had been eliminated by June 1991.

The overseas borrowing ceiling for New South Wales for 1990-91 was roundly \$1,300 million, comprising \$259 million of global limit 'new money' and about \$1,100 million refinancing of maturing overseas borrowings. This capacity was fully utilised by the Treasury Corporation, particularly through its Exchangeable Bond programs, and note issuance/commercial paper programs. No foreign currency exposures were incurred.

The lifting of the ceiling on the State's offshore borrowings will not significantly affect the funding decisions of New South Wales. In 1991-92 there are about \$1,400 million of maturing foreign borrowings and the extent to which these and any additional funds are raised offshore will again depend on the financial advantages available in international markets compared to the domestic market.

In addition to direct borrowings overseas, significant amounts of international funds have been invested in the domestic securities of the Treasury Corporation. These are outside the overseas borrowing ceiling arrangements, and have arisen from secondary market transactions between Australian intermediaries and foreign institutional investors.

## Budget Sector Debt Costs

Section 9.1.5 presented information on total debt costs for the public sector. Of particular interest is Budget Sector debt costs which are serviced by the Budget. Table 9.20 and Figure 9.22 show trends in the Budget Sector debt costs in recent years.

Debt costs of the Budget Sector entities increased markedly during the early to mid 1980s despite a substantial real decline in Commonwealth loan allocations to the States.

The increase in the Budget Sector debt servicing costs reflected not only the substantial growth in requirements for social infrastructure in such areas as Health, Courts, Prisons, Education, but also the projects in the Recreation, Cultural and Public Buildings area (eg. Darling Harbour Authority). Given the decline in Commonwealth loan allocations, there has been an increasing switch of the global loan program from Non Budget Sector authorities' capital funding to the funding of the State Government's Budget Sector capital program.

Debt costs as a proportion of Budget Sector outlays decreased from 12.1 per cent in 1988-89 to 10.3 per cent in 1990-91.

As part of the Medium Term Financial Strategy, the Government pursues a Debt Containment program. This program is having a marked impact on the growth of Budget Sector debt charges, with a turnaround in the growth rate from 14.2 per cent per annum in 1987-88 to a negative growth rate of 5.5 per cent in 1990-91.

The decline in debts costs for 1990-91 reflected a number of factors including restraint in the level of borrowings, selective debt retirement, declining interest rates and active debt management. In particular, debt management has involved the consolidation of debt into more liquid and efficiently priced debt series, as well as a switching from more expensive floating rate debt into lower coupon fixed rate debt.

The increase in debt cost of 5.0 per cent for 1991-92 reflects the full year effect of debt financing incurred in 1990-91, as well as the within year funding cost of the 1991-92 Budget prior to the receipt of privatisation proceeds toward the end of the financial year. Over the same period, debt costs as a proportion of Budget Sector receipts decreased from 12.0 per cent to 11.0 per cent.

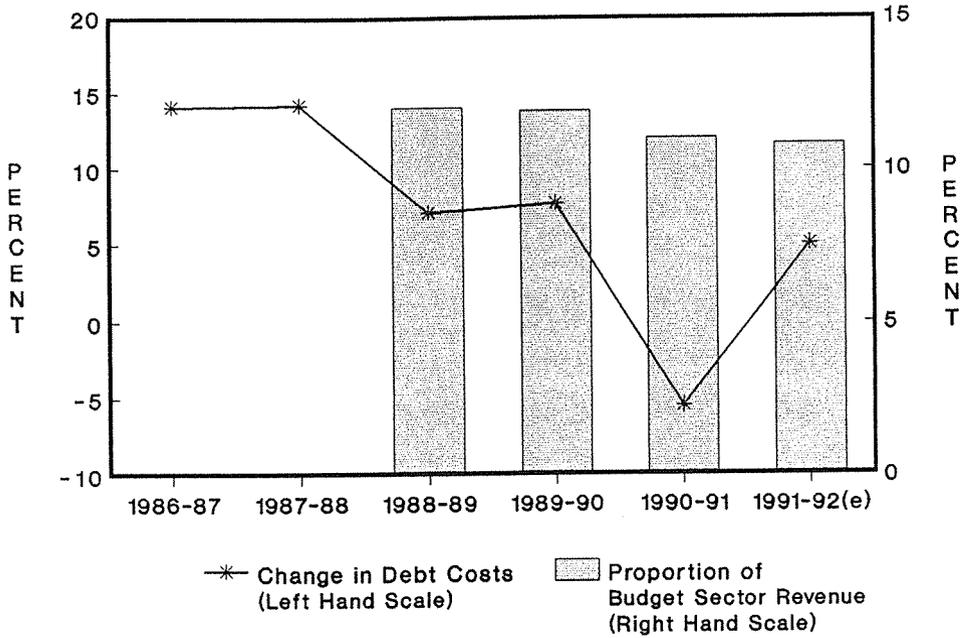
Table 9.20: Trends in Budget Sector Debt Costs

	1986-87 \$m	1987-88 \$m	1988-89 \$m	1989-90 \$m	1990-91 \$m	1991-92 (Estimated) \$m
<u>Outstanding Debt</u>						
State Loan Allocations	784.7	803.1	800.9	819.2	808.9	747.6
Other	650.8	836.9	955.2	1,071.7	978.1	1,096.2
<u>Debt Raised During the Year</u>						
Other (a)	...	...	...	...	...	33.0
	1,435.5	1,640.0	1,756.1	1,890.9	1,787.0	1,876.8
Debt Cost as percent of -						
i) Budget Sector Outlays	N/A	N/A	12.1	11.4	10.4	11.3
ii) Budget Sector Revenue	N/A	N/A	12.0	11.9	11.0	10.8
Growth in Percent of Debt Costs	14.1	14.2	7.1	7.7	(5.5)	5.0

(a) Data is not available for the financial years 1986-87 to 1990-91

Figure 9.22

## TRENDS IN DEBT SERVICING COSTS



## 9.2.2 SUPERANNUATION

### Current Situation

The State Authorities Superannuation Scheme (SASS), which commenced in April 1988, is the scheme to which the majority of new public sector employees may elect to contribute. Its benefits are in line with those available in the private sector. This scheme provides uniform coverage for all new employees and contributors.

Prior to the introduction of SASS, Budget sector employees were covered under the State Superannuation Fund (SSF), the State Public Service Superannuation Scheme (SPSSS), the NSW Retirement Benefits Scheme, the Police Scheme and the Railway Superannuation Account. These schemes have been closed to new entrants and, accordingly, some employers have members in several schemes.

Table 9.21 shows the public sector superannuation schemes operating in New South Wales to which the Budget contributes.

**Table 9.21: Summary of New South Wales Public Sector Superannuation Schemes (1)**

Scheme	Coverage	Scheme Type	Benefit Type
State Authorities Superannuation Scheme (SASS)	Optional for all new public sector employees except Judges and GIO, State Bank and TAB employees. Also includes members of some closed schemes. 162,225 contributors. 13,965 pensioners.	Split benefit scheme - employer-financed benefit is defined as a proportion of final salary; employee-financed benefit is an accumulation of contributions plus interest.	Lump sum; some indexed pensions available to members of schemes amalgamated to form SASS.
State Superannuation Fund (SSF)	Closed to new entrants. Prior to closure, was compulsory for all public servants and some employees of authorities. 78,112 contributors. 29,457 pensioners.	The entire benefit is defined in terms of final salary and is not separated into employer and employee-financed component.	Indexed pension or lump sum.

Scheme	Coverage	Scheme Type	Benefit Type
Police Superannuation Scheme	Closed to new entrants. Prior to closure, was compulsory for all members of the police force. 10,221 contributors. 3,316 pensioners.	As for SSF.	Indexed pension, or lump sums available from 1.4.88. Provides both superannuation and workers' compensation coverage.
Judges Pension Scheme	Compulsory for members of the judiciary. 125 contributors plus 108 pensioners.	Benefit is defined in terms of final salary and is employer-financed.	Indexed pension.
Parliamentary Superannuation Scheme	Compulsory for Members of Parliament. 141 contributors plus 177 pensioners.	As for SSF.	Indexed pension or partial indexed pension plus partial lump sum.
Basic Benefit Scheme	Covers all public sector employees	Totally employer financed	Lump Sum; 3 per cent of final salary for each year of service as from 1.4.88

NOTE - 1. All members of schemes other than the Judges Pension Scheme and Parliamentary Superannuation Scheme are entitled to a 3 per cent productivity benefit for each year of service after 1 April 1988.

## RECENT CHANGES

Changes to the financing of superannuation were introduced from 1 July 1991. Previously, Government Departments paid employer contributions direct to the State Authorities Superannuation Board for all employer superannuation contributions.

