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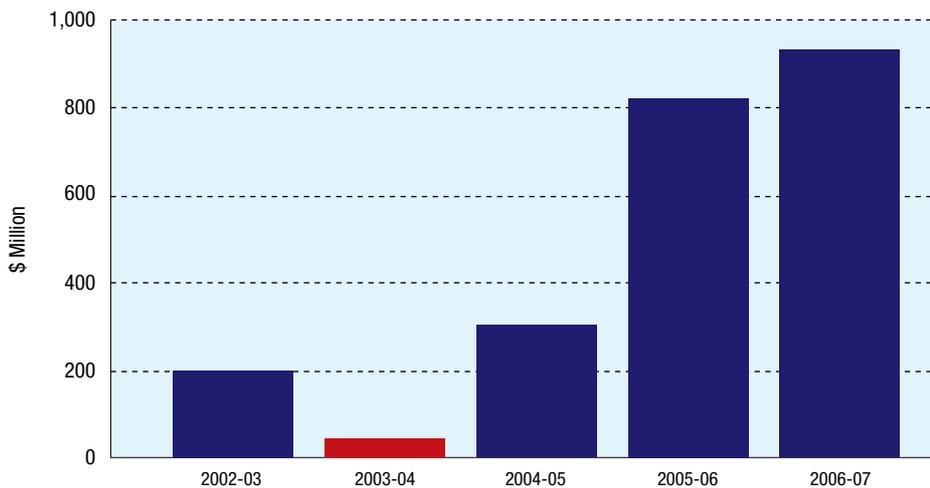
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Budget result

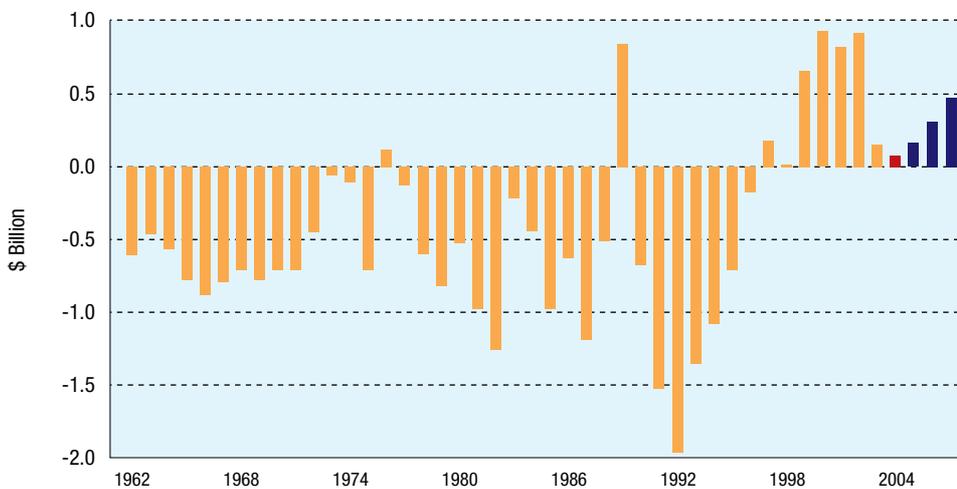
The 2003-04 Budget is the Government's eighth balanced budget. The Budget result is a \$43 million surplus, with surpluses projected in each of the following three years.

Budget Result for 2003-04



On the other two key measures, the 2003-04 budget is in a strong position. The Budget has an operating result of \$1,024 million. This is the amount by which revenues exceed the cost of providing government services. It does not include the cost of building or buying new assets. The Budget posts a cash surplus of \$78 million. This shows how much money is available to reduce government debt.

**Underlying Cash Result, General Government Sector
1961-62 to 2006-07**



The Budget delivers on the Government pre-election commitments in hospitals, schools and police and other areas. It also funds sweeping changes to community services.

