

**Budget Paper No. 1**  
**NSW Treasurer's Budget Speech**

**A SECURE COMMUNITY**

*"Good hospitals, good schools and a good future. It's guaranteed."*

**Delivered in the NSW Legislative Assembly on 6th May, 1997.**

The NSW Treasurer, the Hon M R Egan MLC, delivered the NSW Government's 1997/98 budget speech in the Legislative Assembly of the NSW Parliament at 4:00pm on Tuesday, 6th May, 1997.

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**A SECURE COMMUNITY**

*"Good hospitals, good schools and a good future. It's guaranteed."*

**INTRODUCTION**

New South Wales has set itself a great goal and a formidable task - to host, in September 2000, the best Olympics the world has ever seen.

But there is a much more important goal that we should, as a State and as a community, set for ourselves.

And that is to offer to all our citizens a safe, fair, prosperous, and civilised community. And that means a secure community.

We really do live in the best State in the best country in the world.

Just consider for a moment our extraordinary environment: our remarkable coastline from Eden to Tweed Heads, the sheer variety of our agriculture, our mineral wealth, the sophistication of Sydney, and the beauty of its harbour.

In New South Wales we also have an exceptional environment for business. That's why almost 200 international companies have recently based their Asia Pacific regional headquarters here.

It's also why New South Wales has so many companies which specialise in the rapidly growing information technology, telecommunications and financial services sectors - businesses poised to deliver more and more well paid jobs.

But we must acknowledge that for many people life is tough and uncertain - for some, even desperate. We're facing savage Federal Government cuts like we have never seen before, and this causes anxiety about the future.

It's time to secure what we've got.

And that is the goal of this budget.

With this budget we will guarantee that the people of New South Wales continue to have:

- good hospitals, so no one needs to be afraid of getting sick;
- good schools, so parents know their children are getting the best education;
- more police on the streets, so our homes and suburbs are safe;
- good public transport and roads, and good parks and open space, to maintain the quality of our lifestyle.

In New South Wales, we have a robust, competitive economy. Our businesses are encouraged to compete, and are demonstrating they can do so successfully in an open, increasingly competitive global economy.

This Budget will ensure we have a sound and strengthening financial position.

Our aim is to be free of unnecessary public debt and massive accumulated unfunded financial liabilities. This will secure our children's future.

This is the base that will enable us to continue to provide first-class public facilities and services that people need and have come to expect.

But this year the people of New South Wales face the loss of \$450 million of Federal funding for essential services: money for hospitals, for old people, for the disabled, for families, for roads and public transport, and services for people living in our regions.

However, this Government will not shirk its responsibility.

This Budget is squarely aimed at guaranteeing what New South Wales people consider their right: a secure community in which we share fairly both our burdens and our prosperity.

Like the first two budgets of the Carr Government, this is every inch a Labor Budget.

That's why, despite the extra financial difficulties that confront this Budget, we will deliver major improvements in health and hospital services, family and community services and schools, create safer communities, provide better transport and roads, and further protect the environment in which we live.

## **ECONOMIC CONTEXT**

The 1997 Budget anticipates 3.5 per cent real growth in the State's output in 1997/98.

Over the last two years, New South Wales has led the nation's job growth with an extra 103,000 jobs, an increase of 3.8 per cent.

As predicted this time last year, job growth in 1996/97, both nationally and in New South Wales, was considerably more subdued than in 1995/96.

However, our unemployment rate, at 7.9 per cent, is considerably lower than the national average and 1.3 per cent below Victoria's.

During the coming year, we expect job growth to accelerate to two per cent. This will mean a net addition of 55,000 new jobs.

The latest building activity figures are also good news and indicate a strongly growing State economy in 1997/98 and beyond.

During the last quarter, 43 per cent of all building construction in Australia occurred in New South Wales - a huge \$8.6 billion out of a national total of \$19.7 billion.

This was more than double the value of construction in either Victoria or Queensland.

Our lead was strong in all sectors - almost half of all residential construction and 41 per cent of non-residential construction took place here.