Now, as part of the Government's policy of moving all Government departments onto accrual budgeting, the Budget allocation for superannuation has been withdrawn and departments are now required to show the movement in the superannuation liability as an unfunded expense offset by an unfunded revenue item, "acceptance by Crown of liability for superannuation". Simultaneously with this change, the Crown has been provided with a Budget appropriation of sufficient magnitude to meet the cash flow needs of the State Authorities Superannuation Board in meeting emerging superannuation payouts.

## FINANCING OF SUPERANNUATION

### • *Government Departments*

The employee's contribution to superannuation is fully funded while the employers' contributions for government departments are partly funded. Over the last two financial years and for 1991-92 provision has been made for employer superannuation contributions to be at a level sufficient to cover payments from the two main superannuation schemes - the State Superannuation Fund and the State Authorities Superannuation Scheme.

### • *Commercial Authorities*

Commercial authorities are now required to pay direct to the State Authorities Superannuation Board the full accruing cost of superannuation. The full accruing cost is the annual employers contribution relating to employees' service during the current accounting period.

For liabilities which have arisen from employees' past service and which have not been paid to the State Authorities Superannuation Board as at 30 June 1991, the authorities are required to gradually fund these liabilities over 30 years.

The total payment for superannuation in 1991-92 will be \$758.9 million (up \$135.1 million or 21.7 per cent on 1990-91). This payment comprises -

	Actual 1990-91 \$m	Estimate 1991-92 \$m	Variation %
State Superannuation Fund (closed scheme) .....	335.9	432.0	28.6
Employer's liability to Non-Contributory Superannuation (Basic Benefit) .....	68.8	70.6	2.6
Police Superannuation Fund .....	110.0	116.0	5.5
Contribution to Parliamentary Superannuation Scheme .....	9.0	7.3	(-) 18.8
Contribution to Judges Pension Scheme .....	6.4	7.6	18.7
Contribution to State Authorities Superannuation Scheme ....	93.7	125.4	33.8
Total .....	623.8	758.9	21.7

Note: Figures for SASS, SSF and the Basic Benefit include payments made by the Department of Health and Public Hospitals.

## LIABILITIES OF NEW SOUTH WALES PUBLIC SECTOR SCHEMES

New South Wales public sector superannuation schemes have, like those in the Commonwealth and the other States, developed substantial liabilities. In 1987 the total unfunded liability was \$10,760 million. This is estimated to have increased to \$14,153 million in 1991.

Figure 9.23

### LIABILITIES OF NEW SOUTH WALES PUBLIC SECTOR SUPERANNUATION SCHEMES (NET UNFUNDED LIABILITY)

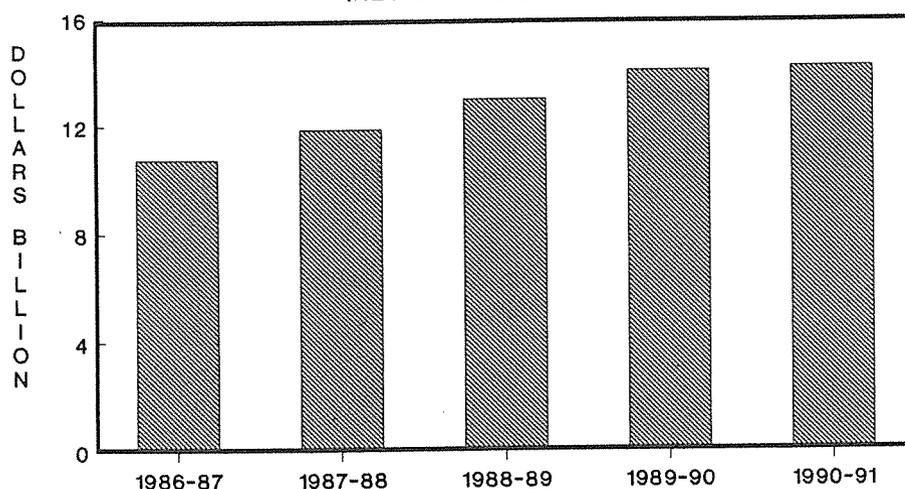


Table 9.21 shows the approximate estimated employer unfunded liability, net of employer reserves in the various schemes. In estimating the unfunded liability internal provisions made by non budget sector organisations for their accrued unfunded superannuation liability are not taken into account.

All non budget sector organisations are now required to disclose any amounts of unprovided past service superannuation costs in their balance sheet.

**Table 9.21: Liabilities of New South Wales  
Public Sector Schemes**

	<u>Net Unfunded Liability</u>
	1991 \$m
State Superannuation Fund (SSF) .....	8,734
Police Superannuation Fund (PSF) .....	2,854
State Authorities Superannuation Scheme (SASS) .....	2,007
Judges' Pension Scheme .....	101
Parliamentary Contributory Superannuation Fund .....	42
Basic Benefit - All schemes .....	415
	<hr/>
TOTAL .....	14,153
	<hr/>

**NOTE:**

- 1) Estimates are net of reserves held in the schemes by various employers and do not account for internal provisions of employers.
- 2) Figures are Government Actuary's 1991 estimate.

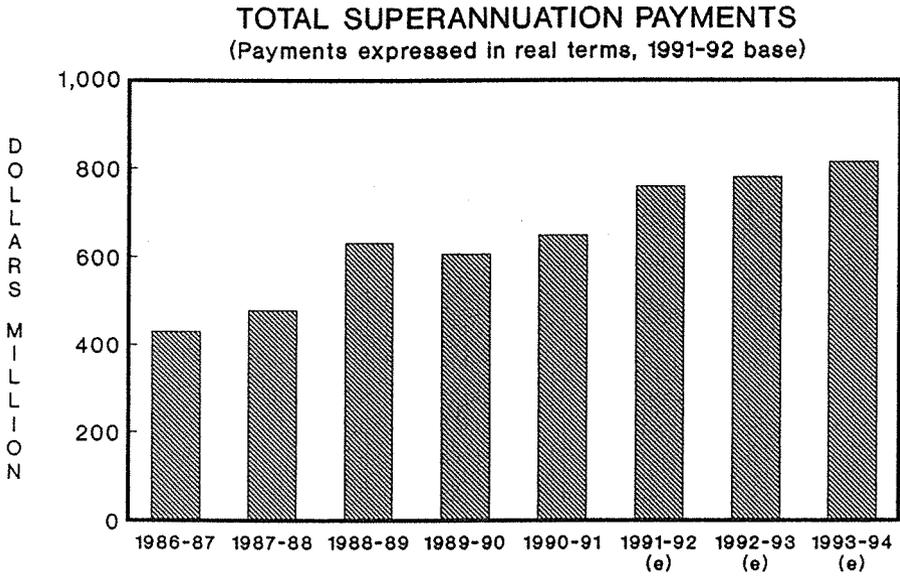
These liabilities in State schemes have developed over the past century since the first public sector scheme was established. This is a consequence of the public sector schemes being previously designed to be unfunded (pay-as-you-go) or only partially funded. This has been compounded by improvements made to benefits without accompanying increases in employer or employee contributions.

The policy for employer funding in the schemes has varied between employers. As Budget sector organisations and Statutory Authorities have only partially met their liabilities as they accrued, through contributions to the schemes, the large proportion of benefits have been met when they emerge for payment. Some authorities have increased their rate of funding by making internal provisions toward their liability, following a 1984 Public Accounts Committee report which revealed large individual shortfalls.

Over the four years to 1990-91 payments for superannuation for budget sector organisations, met primarily from the Budget, have increased by 52 per cent in real terms. In 1991-92 payments are estimated to further increase by 17 per cent in real terms.

Cash flow projections for the schemes show that superannuation expenditures are expected to rise as a proportion of total Government expenditures. This is because the number of retirees, as a proportion of total employees, is expected to increase sharply in future, and benefits to be paid to the employees, which have not been funded will represent a larger portion of expenditures.

Figure 9.24



## **CHAPTER 10: SPECIAL FINANCIAL TOPICS**

- 10.1 Changes In Budget Presentation**
- 10.2 Asset Sales**
- 10.3 Common Law Third Party Motor Vehicle Liability**
- 10.4 Insurance Scheme**
- 10.5 Natural Disasters**
- 10.6 Community Service Obligations and Concessions**



## 10.1 CHANGES IN BUDGET PRESENTATION

### Introduction

In the 1991-92 Budget there are four major changes -

- presentation of the Budget on a Government Finance Statistics basis;
- publication of forward estimates of the overall Budget position;
- proper classification of user charges and adoption of net appropriation budgeting; and
- phased implementation of accrual accounting and budgeting for the inner budget sector.

These changes impact on the presentation of both Budget Paper No. 2 and Budget Paper No. 3. The latter Budget Paper includes a separate explanation of how these changes affect it.

The underlying objective of the changes in Budget presentation is to foster greater financial accountability and responsibility in individual agencies and the overall public sector.