Initiatives funded in the Budget include:

(\$ millions): Recurrent	Budget 2003-04	Estimates 2004-05	Estimates 2005-06	Estimates 2006-07
Reduce class sizes	6.0	34.0	77.0	105.0
Teacher professional development	6.0	11.0	11.0	11.0
Student behaviour and discipline	0.5	1.5	3.0	3.0
Cancer Institute	5.0	35.0	65.0	100.0
Radiotherapy workforce initiatives	1.0	2.0	2.5	3.0
Plan for nurses	4.5	8.5	8.9	9.1
Emergency departments	31.0	31.0	31.0	31.0
New radiotherapy services	3.5	3.5	4.4	9.9
Mobile surgical bus	2.6	5.2	5.2	5.2
Rural doctors' indemnity	5.0	5.0	5.0	5.0
Rural renal services	2.0	4.0	5.0	6.0
Extra ambulance officers	2.6	7.5	12.5	18.4
Counter terrorism initiatives	4.1	3.0	3.5	3.8
Operation Vikings	3.0	3.0	4.5	4.9
New police uniforms	1.2	2.8	2.6	1.8
Remote location incentives for police	0.9	0.9	0.9	0.9
Sexual assault response teams	0.5	0.5	0.5	0.5
More bicycle units	0.3	0.4	0.2	0.2
Crime scene investigators	...	1.0	8.5	14.6
Dogs to detect guns and explosives	...	0.6	0.5	0.5
More supervision for parolees	0.5	1.5	1.5	4.0
Assessing the risk of re-offending	...	1.0	1.0	2.0
Rehabilitation programs for offenders	...	2.0	4.0	5.0
Inmates with mental health problems	...	0.5	1.0	1.0
Inmates with intellectual disabilities	...	1.0	1.5	2.5
Child protection caseworkers	16.4	29.9	46.0	70.3
Support for families and children	9.3	17.8	31.8	48.8
Out-of-home care services	47.1	56.8	102.3	154.5
Support of front-line DOCs staff	39.7	38.5	38.5	34.7
More disability home care services	2.0	7.0	7.0	7.0
More disability respite care services	1.6	3.2	3.2	3.2
Pilot rehabilitation for spinal injuries	1.0	1.0	...	...
New parks and reserves	...	2.6	5.1	7.5
Aboriginal joint management of national parks	...	1.5	2.0	3.0
Pest animal and weed control	0.5	1.0	2.0	2.0
Local government grants - floodplain, estuary and coastal Management	1.5	7.5	7.5	7.0
Aboriginal Water Trust	2.0	2.0	...	...
Groundwater Structural Adjustment	3.0	2.0	...	...
Grants for Lake Illawarra, Clarence River dredging and East Corrimal sand dunes	1.3	1.0	...	...
Better court security	1.0	1.5	2.0	2.7
Establish one Aboriginal outstation	...	2.0	2.1	2.1
Community fire units	...	0.3	0.3	0.3
Relocate Mineral Resources to Maitland	3.1	7.7	2.1	2.1

(\$ millions): Capital works	Budget 2003-04	Estimates 2004-05	Estimates 2005-06	Estimates 2006-07
Reduce class sizes	18.7	27.4	31.3	29.7
Upgrade National Art School	1.0	3.0	4.5	...
Counter terrorism equipment for health	4.1	...	...	...
Radiotherapy equipment	...	11.0	27.7	16.7
Forensic Research & Investigative Science Centre	3.6	...	...	...
In-car video	0.9	7.6	...	...
Upgrade police training facilities	3.0	0.8	2.4	...
St Mary's police station	2.5	6.0	1.5	...
24 Livescan Units	0.9	0.9	...	...
Police vehicle fleet enhancements	1.3	1.0	1.0	...
Armidale police station	2.0	2.8	...	...
Redfern police station	2.0	1.0	...	...
PAL (Lithgow) replacement accommodation	0.8	...	...	...
Bicycles	0.2	0.2	...	...
Mulawa gaol redevelopment	3.0	14.0	5.0	5.0
Mid North Coast Second Chance	0.5	1.4	7.1	...
Relocate Corrective Services head office to Goulburn	0.6	5.2	11.2	...
Upgrade Community Offender Services offices	1.0	1.5	1.0	1.0
Extend Mid North Coast remand gaol at Kempsey	16.1	8.9	...	...
Build Parklea remand stage 2	0.1	0.5	7.2	19.0
New head office for Rural Fire Service	5.1	...	...	...
Computer aided despatch system for Fire Brigades	1.5	1.0	...	...
Major refurbishment of fire stations	1.8	...	...	...
Aboriginal outstations	2.1	0.2	...	...
Build Sydney West trial complex	1.0	8.5	15.0	18.0
Develop National parks	3.4	2.9	4.6	7.1
Relocate Mineral Resources to Maitland	7.1	10.8	...	...
Rail capital works, including planning for Cronulla line	40.4	68.5	73.6	55.9
Various new road works, including Pacific Highway, Bangor Bypass and Spit Bridge	102.2	142.1	100.9	73.2
New TAFE facilities	16.5	39.7	...	...