We also accounted for 36 per cent of hotel construction, 38 per cent of shops, 40 per cent of factories, 36 per cent of offices, 33 per cent of educational buildings, 66 per cent of religious buildings, 38 per cent of health buildings, 52 per cent of entertainment and recreational buildings, and 52 per cent of other business premises.

New South Wales also fared well in the amount of engineering construction during the last twelve months, with work worth \$5.2 billion undertaken, more than one third of the national total, and more than twice that of Victoria.

Other good news during the year included a 13.2 per cent increase in New South Wales merchandise exports - a considerably stronger performance than the national average.

The State's strong export performance, together with better terms of trade, increased Gross State Income by five per cent in real terms, considerably higher than the growth in Gross State Product of three per cent.

New South Wales agriculture also recovered strongly in 1996. Farmers recorded record yields underpinning a 52 per cent increase in winter crop production in 1996/97 - the strongest growth of any State.

This followed more than a two-fold increase in New South Wales crop production in 1995/96.

In 1996, New South Wales returned firmly to the ranks of the low inflation States.

Growth in the State Consumer Price Index slowed from an average five per cent in 1995/96 to an expected 1.5 per cent in 1996/97, and was rising at only 0.2 per cent per quarter (equal to less than one per cent per annum) in the three months to December.

In 1997/98, inflation is expected to rise fractionally to two per cent, increasing slightly further to 2.5 per cent in 1998/99.

Wage growth in 1997/98 is expected to slow in nominal terms to 3.7 per cent, but will increase in real terms by almost two per cent.

A very welcome feature of the national economy over the last twelve months has been the significant decline in interest rates, creating a good base for rising consumer and business confidence.

While most of the interest rate relief has followed official rate cuts, another significant factor was the abolition in last year's New South Wales Budget of the tax on refinancing of loans.

As predicted, and acknowledged by banks and by the Commonwealth Government at last year's Premiers' Conference, businesses and home buyers were the big winners as the banks and other lending institutions were forced to sharpen their pencils in a much more competitive finance sector.

I was delighted to see Victoria follow our lead when it abolished tax on home loan refinancing last week.

While the capacity of individual states to influence macro-economic outcomes should not be over-estimated, the combined impact of the fiscal and structural reforms undertaken by the States should be acknowledged.

Australia now enjoys low inflation, lower interest rates and prospects for sustainable GDP and job growth. That would simply not have been possible without the States forcing their own businesses to compete, reforming their economies, and responsibly managing their budgets.

This has meant States are contributing to national savings rather than adding to national debt.

## **ECONOMIC AND STRUCTURAL REFORM**

The New South Wales Government will remain at the forefront of economic and structural reform.

As I said in my first two Budgets:

*"These reforms are not driven by academic fascination with abstract theories. They are driven by a common-sense determination to win the investment, the business and the jobs we need".*

Put simply, our goal, our obsession, is jobs, jobs, and more jobs.

And that means driving down costs and removing unnecessary obstacles to investment and business. It means forging a competitive edge so that New South Wales firms can win orders and New South Wales can continue to win the investment and the business we need to provide satisfying and rewarding jobs for all those who seek them.

### **Electricity**

The benefits of reform are now being seen clearly in the electricity industry. Our target of a 20 per cent real average reduction in electricity prices over the five years to 2000 is well on track.

Since 1 October 1996, large users of electricity have been able to choose their supplier for the first time. Both these customers and a further group that entered the retail market in April 1997 have enjoyed significant reductions in their electricity bills as a result of vigorous competition among the 19 licensed retail suppliers now operating in New South Wales.

We will extend competition to a further 3,500 customers from July 1997. The final stage will see all of the State's 2.5 million businesses and households able to shop around for power.

New South Wales households and businesses have the cheapest power in Australia.

An average household pays \$165 a year less for power than a similar household in Victoria. And a local small business pays an average \$3,700 less each year than its Victorian competitors.

I am pleased to report that the prospects of electricity interconnections between New South Wales and South Australia, and New South Wales and Queensland, are looking good.