### Government Finance Statistics Presentation of the Budget

Since 1988-89 the Budget Papers have provided supplementary information on the Government Finance Statistics presentation of State finances. This presentation is based on established statistical conventions and provides a comprehensive cash presentation of State outlays, revenue and financing transactions.

At the May 1991 Special Premiers' Conference all Governments agreed to move towards the incorporation of supplementary budget information on a uniform basis in their budget papers. The objective of this initiative is to facilitate inter governmental financial comparisons and to enable an assessment to be made of the economic impact of public sector budgets in a timely manner. Consistent with the approach followed since 1988-89, this year's Budget Papers provide this information in Budget Paper No. 6, as well as summarising it in Budget Paper No. 2.

However, up until this year the actual Budget has continued to be presented on a Consolidated Fund basis. The Consolidated Fund is in effect the banking account of the Crown, reflecting cash receipts and payments passing through the fund.

While the use of this approach for relatively simple, cash-based organisations such as charities and social clubs can be appropriate, it is misleading for a complex organisation or sector such as the State public sector. It is the equivalent of presenting the banking account record of a major private sector organisation such as BHP in lieu of the statement of the financial position.

The deficiencies with the Consolidated Fund presentation of the Budget include the following -

- ***Lack of externally established accounting or statistical policies and conventions to govern the treatment of transactions***

Without such a framework it is inevitable that there will be inconsistent treatment of transactions and hence difficulties in assessing the implications of the Budget.

- ***Failure to distinguish between transfers between accounting entries and actual economic transactions***

By way of example, a payment from the Consolidated Fund to a Special Deposit Account would be presented as an increase in payments and hence impact on the Consolidated Fund result. However, if there is no subsequent payment out of the Special Deposit Account to a third party outside the budget sector, the transaction has no economic impact; it is simply an internal transfer of funds. In order to be meaningful the Budget has to reflect economic transactions.

- ***Inadequate Coverage***

The Consolidated Fund has only covered a part of the budget sector. Exclusions from the Consolidated Fund include capital payments for the Department of Health and the non commercial Transport authorities, which are funded by off budget borrowings, as well as revenue and payments for the budget sector agencies that pass through Special Deposit Accounts.

In recognition of this deficiency the Budget Papers have for nearly a decade presented information on total payments by policy sector and area, as well as by organisation. This information excludes internal transfers and attempts to cover the full range of financial transaction for the budget sector. There are two difficulties with this approach -

- there is no relationship between the payments shown in the Budget and the total payments information. The payments in the Budget reflect Consolidated Fund payments only and have a different coverage and approach to the total payments information.
- the total payments information, which is an improvement on the Consolidated Fund payments, is not totally adequate. Over time the coverage has become less than comprehensive.

- ***Failure to distinguish between financing transactions and revenue and outlays***

Until the 1988-89 Budget, the Consolidated Fund presentation did not distinguish between financing transactions and receipts and payments. Financing transactions are means of financing the Budget position and as such should be treated "below the line" and not affect the actual Budget result. However, the historic practice until 1988-89 had been to include financings such as borrowing receipts as Budget income.

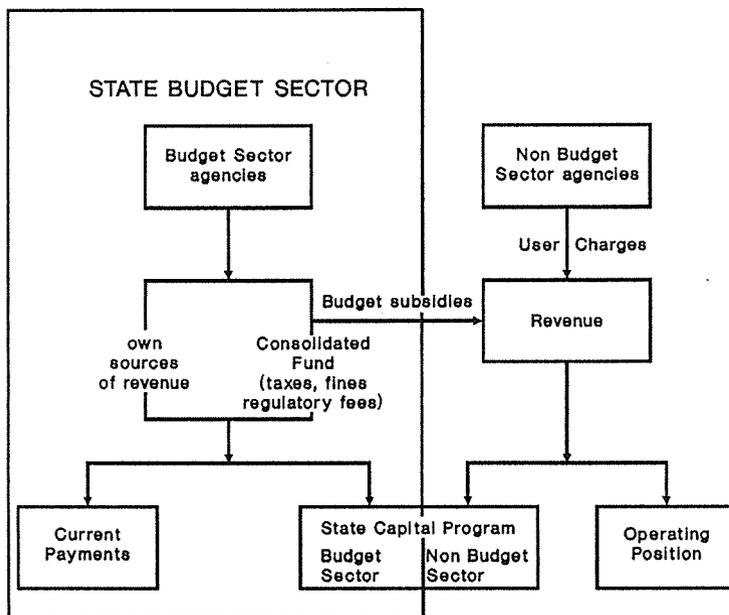
The adoption of the Government Finance Statistics presentation for the 1991-92 Budget overcomes the deficiencies identified with the Consolidated Fund presentation of the Budget. Specifically the new approach -

- applies international statistical conventions to the presentation of economic transactions and the Budget presentation;
- includes only economic transactions, excluding internal transfers;
- provides full coverage of all transactions of the budget sector; and
- clearly distinguish between financing transactions and revenue and outlays.

A complete survey has been undertaken of all Special Deposit Accounts to identify the full budget sector. In order to provide useful information, the time series for total payments has been adjusted to place it on a consistent basis with the 1991-92 coverage.

The budget sector and its relationship to the overall State sector is summarised below in Figure 10.1.

**Figure 10.1 Structure of State Finances**



## Comparison of Budget and General Government Sector

While the revised budget sector is closely related to the general government sector presentation set out in Budget Paper No. 6, there are a number of differences, the major ones being -

- ***Different coverage of organisations***

The budget sector presentation incorporates agencies that are funded in whole or a substantial part by the Budget.

The general government presentation, while closely related to the budget sector, includes all agencies that are engaged in the production of goods and services outside the normal market mechanism and as such can include non Budget funded agencies. There are for example a number of agencies that are funded by regulatory charges that do not reflect in the Budget. Example includes the Motor Accidents Authority and the WorkCover Authority, which are not treated as budget sector agencies but classified as general government sector. The appendix to this section provides a complete list of all agencies, classified by relativity to the budget (budget or non budget sector) and by the Australian Bureau of Statistics classification (general government and government trading enterprises).

- ***Different classification of current and capital outlays***

At present the Budget presentation utilises a traditional definition of capital outlays which does not adequately distinguish between maintenance and fixed capital expenditure. In contrast, the general government sector presentation attempts, within the limitations of data, to make such a distinction and classifies maintenance expenditure as current outlays.

## **FORWARD ESTIMATES OF THE BUDGET**

Since 1988-89 the budget has been based on a medium term financial strategy, with targets to be achieved over a three to five year horizon.

Since 1989-90 the Budget papers have provided information on estimates of Consolidated Fund recurrent payments for the forward three years. New South Wales was the first State to do this. This information by organisation continues to be provided in Chapter 4.

Consistent with the stress on a medium term financial strategy, the amount of information provided for the forward years, that is the two years beyond the Budget year, has been substantially expanded.

In the 2 July Financial Statement, information was provided on the budget position for the years 1991-92 to 1993-94. This information is also provided in Chapter 1 of this Budget Paper, on the revised Government Finance Statistics budget sector presentation. The provision of this information enables an assessment to be made of whether the financial strategy is on track over a multi period basis.

Secondly, the Budget Papers also provide a more detailed dissection of revenue projections for the forward years. This information is provided in Chapter 3.

## **User Charges and Net Appropriations**

In the past user charges, which are payments for the provision of goods and services, have been handled in a variety of ways. Certain of the user charges have been retained by agencies in Special Deposit Accounts and utilised to support other activities. In other cases the user charges have been paid into the Consolidated Fund.

User charges are now classified into four categories as set out below -

**Table 10.1: Classification of Budget Sector Commercial Activities**

<u>Category</u>	<u>Definition</u>	<u>Example</u>
<b>Commercial Enterprise Activities (C1)</b>	Goods or services produced in a contestable market, without Budget subsidy, with clients able to utilise alternative suppliers.	<ul style="list-style-type: none"> <li>• Internal Audit Bureau</li> <li>• Commercial Services Group</li> </ul>
<b>Commercial Services Activities (C2)</b>	Goods or services provided without a competitive market and without Budget subsidy.	<ul style="list-style-type: none"> <li>• Register of encumbered vehicles</li> </ul>
<b>Semi Commercial Services Activities (C3)</b>	Goods or services provided with funding by a combination of user charges and Budget support.	<ul style="list-style-type: none"> <li>• Plant Hire (Soil Conservation)</li> </ul>
<b>Government Service Activities (C4)</b>	Goods or services which are part of the core function of the agency and for which a part of the cost is recovered by user charges.	<ul style="list-style-type: none"> <li>• Hospital bed day charges</li> <li>• TAFE administration fees.</li> </ul>

(1) Details are provided in Treasury policy document, 'Classification and Control of User Charges Activities in Budget Sector Agencies', March 1990.