Protecting children

This Budget provides the biggest annual budget increase for Community Services ever seen in NSW.

The DoCS budget increases by 25 per cent to a record \$803 million.

The money will fund new caseworkers and new services to support families and protect vulnerable children. Some highlights include:

- 50 additional caseworkers to investigate the highest priority reports of concern.
- 50 additional caseworkers dedicated to early intervention work.
- 50 additional caseworkers to support foster children and their carers.
- 17 additional caseworkers for Joint Investigation & Response Teams.
- 23 additional psychologists and legal staff to support caseworkers.
- \$3.6 million new grant money for NGOs to supply services to foster carers and children.
- \$3 million new money for family support services targeted at early intervention.
- \$4.9 million for new intensive supports for identified high-risk families.

Tax changes in this Budget will increase revenue by \$32 million in 2003-04 and \$80 million in 2004-05.

Tax changes in 2003-04, together with those introduced in the preceding four years, result in annual tax revenue being around \$1.4 billion lower in 2003-04 than it would have been without those measures. These are on top of taxes removed as a result of the introduction of the GST.

The 2003-04 Budget tax measures

Remove, as an anti-avoidance measure, provisions in the Duties Act 1997 that give special treatment to corporate mortgages securing debenture issues. This measure takes effect from 24 June 2003 and will increase revenue by \$6 million a year.

Amend the Duties Act 1997 to tackle the use of corporation and trust structures to avoid transfer duty. This measure will take effect later this calendar year and will increase revenue by \$18 million in 2003-04 and \$24 million in 2004-05.

Apply payroll tax to termination payments to non-executive directors and remuneration by way of share plans and share options. This measure will take effect from 1 July 2003 and will increase revenue by \$10 million a year.

Replace a payroll tax rebate for new trainees with an exemption from payroll tax from 1 January 2004. This measure will cost to revenue of \$4 million in 2003-04 and \$9 million in 2004-05 but will be offset by reduced expenditure on the rebate.

Increase club gaming device duty rates, phased in over seven years with no increase in 2003-04. Beginning from 1 September 2004, this measure will increase revenue by \$39 million in 2004-05.

Increase hotel gaming device duty rates, phased in over seven years with no increase in 2003-04. Beginning on 1 July 2004, this measure will increase revenue by \$7 million in 2004-05.

Increase parking space levy from 1 July 2003 and thereafter index annually to the increase in the Sydney CPI. This measure will increase revenue by \$2 million in 2003-04.

Continue suspension of the Electricity Distributors Levy. Prior to its suspension the levy raised \$100 million a year.

Gaming Tax

NSW club gaming tax rates are around half, and hotel gaming tax rates around a third lower than the average of the rest of Australia. In keeping with the agreed moratorium with the club and hotel industries, there will be no tax changes in 2003-04.

From 2004-05 new tax scales will be phased in over seven years that bring NSW rates closer to the national average.

The new rates will extend the progressive tax scales so that larger clubs and hotels contribute more to tax revenue.

Under the new arrangements around 900 clubs, or around two thirds of all clubs, will pay no tax, or less tax than currently. Similarly around 700 hotels, or around 40 per cent of all hotels, will pay less tax.

Massive boost to capital works

The Budget contains nearly \$29 billion over four years to build new schools, hospitals, roads, railways, public housing and power and water networks.

This is an increase of \$5.3 billion, or 22 per cent, on the previous four years.

In 2003-04 government departments and businesses will spend over \$7.1 billion on new capital works - an increase of more than \$700 million on last year's Budget.

In addition, another \$1.1 billion will be spent by the private sector on major public private partnership projects such as Cross City Tunnel and the Western Sydney Orbital.

All up, capital works funded or initiated by the Government will top \$8.2 billion in 2003-04 and sustain 124,000 direct and indirect jobs.

Highlights include:

Rail - \$999 million on new and upgraded rail lines, bridges, railway carriages, and stations. This is an increase of \$198 million on last year's Budget.

Education - \$333 million for new and upgraded schools undertaken by the Government. A further \$34 million will be spent to build nine new public schools under an arrangement between the Government and the private sector.

Health - \$457 million to build and improve hospitals, including money to equip NSW Health and the ambulance service to respond to a possible terrorist attack.

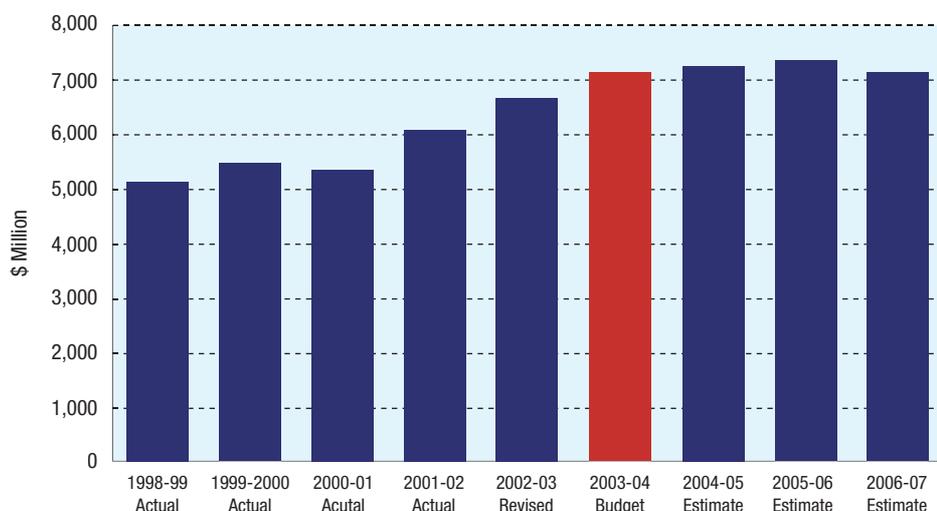
Roads - \$1,374 million for capital works as part of a \$2,684 million road building and maintenance program.

Buses and ferries - \$70 million for new buses, security equipment on buses and to refit Manly ferries.

Water and sewerage - \$670 million to improve water quality, water treatment and supply and improve sewerage treatment.

Public housing - \$327 million for new and upgraded public, community and Aboriginal housing.

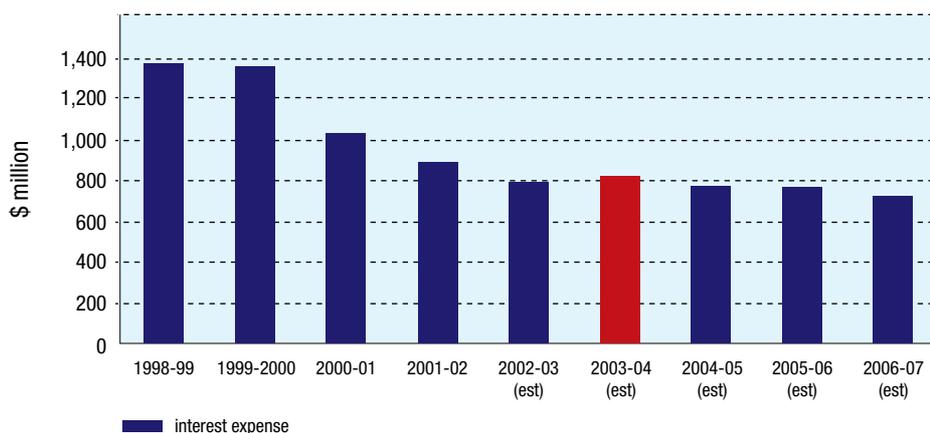
State capital works program



The net worth of the NSW public sector - the difference between the value of the government's assets and the government's liabilities - is forecast to rise by \$15 billion to \$115 billion by 2007.