Commercial and semi commercial activities (C1 to C3 categories, inclusive) are off budget. These activities are separate and distinct from the core functions of the agency and hence are more akin to a government trading enterprise. Such activities are required to be accounted for and reported on separately on a full commercial basis and are subject to dividend and taxation requirements. Accordingly, in order to justify the resources necessary for the accountability and responsibility requirements there is a need for such activities to be capable of operating on a stand alone basis and must be of a material size.

User charges which are classified as C4 are the great bulk of user charges and are included in the Budget as a source of funding for agencies. However, in arriving at the level of net budget support required for the agency, user charges are netted off to derive the level of net Consolidated Fund support.

Effective from 1991-92, Parliament will appropriate only the net Consolidated Fund level of support for agencies, which is the level of support provided from taxation, fines and regulatory fees and excludes user charges and other retained agency revenue.

Revenues eligible for retention are principally those obtained from the provision of goods and services, although other revenues such as grants, donations and contributions from the private sector or other government bodies may also be retained.

The revenues treated under the net appropriation approach include -

- user charges such as hospital bed-day charges, TAFE administration charges, sale of publications, sale of prison industry products, search fees;
- donations and contributions from the private sector;
- grants from other government agencies.

The advantages of net appropriations are threefold -

- agencies are encouraged to take a more commercial approach, where appropriate, in the provision of services;
- revenue-generating activities are freed from restrictions such as the need to obtain Treasury approval to incur additional expenditure when client demand increases; and
- the Budget becomes more clearly the vehicle for Parliament approving the expenditure of the public purse (i.e. taxpayers' funds).

Consequently the level of payments which the Budget seeks to have appropriated from the Consolidated Fund is lower than it would otherwise have been.

Figures shown as "actual" 1990-91 Consolidated Fund payments in the detailed program statements in Budget Paper No. 3 have been adjusted to make them comparable to the 1991-92 estimates. These adjustments have been effected by reducing the 1990-91 actual payments by the extent of money actually received in that year for revenue items which are now retained by agencies.

User charges in the 1991-92 Budget total \$1,023 million, up 3.6 per cent on the level in 1990-91.

## **Accrual Accounting and Budgeting**

Accrual accounting recognises revenues and expenses in the financial year in which they are earned or incurred and not as and when cash is received or paid. This enables the true costs of services and the operating result of a department to be presented. The assets and liabilities are also required to be disclosed in the departments financial statements. Accrual accounting is the required approach for the non Budget Sector.

New South Wales is the only government in the world, apart from New Zealand and some provinces on the North American continent, to be introducing accrual accounting to its budget sector.

The broad objective with the introduction of accrual accounting and budgeting is to facilitate the better management of public sector resources through -

- better financial information;
- better performance measurement;
- better asset and debt management; and
- presentation of a clearer picture of the State's overall financial position.

At present the focus is on the sources and uses of cash. This ignores accruing non cash costs such as increase in superannuation and other employee liabilities and the consumption of resources.

In addition, at present budget sector agencies do not produce statements of financial position or balance sheets which show assets, liabilities and net worth.

Accrual accounting and budgeting is being phased in for the Budget Sector over a three year period commencing in 1990-91.

In 1991-92, 42 of the 63 Budget Sector agencies will be on accrual accounting and have their Budget estimates in Budget Paper No. 3 presented on an accrual basis. Further details are provided in the Introduction to Budget Paper No. 3.

From 1993-94 it is planned to present the Budget on both a Government Finance Statistics cash basis and an accrual or commercial accounting basis.

The two approaches are in fact complementary. The General Finance Statistics presentation of the Budget is on a comprehensive cash basis and provides information that enables an assessment to be made of the economic impact of the Budget and facilitates intergovernmental financial comparison. In contrast, the accrual presentation cannot be used to assess the economic impact of the Budget but provides both a clear picture of the financial position of the Budget sector in aggregate and the necessary financial information to assess agencies' performance in effective financial and resource management.

## APPENDIX 10.1 GENERAL GOVERNMENT AGENCIES BY SECTOR

### Budget Sector

Archives Authority of New South Wales  
 Art Gallery of New South Wales  
 Attorney-General's Department  
 Australian Museum  
 Bicentennial Park Trust  
 Cabinet Office  
 Centennial Park Trust  
 Chief Secretary's Department  
 Coal Compensation Board  
 Crown Transactions  
 Department of Agriculture  
 Department of Bushfire Services  
 Department of Consumer Affairs  
 Department of Community Services  
 Department of Conservation and Land Management  
 Department of Corrective Services  
 Department of Courts Administration  
 Department of Health  
 Department of Industrial Relations, Employment, Training and Further Education  
 Department of Local Government and Co-operatives  
 Department of Mineral Resources  
 Department of Planning  
 Department of School Education  
 Department of Sport, Recreation and Racing  
 Department of State Development  
 Department of Transport  
 Department of Water Resources  
 Ethnic Affairs Commission  
 Historic Houses Trust  
 Independent Commission Against Corruption  
 Judicial Commission of New South Wales  
 Legal Aid Commission of New South Wales  
 Ministry for the Arts  
 Ministry for the Environment  
 Museum of Applied Arts and Sciences  
 National Parks and Wildlife Service  
 New South Wales Fire Brigades  
 New South Wales Crime Commission  
 New South Wales Film and Television Office  
 New South Wales Technical and Further Education Commission  
 Office of the Director of Public Prosecutions  
 Office of Education and Youth Affairs  
 Office of Energy  
 Office of Fisheries  
 Ombudsman's Office  
 Parliamentary Counsel's Office  
 Police Service of New South Wales  
 Premier's Department  
 Public Works Department  
 Roads and Traffic Authority  
 Royal Botanic Gardens and Domain Trust  
 Rural Assistance Authority  
 State Electoral Office  
 State Emergency Service

**Budget Sector - (con't)**

State Library  
 State Pollution Control Commission  
 The Legislature  
 Tourism Commission  
 Treasury

**Non Budget Sector**

Albury-Wodonga (NSW) Corporation  
 Auditor General's Office  
 Bathurst-Orange Development Corporation  
 Building Services Corporation  
 Capital Works Financing Corporation  
 Chipping Norton Lake Authority  
 Commercial Services Group  
 Compensation Court  
 Darling Harbour Authority  
 Elmec Services  
 First State Computing  
 Forestry Commission  
 Geological and Mining Museum Trust  
 Government Cleaning Service  
 Government Information and Advertising  
 Government Motor Services  
 Government Printing Service  
 Grain Handling Ministerial Corporation  
 Greyhound Racing Control Board  
 Harness Racing Authority  
 Health Professional Registration Boards  
 Heritage Conservation Fund  
 Home Purchase Assistance Fund  
 Insurers Contribution Fund  
 Insurers Guarantee Fund  
 Lake Illawarra Authority  
 Land Titles Office  
 Macarthur Development Corporation  
 Materials Testing and Chemical Services Laboratory  
 Mine Subsidence Board  
 Mines Rescue Board  
 Motor Accidents Authority  
 Motor Vehicle Repair Industry Council  
 NSW Education and Training Foundation  
 NSW Meat Industry Authority  
 NSW Superannuation Office  
 Office of Aboriginal Affairs  
 Premiums Adjustment Fund  
 Property Services Group  
 Public Trustee  
 Regional Operations: Maintenance and Construction Section  
 School Furniture Complex  
 State Fleet Services  
 State Mail  
 Suitors Fund  
 Sydney Cove Redevelopment Authority  
 Technical Repair Service  
 Tow Truck Industry Council of New South Wales  
 Upper Parramatta River Catchment Trust  
 Valuer-General's Department  
 Wild Dog Destruction Board  
 WorkCover Authority

## 10.2 ASSET MANAGEMENT

### Property Asset Management Program

Government assets in the form of property holdings represent a very substantial investment. It is estimated that State Government departments and authorities own more than 200,000 parcels of land. Unless these assets are properly managed they may not be used in the best interest of the public.

The Commission of Audit Report reinforced the commitment of the Government to review the property holdings of the public sector and ensure that property asset management was substantially improved and that only essential assets were retained.

The establishment of the Government's Property Asset Management Program aims to ensure that all property owned by State departments and authorities is managed efficiently and effectively. Major elements of the program are -

- Preparation of Property Disposal Plans by each Government agency.
- Comprehensive review of properties proposed for disposal to assess, for instance, open space and heritage value.
- Ministerial review of properties where there are special concerns.
- Leasehold rather than sale as the primary disposal option.
- Use of the proceeds of disposal to finance purchasing new public assets, for debt reduction or capital returns to the Government and to establish an Open Space and Heritage Fund to buy land and buildings for community use.

The Property Services Group (PSG) has responsibility for administering the Property Asset Management Program. Surplus or underutilised properties proposed for disposal are reviewed by the PSG and the Department of Planning to assess open space and heritage value, environmental, zoning, density and other technical issues and whether there are any other special concerns.

Following its review of properties proposed for disposal the PSG forwards a property disposal program to the Capital Works Committee of Cabinet for consideration in the context of finalisation of the State's capital program. Where proposed disposals involve issues of special concern, for instance open space and heritage value or environmental sensitivity, a review is undertaken by a Special Property Review Panel and recommendations made by the Panel to a Ministerial Committee for final decision.

As well the PSG advises Government agencies on all aspects of property asset management including acquisition, consolidation of sites, development, efficient use, underutilisation and recycling.

An important element of the Property Asset Management Program is the establishment of the Open Space and Heritage Fund which is credited with a percentage of proceeds paid to the Consolidated Fund from sale or lease of surplus crown property assets. The proceeds credited to the Fund are used to acquire and improve regional open space and to conserve the State's environmental heritage. Provision has been made for up to \$10 million to be credited to the Fund in 1991-92 compared with \$3.1 million last year.

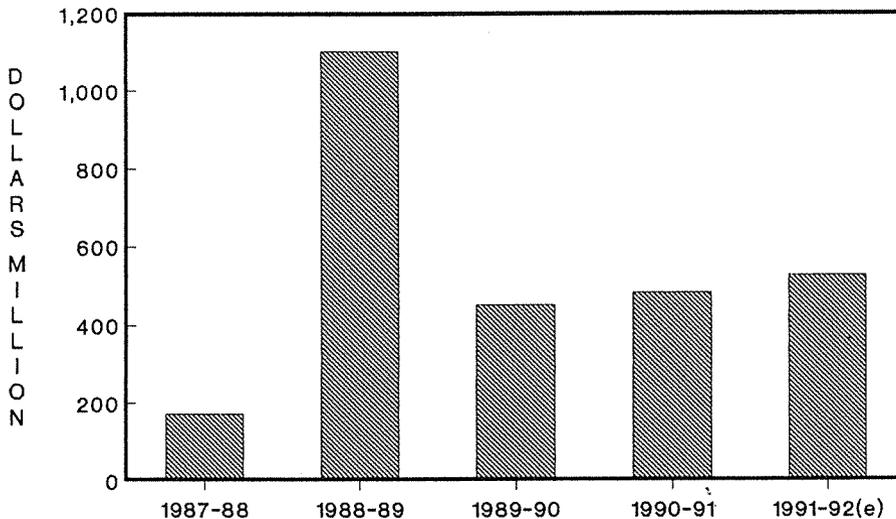
## Asset Disposal Program

Substantial progress has been made towards reducing excessive public sector debt levels by using asset disposal proceeds to repay debt and to avoid the use of borrowings to fund new Budget Sector capital works projects.

Figure 10.2 and Table 10.2 show the level and application of proceeds derived from asset disposal over the period 1987-88 to 1991-92.

**Figure 10.2**

### LEVEL OF ASSET DISPOSAL PROCEEDS



**Table 10.2: Application of Asset Disposal Proceeds**

APPLICATION	1987-88	1988-89	1989-90	1990-91	1991-92 (est)
	\$m	\$m	\$m	\$m	\$m
Current Year Capital Program Funding	173	641	327	323	412
Following Year Capital Program Funding	...	97	63	23	116
Debt Reduction, Additions To Reserves, Capital Returns to Government, etc.	...	363	61	137	
<b>TOTAL IN-YEAR PROCEEDS</b>	<b>173</b>	<b>1,101</b>	<b>451</b>	<b>483</b>	<b>528</b>

Total proceeds from property sales and long term leases amounted to \$483 million in 1990-91, \$451 million in 1989-90 and \$1,101 million in 1988-89, compared with \$173 million in 1987-88.

The deterioration in the property market is reflected by the drop in asset disposal proceeds from the peak 1988-89 level. Adverse market conditions were the main reason for proceeds falling from a budget of \$881 million in 1990-91 to actual proceeds of less than \$500 million. In view of the depressed state of the property market the Government withdrew a number of significant properties from sale or lease towards the end of the financial year, including the State Office Block in Macquarie Street.

Of total proceeds of \$483 million derived from asset disposal in 1990-91, \$323 million was applied to capital program funding in the year and \$137 million was utilised for other purposes, such as debt reduction and additions to reserves. The balance of \$23 million was carried-forward as a funding source for the 1991-92 capital program. Figures relating to asset disposal proceeds in prior years are outlined in Table 10.2.

Estimated proceeds from asset disposal in 1991-92 amount to \$528 million. This target is conservative, recognising market conditions. Of this amount \$412 million is budgeted as a funding source for the State's 1991-92 capital program, the balance of \$116 million being available for debt repayment, capital returns to the Government or as a funding source for the 1992-93 capital program.

## Asset Renewal Program

Table 10.3 provides some broad details of the State's capital program from 1987-88 to 1991-92 in relation to that portion of the program funded from asset disposal proceeds. The use of asset disposal proceeds to fund the acquisition or construction of new public assets or upgrade existing assets is known as the Asset Renewal Program.

The table demonstrates the importance of asset disposal proceeds to total capital program funding, especially in relation to the commencement of new works.

The percentage of capital program expenditure on the commencement of new works funded from asset disposal proceeds has increased from 31 per cent in 1987-88 to 50 per cent in 1991-92. The effect of the decline in the property market is illustrated by the fact that asset disposal proceeds funded almost 100 per cent of the cost of new works commencements in 1988-89 falling to 48 per cent in 1989-90 and 50 per cent last year.

Without access to asset disposal proceeds at the level indicated over the past three financial years and in 1991-92 it would simply not have been possible to fund a significant proportion of new works commencements. The only alternative to asset sales and leases would have been to greatly increase borrowings, an unacceptable alternative to the Government given high State debt levels and Loan Council restrictions.

Major new works funded from the proceeds of asset disposal include new and replacement schools, hospital facilities, court houses, police stations and prison facilities and important capital infrastructure for public transport, ports and water and sewerage.

## Conclusion

Successful asset management demands the most efficient and effective use of property assets to maximise returns. Asset disposal is an important element of successful asset management where surplus and underutilised assets are disposed of and the proceeds used to purchase or construct new or replacement capital assets or to reduce capital debt. Each of the States and the Commonwealth Government sell or lease public assets no longer required for their original public purpose.

Asset disposals of around \$0.5 billion per annum amount to only 0.6 per cent of all the Government's commercially valued properties (i.e. land, buildings, plant and equipment). This is a modest turnover by private sector standards. Asset disposals in other States (e.g. Victoria and Western Australia), when expressed as a turnover of total property assets with commercial value, have been comparable or greater than in New South Wales.

In New South Wales, as Sydney's population grows and moves west and south, public infrastructure must be relocated from the inner to the outer suburbs if existing disparities in public services are not to widen. This also holds true for the rest of New South Wales where population outflow from Sydney is putting pressure on other areas, particularly the North Coast. The Government's Property Asset Management Program, under which assets are disposed of when they are no longer needed and the proceeds applied to providing new assets in areas where they are critically needed, aims to ensure equitable and efficient public sector property asset management. The program is directed at maximising benefits for the whole of the State.

**Table 10.3: Capital Program - Funding from Proceeds of Asset Disposal**

	1987-88	1988-89	1989-90	1990-91	1991-92 (est)
• Total Capital Program Expenditure	\$4,384m	\$4,407m	\$4,838m	\$5,170m	\$5,517m
• New Works Expenditure (a)	\$551m	\$661m	\$876m	\$768m	\$878m
• Asset Disposal Proceeds Applied to Total Capital Program Expenditure	\$173m	\$641m	\$424m(b)	\$386m(c)	\$435m(d)
• Percentage of New Works Expenditure funded from Asset Disposal Proceeds	31%	97%	48%	50%	50%
• Percentage of Total Program Expenditure funded from Asset Disposal Proceeds	4%	15%	9%	7%	8%

- (a) Estimated expenditure on New Works Projects, included in Total Capital Program Expenditure.
- (b) Including \$97 million actually received in 1988-89 but applied to capital program expenditure in 1989-90.
- (c) Including \$63 million actually received in 1989-90 but applied to capital program expenditure in 1990-91.
- (d) Including \$23 million actually received in 1990-91 but applied to capital program expenditure in 1991-92.

## 10.3 COMMON LAW THIRD PARTY LIABILITY

### History of Third Party Scheme in New South Wales

#### BACKGROUND TO THE UNFUNDED LIABILITY

In 1942 the Motor Vehicle Third Party Insurance Act established the third party scheme in New South Wales. The scheme was introduced, in the light of the rising toll of death and injury on the State's roads, to ensure that plaintiffs were protected against the impecuniosity of defendants. Prior to the establishment of the scheme, accident victims had to sue the person at fault.