This is an increase of \$36 billion, or \$4,000 per person in NSW since 1999. General government net debt has been reduced by \$8 billion from 1995 to 2003. The Budget sees it decline further, falling to \$2.4 billion by 2007. Less general government debt means a lower interest bill and more money for hospital and schools.

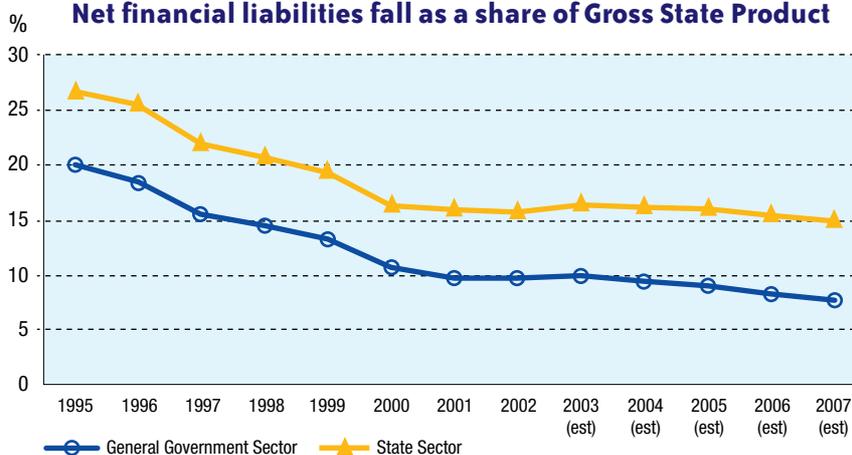
Interest bill falling



In the next four years government businesses will undertake a record \$15.5 billion of new capital investments. Among other things, these works will upgrade electricity and water networks, improve the freight rail track in the Hunter Valley, strengthen electricity production and modernise ports. The investment program will be roughly two-thirds funded by the businesses' retained earnings and capital grants (\$9.7 billion) and one-third funded by borrowings (\$5.8 billion).

These new income-earning investments will contribute to the \$6.3 billion in dividends and other payments that government businesses are expected to provide the Budget in the next four years. At the same time, the net value of taxpayers' investment in government businesses is projected to increase by \$9 billion, largely as a result of the value of the new commercial investments.

Net financial liabilities fall as a share of Gross State Product



Economic growth of 2.5 per cent in 2002-03 was weaker than expected largely due to the severe drought, which led to a steep fall in agricultural production and rural exports.

Added to this, faltering growth in our major export markets during the year dampening demand for non-farm exports.

Weaker exports were offset by strong domestic demand, driven by a further lift in home building and strong private consumption and business investment.

Job growth is slightly better than was expected six months ago, strengthening to two per cent for 2002-03.

This year's Budget projects economic growth of 3.25 per cent based on anticipated stronger demand for exports and improving agricultural conditions.

The Budget forecasts a modest recovery in the global economy, an easing in domestic household consumption and continuing solid business investment. Dwelling construction is expected to decline, but not sharply.

Employment growth should moderate to 1.25 per cent in 2003-04, reflecting an expected slow-down in dwelling construction. The forecast pace of job creation should be sufficient to bring the unemployment rate down to 5.75 per cent.

The major risk to the forecast is if the US economy fails to recover and falls into a double dip recession.

Economic Performance and Outlook

	Outcomes 2001-02	Estimates 2002-03	Forecasts 2003-04
New South Wales			
Gross State Product	2.4	2.5	3.25
State Final Demand	2.4	5.0	3.25
Employment	0.8	2.0	1.25
Unemployment rate	6.2	6.0	5.75
CPI (Sydney)	3.0	3.0	2.25
Wages	3.3	3.5	3.5
Australia			
Non-farm GDP deflator	1.9	2.75	2.0
Ten year bond rate	5.9	5.25	5.5

Source: Australian Bureau of Statistics; New South Wales Treasury.