The scheme was established as a fully funded scheme with multiple insurers and with compensation determined by the courts based on common law principles. By fully funded it is meant that the premium in a given year was set so as to cover the full costs of all claims arising in that year, irrespective of when the actual cost was brought to account.

Over time the scheme experienced significant cost pressures as common law damage awards accelerated and new precedents were established in respect to the level and coverage of compensation.

During the period 1977 to 1983, compulsory third party premiums were tied by legislation to the Consumer Price Index, even though claims generally increased at a much higher rate. This led the GIO to report in 1983 that its third party fund stood at \$1,280 million, while outstanding claims were estimated to cost \$1,555 million or \$275 million more than the funds available (1). It was assessed that an increase of 37 per cent in premiums would be needed to cover liability for accidents occurring in 1983.

In November 1983, the then Premier announced that the increase in third party premiums based on the CPI, which was to occur from 1 January 1984, would not eventuate and further reductions in premiums were foreshadowed to take effect from April 1984.

Following a review commissioned by the then Premier, the Government announced in February 1984 a series of changes to the scheme which were effected by amendments to the Motor Vehicle (Third Party Insurance) Act. The amendments had the effect of placing limits on court awards, establishing the GIO as sole insurer and changing the funding basis of the scheme. The scheme was changed to a modified pay-as-you-go scheme.

The adoption of pay-as-you-go funding meant that premiums were set to simply cover the cash cost of claims arising in the year in question. This meant that future costs of accidents that occurred in the premium year were not reflected in the premium. This meant that the level of unfunded liability which had arisen due to the capping of the premium increase to the CPI, increased rapidly thereafter.

---

(1) Cited in the Law Reform Commission "Report on a Transport Accident Scheme for New South Wales", October 1984.

## **REFORM OF THE SCHEME**

In November 1981 the then Attorney-General made a reference to the New South Wales Law Reform Commission in respect of accident compensation. The terms of reference were broad, and required the Commission to inquire into and make recommendations concerning the extent to which compensation should be payable in respect of death or personal injury, and in particular whether no-fault compensation should be introduced in respect of injury or death sustained through the use of a motor vehicle or other means of transport.

The Commission undertook an extensive research program involving surveys of recipients of lump sum verdicts, a case study program looking at a number of classes of accident victims, and a detailed study of 86 people who had received compensation by settlement or verdict for injuries sustained in transport accidents. A number of major papers were issued, including in May 1983 a Working Paper proposing a draft transport accidents scheme. After further consultations and discussions, the Commission's Report and recommendations was presented to the Government in October 1984.

The Report recommended the abolition of the common law negligence in respect of transport accidents occurring in New South Wales, and the creation of a scheme providing a range of benefits to injured accident victims on a no fault basis. The range of benefits recommended by the Commission formed the basis for the statutory range of benefits under the TransCover legislation.

By 1986 the then Government was concerned as to the continually increasing cost of compulsory third party insurance, and the developing unfunded liability resulting from the failure of premiums to cover cost increases.

Following the release of a Green Paper outlining a number of options for reform, a new scheme called TransCover was introduced from 1 July 1987.

The Transport Accidents Compensation Act, 1987 took effect on 1 July 1987. From that date, common law proceedings for claims arising from accidents occurring on or after that date were abolished and a statute based administrative scheme was introduced. The GIO was appointed administrator of the scheme as agent for the Government.

Rather than seeking compensation by means of litigation through the courts, TransCover required the GIO to provide a range of benefits to transport accident victims who could demonstrate fault on the part of another. The range of benefits was based substantially on the recommendations of the Law Reform Commission for a no fault scheme.

## **Motor Accidents Act 1988**

Following the 1988 NSW election, the new State Government moved to implement an election undertaking to abolish TransCover and restore common law rights to receive compensation for injuries sustained on the roads.

The then Attorney-General convened and chaired a committee of review, and the report of that committee recommended the reintroduction of modified common law on a commercial multi insurer basis.

In November 1988 the Government accepted the recommendations of the committee, and enacted the Motor Accidents Act 1988.

The Act provided for the return of compulsory third party insurance, and common law damages for personal injury suffered as a result of the fault of another driver on NSW roads.

The scheme envisaged the initial "privatisation" of third party insurance to a number of licensed insurers, with the subsequent deregulation of CTP insurance premiums after an initial two year phasing in period.

### **Motor Accidents (Amendment) Act 1989**

The 1988 Act was silent as to what was to occur after the initial phasing in period. It merely required the Motor Accidents Authority to investigate and report to the Minister on the deregulation of CTP insurance within 2 years.

Insurers considering applying for licences to issue CTP policies indicated to the Government that they were reluctant to enter into a scheme when the legislation which would apply to the scheme after 2 years was not known. In these circumstances, the Government moved to undertake a careful examination, in consultation with interested parties, of the framework which would be needed under a deregulated environment, and the result of this review was an amending Act which clarified a number of provisions of the original Act and contained provisions which would take effect on 1 July 1991.

The major operative provisions of the 1988 Act, as amended by the 1989 amendments, was subsequently proclaimed to take effect on 1 July 1989.

The new scheme took effect from 1 July 1989, with 12 private licensed insurance companies. The new scheme involved a return to the common law principle of compensation as determined by the Courts, but established a range of restrictions, exclusions and limits on awards in order to contain costs.

The Motor Accidents Authority was established as the licensing authority and to oversight the operation of the scheme.

In the first stage of the scheme, which covered the first two years, the licensed insurers were assigned predetermined market shares and a common premium level across insurers was set. Motorists were allocated randomly to the licensed insurers.

The scheme moved into the second phase after 1 July 1991 when insurers were able to compete for market share and establish their own premium rates.

### **UNFUNDED LIABILITY OF PAST CLAIMS**

The outstanding claims in existence prior to the introduction of the new scheme were separated from the new scheme and are being run off by the GIO under the supervision of the Motor Accidents Authority. Also transferred was the Third Party Fund which was the residual of the past level of full funding and stood at broadly \$1.5 billion at the time of transfer.

With the separation of the new scheme and the associated premium income from the old claims, the only funding available to meet outstanding claims under the old scheme was from -

- the third party fund; and
- the \$40 per car levy that was introduced to assist in meeting past claims.

Since that time the scheme has been subject to regular actuarial assessment. Through effective claims management, the GIO has been able to reduce the cost of outstanding claims. However, there still remains a very substantial liability which at December 1990 was estimated at \$1,400 million.

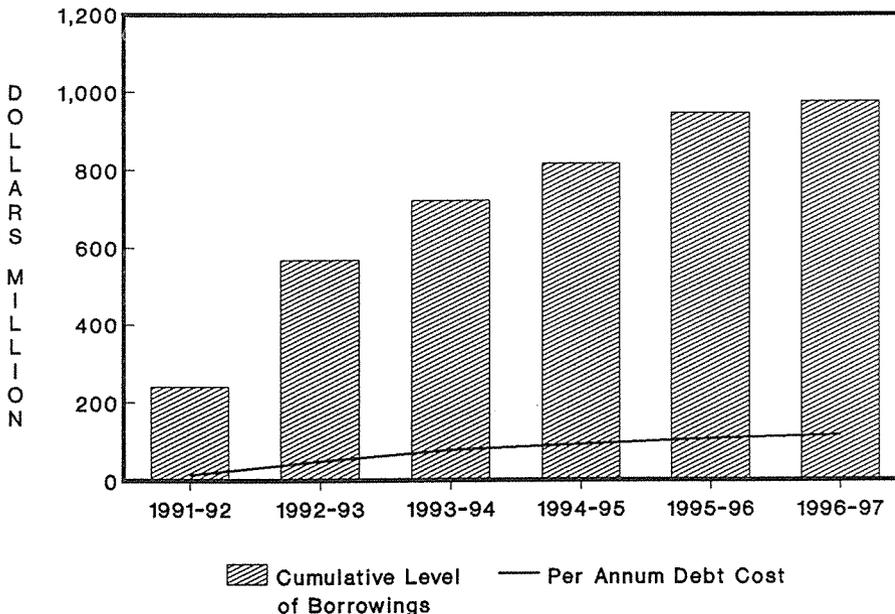
Based on projected claims, it was estimated that the Fund will be exhausted in the September 1992 quarter. However, as there are a number of illiquid assets in the Fund, the actual cash is likely to be exhausted by the December quarter of 1991.

Funding requirements for 1991-92 are estimated at \$240 million. Beyond 1991-92, with no fund balance to draw upon, there will be a net cash requirement in each year up to 1996-97. Beyond that year the levy income should be sufficient to meet the remaining claims.

Figure 10.3 shows the increase in borrowings required over the next seven years to fund the claims as they run off and the resultant increase in debt servicing costs. Borrowings will accumulate to over \$1 billion by 1996-97 while debt costs will by that year be \$170 million per annum.

Figure 10.3

### COMMON LAW THIRD PARTY MOTOR VEHICLE FUNDING



In view of the projected substantial unfunded liability, the Government has over the last three years transferred unutilised borrowing allocations to the NSW Treasury Corporation. These borrowings have been match invested.

It is now intended to draw upon these borrowings to meet the cost of claims as they arise, with the loan funds transferred progressively to the third party scheme. The actual loan liability will be taken up by the Treasury.

The net financial impact of the financing of the unfunded liability will be -

- an increase in net debt for the budget sector equal to the level of borrowings transferred to the third party scheme. This is estimated to peak at about \$1000 million, excluding interest on borrowings.
- an increase in debt servicing cost for the Budget of \$120 million per annum once borrowings are fully utilised.

While the funding will have an adverse impact on the State's net debt, there is no practical or responsible short term alternative in view of the very large liability involved.

The planned sale of the State's financial institutions, the GIO and the State Bank, will provide the opportunity to reduce debt and more than offset the impact of the debt funding of the third party liability.

## 10.4 TREASURY INSURANCE SYSTEM

### Introduction

In 1988, the Government established a review to investigate the adequacy and appropriateness of Government risk management and insurance arrangements, and to develop proposals for the future.

The review found that the existing system had no clear philosophy, rather being a mixture of approaches for different lines of insurance and different entities. In particular there was a lack of focus on risk prevention or risk management.

The Review's two major conclusions were -

- insurance premiums reflect claims experience which is essentially under the control of Departments and Authorities, not the insurer;
- the scale of the New South Wales public sector is such as to justify the establishment of a managed fund to undertake insurance for the Budget Sector.

The managed fund approach to self insurance with limited reinsurance was accepted by the Government.

The new scheme began operating from 1 July 1989 under the name of the Treasury Managed Fund.

### The Managed Fund Insurance Scheme

The main features of the Fund are -

- departments pay premiums to the Fund based on the fully funded cost of their exposures, so that today's managers are responsible for today's costs;
- financial incentives provide motivation to reduce exposures and related costs;
- risk management is given a high priority with departments having primary responsibility for identifying risks and developing appropriate strategies to deal with exposures in a cost effective manner. Loan and grant funds are available to assist with strategies;
- the Fund provides departments with cover for all insurable risks;
- participation in the Fund is mandatory for Budget Sector entities and optional for Non Budget Sector entities;
- a professional Fund Manager was appointed to manage the Fund, providing claims management, insurance, information and some risk management services; and

- incentive for performance is provided in the Fund Manager's Fee Structure.

## **PREMIUMS AND INCENTIVES**

Premiums are assessed for each of five main types of cover by -

- a) actuarial formula for Workers' Compensation and Motor Vehicle, due to the high frequency and thus statistical predictability of claims.
- b) conventional insurance rating principles for Liability, Property and Miscellaneous.

For each cover, premium is split between -

- A self-insurance component, based upon the level of risk selected by departments for each loss. This is the MANAGED FUND layer.
- An insurance component, similar to conventional insurance whereby the cost of insurance for losses above the level selected to be retained for each loss, is charged to a central Pool administered by the Fund Manager. This is the INSURANCE or POOL layer.

Budget allocations provide for premium costs which are based heavily on tariff rather than individual experience (and will be based entirely on tariff in 1992-93). The incentive is for departments to perform better than tariff and achieve a surplus in their managed fund. Departments retain any surplus but conversely must fund deficits from existing resources.

## **STOP LOSS**

Stop Loss insurance is also purchased from the central pool and provides each department with financial relief should the funds credited to the self insurance layer prove to be vastly inadequate. The stop loss cover is called on when the Managed Fund layer is exhausted by 150% for Workers' Compensation or Motor Vehicle and 125% for the other types of cover.

## **REINSURANCE**

The central pool, although owned by the Government, operates as if it is an insurance company. On the Government's behalf the Fund Manager purchases reinsurance above a predetermined amount (in the order of between \$10 million and \$30 million for losses arising from any one event) to protect the scheme as a whole. This reinsurance premium is the only leakage out of the scheme.

## **Results**

After one year of operation, there was evidence that departments were responding to the incentives offered by the Fund. Departments recognised exposures and began implementing their own strategies to better manage exposures. Preliminary advice indicates that performance in the Budget Sector is improving at a faster rate than private sector, although the public sector still trails the best practices of the private sector.

In March 1990 savings amounting to \$13.6 million were distributed to departments. That distribution was only an interim distribution for the 1989-90 year but nevertheless indicative of the Fund's success. Available statistics indicate that savings achieved in 1989-90 continued in 1990-91. The projected surplus for 1990-91 was \$37.2 million compared to \$33 million in 1989-90.

The projections are to some degree a result of overestimation of Workers' Compensation premiums. This has, however, been offset by unusually high losses from a spate of natural disasters (tabled below). Results would be even more significant if these unusual losses were excluded.

<b>Disaster</b>	<b>Date</b>	<b>Net Cost* \$000</b>
Newcastle Earthquake	28.12.89	27,069
Orange Hail Storm	07.02.90	373
South Western Sydney Storms	18.03.90	2,103
Nyngan Flood	23.04.90	1,380
Northern Sydney Storms	21.01.91	982
		<u>31,907</u>

\* Cost net of recoveries from the Commonwealth and other sources.

Financial incentives have focused attention and are fostering better management. Departmental managers have accepted that they are accountable for insurance costs and accountability is being properly devolved to areas that control exposures.

## 10.5 NATURAL DISASTER ASSISTANCE

### Introduction

Expenditure on natural disaster relief measures administered by Budget Sector agencies is funded from the Consolidated Fund. Various schemes operate, either automatically when a natural disaster occurs, or as special schemes introduced by the Treasurer according to circumstances. Schemes of assistance exist to alleviate personal hardship and distress and to help primary producers, small businesses, local government councils and various voluntary non-profit organisations affected by floods, storms, bushfires or earthquake. Measures to assist primary producers may also be introduced during periods of drought, the particular measures varying with the circumstances of each drought.

**Table 10.4: Natural Disaster Assistance by Purpose in 1990-91**

ELIGIBLE ASSISTANCE MEASURE	NEWCASTLE EARTHQUAKE \$000	OTHER NATURAL DISASTERS \$000	TOTAL \$000
Relief of Personal Hardship and Distress	2,713	8,638	11,351
Loans to Primary Producers	...	11,312	11,312
Loans to Small Business	3,600	5,749	9,349
Expenditure to Restore/Replace Essential Public Assets by State and Local Government	37,490	130,647	168,137
Freight Subsidies on Stock and Fodder	...	1,500	1,500
<b>TOTALS</b>	<b>43,803</b>	<b>157,846</b>	<b>202,000</b>

During 1990-91, the State experienced a series of natural disasters:

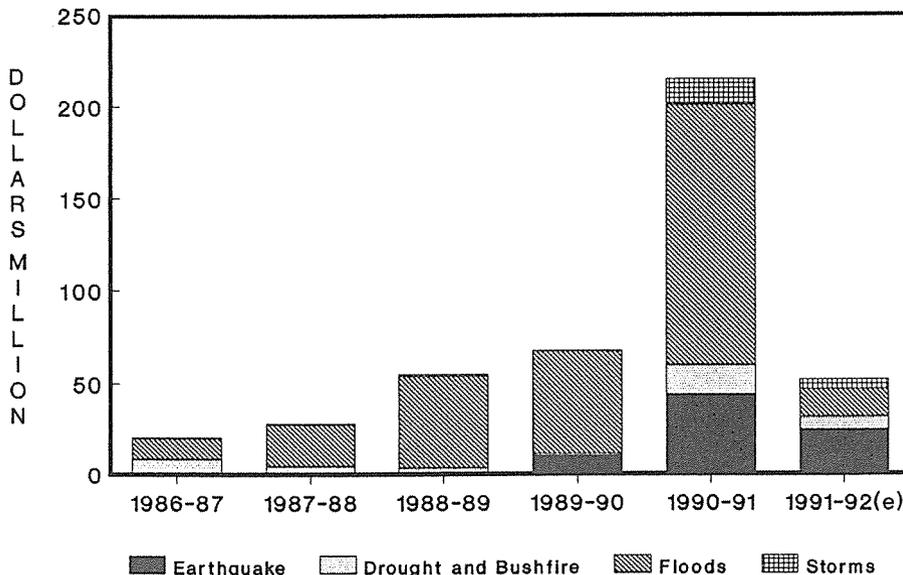
- Floods - Western NSW and in the Nepean - Hawkesbury
  - Inverell and Northern NSW
  - Sydney, the South Coast and Namoi areas
- Bushfires - South West NSW
- Storms - North Shore and other areas near Sydney

These natural disasters imposed substantial injury and cost on the community, required substantial government remedial effort and coordination and will continue to require major expenditures to restore public assets and infrastructure.

In addition to the natural disasters that occurred in 1990-91, there has been an accumulated impact of flood and storm damage on New South Wales roads which was substantially addressed in 1990-91.

Expenditure in the last three years by all departments has increased greatly due to damage caused by widespread flooding. Earthquake reconstruction in Newcastle has also impacted on the level of expenditure in the last two years. The following graph shows trends in expenditure on all natural disasters over the last five years.

**Figure 10. 4**  
**NATURAL DISASTER ASSISTANCE**



As can be seen, natural disaster assistance has increased from a low of \$24.4 million in 1986-87 to a high of \$202.0 million in 1990-91. This has put considerable strain on the State Budget.

### Commonwealth Funding

Under the Commonwealth-State Natural Disaster Relief Arrangements (NDRA), the Federal Government provides assistance to the States once expenditure on relief and restoration measures exceeds a "base amount" for each State. The base amount is set at 0.225% of State general government sector revenue and grants two years earlier (the latest available data).

The Commonwealth will share with the State on a dollar for dollar basis expenditure on personal hardship and relief assistance even though the base amount may not be exceeded.

For New South Wales in 1991-92 the base amount is \$40.7 million. This compares with \$19.3 million in Queensland and \$27.4 million in Victoria. These figures demonstrate the heavier burden disasters place on State resources in New South Wales compared with other States.

Commonwealth assistance is paid on a dollar for dollar basis above the base amount and up to 1.75 times the base amount (i.e. \$71.2 million for New South Wales). Above this latter threshold the Commonwealth contributes on the basis of \$3 for each \$1 State. The comparable thresholds in Queensland and Victoria are \$33.8 million and \$47.9 million respectively.

Following the Newcastle Earthquake on 28 December 1989, the State and Commonwealth Governments agreed on special dollar for dollar cost sharing arrangements so as to remove the uncertainty surrounding the level of Federal assistance under NDRA.

Drought assistance was previously included under NDRA but from 1 July 1989 the Federal Government has excluded drought as an eligible disaster. The Commonwealth has decided to deal with drought relief under the Rural Adjustment Scheme.

As mentioned above, the New South Wales Government has continued to offer assistance to primary producers affected by drought, with particular measures varying with the circumstance of each drought.

## 10.6 COMMUNITY SERVICE OBLIGATIONS AND BUDGET FUNDED CONCESSIONS

Budget funded concessions and community service obligations relate to services provided free or at less than cost to a specific eligible class of individuals and may be provided to these persons by Budget Sector agencies, commercial government bodies or private corporations.

In addition there are budget funded obligations required of Government authorities which do not relate to any specific population group but rather require a particular function to be undertaken.

### Budget Funded Concessions and Community Service Obligations

In total the concessions and obligations amount to \$1,003 million in 1990-91 and an estimated \$1,089 million in 1991-92, up 8.6 per cent. In the main the concessions, which are summarised in Table 10.5, are funded directly by the Budget.

The main area of concessions is in public transport which in 1991-92 accounts for 82 per cent of concessional expenditure.

Major beneficiaries of the concessions include Commonwealth Health Card holders (especially pensioners), low income householders and families with children. Of the total concessions in 1991-92, \$328 million is credited direct to pensioners and, as well, pensioners would be significant beneficiaries of other schemes, particularly the public housing rental rebate.

Concessional expenditure schemes, while having commendable objectives of improving access to services and addressing inequities, also suffer from a number of difficulties -

- targetting is often poor, except where a clear and objective level of eligibility is available;
- access can be inequitable, given that the benefit is in the form of a service rather than cash. For example, citizens who do not own a car, or who have poor access to public transport cannot avail themselves of concessions related to car ownership or public transport fares;
- lack of transparency and hence not subject to direct scrutiny in terms of costs and benefits. While this is generally not the case with budget funded concessions, other concessions delivered through cross subsidies are not transparent; and
- produce resource allocation distortions, with demand for the subsidised services over consumed.

In addition to the concessions listed in Table 10.5, there are other forms of Government concessions, namely -

- services provided at concessional prices due to pricing cross subsidies. The main example in New South Wales is the water and sewerage subsidy to residential properties funded by business and commercial users; and
- taxation concessions, provided to specific groups. The 1989-90 Budget Papers estimated taxation expenditure for 1988-89 at broadly \$3,059 million. Expenditure in 1991-92 is estimated at \$3,500 million.

### **Other Budget Funded Requirements**

The nature of these requirements varies greatly, from creating and maintaining free public recreation areas (i.e. Darling Harbour Authority) to the management and development of the State's property portfolio (i.e. Property Services Group)

In 1991-92, \$87 million will be provided for those obligations which represents a decrease of 2.0 per cent over the 1990-91 level of \$89 million.

The major requirements paid by the State are detailed in Table 10.6.

**Table 10.5: Cost of Budget Funded Concessions and Community Service Obligations Granted by the Government**

Minister	Description of Concession	Actual 1990-91 \$000	Estimated 1991-92 \$000
Energy	Assistance to permanent residents of remote areas to provide an adequate domestic power supply through grid connection and purchase of stand alone power supply systems .....	2,091	7,178
	Contribution towards pensioner concessions on electricity charges. Part of this concession is funded by industry sources ..	3,225	3,560
	Assistance to financially disadvantaged people for payment of electricity accounts. This concession is funded by contributions from the Electricity Commission and the County Councils and not direct by the Consolidated Fund.....	6,106	5,300
Housing	Water and Sewerage rate rebates for pensioners .....	34,085	35,200
	Rates on exempt properties ....	23,000	25,000
Further Education, Training and Employment	Exemption from the TAFE administration charge for genuinely needy students .....	8,000	8,000
Education and Youth Affairs	Student Assistance Scheme ...	2,273	2,368
	Bursary Allowances .....	2,605	1,214
Local Government	Council rate rebates for pensioners (State's share) .....	42,614	43,000
Natural Resources	Subsidy to Broken Hill Water Board for rate rebates for pensioners .....	221	225
	Subsidy to Irrigation Areas and Districts to refurbish assets, etc .....	12,680	11,595
Transport	Subsidies to pensioners and others on privately operated buses and ferries .....	17,044	16,530

**Table 10.5: Cost of Budget Funded Concessions and  
Community Service Obligations  
Granted by the Government (cont)**

Minister	Description of Concession	Actual 1990-91 \$000	Estimated 1991-92 \$000
Transport (cont)	Conveyance of students on privately operated buses and ferries .....	209,685	237,470
	Community Service payments ..	11,405	11,722
	Late night bus services .....	3,335	3,126
	General subsidies to provide reduced fares and increased service levels on SRA and STA services -		
	- pensioners .....	112,754	122,441
	- unemployed and single parents .....	28,358	25,976
	- police .....	4,642	4,891
	- blind civilians .....	2,803	2,849
	- totally blinded and/or incapacitated ex-service personnel .....	5,527	5,078
	- students .....	118,438	126,408
	- general concessions .....	272,612	311,727
	Motor Vehicle Registration concessions to pensioners -		
	(i) Registration Fee (RTA) ....	11,304	12,100
	(ii) Motor Vehicle Tax .....	38,194	41,640
	(iii) Transcover Insurance Levy .	13,702	14,240
	Drivers licence concessions to pensioners .....	7,700	1,740

**Table 10.5: Cost of Budget Funded Concessions and  
Community Service Obligations  
Granted by the Government (cont)**

Minister	Description of Concession	Actual 1990-91 \$000	Estimated 1991-92 \$000
Family and Community Services	Provision of free spectacles . . . .	2,208	2,301
	Child Welfare Assistance Program . . . . .	490	511
Health	Isolated Patients' Travel and Accommodation Assistance Scheme . . . . .	5,741	5,186
	<b>Total</b> . . . . .	<b>1,002,842</b>	<b>1,088,576</b>

**Table 10.6: Other Budget Funded Requirements of Government Authorities**

Organisation	Purpose of Payment	Actual 1990-91 \$000	Estimated 1991-92 \$000
Darling Harbour Authority	Provision of parklands for public use .....	19,180	15,760
Zoological Parks Board	Education, research and conservation projects .....	3,750	3,835
Forestry Commission	Advisory and regulatory functions and upkeep of facilities for public recreation ..	15,114	14,179
Wild Dog Destruction Board	Protection of livestock .....	316	215
Opera House Trust	Planned and catch up maintenance program and recurrent subsidy to meet shortfall in revenues .....	26,901	25,855
Geological and Mining Museum	Education and maintenance of mineral collections .....	1,028	1,266
Commercial soil conservation activities	Soil conservation earthworks ..	...	5,413
Commercial Services Group	Oversight of period contracts administration and telecommunications. Provision of free publications .....	11,311	10,599
Property Services Group recurrent and capital activities	Management of the State's property portfolio and the development of Homebush Bay .....	11,563	10,272
	<b>Total .....</b>	<b>89,163</b>	<b>87,394</b>