Both these links, and trade across the existing interconnections with Victoria, open up new markets for New South Wales generators.

The Snowy Mountains Hydro Electric Authority is also to be corporatised, becoming an independent player in the national electricity market, with New South Wales being the major 58 per cent shareholder.

## **Water**

The Government is also ensuring that its two major metropolitan water utilities, Sydney Water and Hunter Water, comply with competition principles and continue to provide quality services to their customers.

Over the last three years, average water bills for Sydney Water's business customers have fallen 45 per cent in real terms.

Over the next four years, businesses will benefit by \$80 million as the property value component of their bills is reduced.

Sydney Water's household customers will also see real reductions in their bills over the next four years.

The remaining government-owned irrigation schemes in the Murrumbidgee and Coleambally regions are to be corporatised from 1 July 1997.

## **Gas**

In the past year, the Government has also put in place a vigorous reform agenda for the privately owned and operated gas industry in New South Wales in order to achieve a competitive gas market by the end of the decade.

Last year's Gas Supply Act will allow businesses to use pipeline services on reasonable terms and conditions.

The Independent Pricing and Regulatory Tribunal (IPART) is currently reviewing the terms and conditions of AGL's offer of access to its monopoly distribution network.

IPART will determine new access tariffs that balance the interests of customers, potential gas suppliers and the network operator (AGL). The review process will progressively remove over-recovery of charges from industry.

I have recently approved permits for two major new connections between New South Wales and Victoria. This will put gas suppliers in South Australia and Victoria in competition to supply the New South Wales market.

A 250-kilometre pipeline is also planned to supply gas to Dubbo and other towns in the central west.

There is some speculation that the New South Wales market may be linked to supplies from Papua New Guinea through natural gas pipelines between the Papua New Guinea Highlands and Gladstone, Queensland, and from there to New South Wales.

This would lead to a truly national gas grid and vigorous competition among a number of suppliers,

distributors and retailers.

We would enthusiastically encourage such a landmark development, a development that could not even be considered without the reforms which New South Wales recently put in place.

New South Wales is also progressively removing the restrictions which impede competitive neutrality between the gas and electricity sectors as part of a strategy to stimulate the development of an overall energy market.

## **Rail**

Last year this Government became the first in Australia to introduce an open access regime for rail.

As part of the rail reform we are phasing out the monopoly rent on coal freight in the Hunter Valley.

Annual reductions of 25 per cent will begin in 1997/98.

## **FISCAL FRAMEWORK**

The fiscal context in which this Budget has been framed was especially challenging.

Our task of paying all of the bills for the coming year, and the following two years of the forward estimates, has been made all the more difficult by a number of major factors, including:

- the savage cutbacks in Commonwealth tax reimbursements to the states will cost the New South Wales Budget more than \$450 million each year, in real terms;
- the Commonwealth's inexplicable decision to deny the benefits of cross-border leasing transactions to the States - although they will continue to be available to the private sector - will cost the New South Wales Budget \$100 million in 1997/98;
- the Commonwealth Government's failure to honour the Medicare agreement - which provides extra funding each time private health fund membership falls by two per cent - has cost the New South Wales hospital system \$250 million in the three years to June 1996;
- the \$200 million additional cost to the Budget to fund previously hidden costs in the rail system;
- a huge rise in the estimated post-sale costs of the State Bank, from close to nothing at the time of the sale to well in excess of \$200 million;
- the blowout in the cost of the current Victims' Compensation Scheme to \$95 million per annum, a cost which under current legislation is largely claim-driven and uncontrollable;
- the increase of \$94 million in superannuation outlays following the Government Actuary's latest

advice;

- the peaking of Homebush Bay/Olympic construction costs, involving outlays of \$628 million in 1997/98 and \$438 million in 1998/99; and finally,
- the Government's determination to deliver major improvements to a range of services in this year's Budget.

All of these additional or abnormal costs will be covered by:

- the savings and revenue initiatives that I will outline shortly;
- the strong underlying revenue growth of the last 12 months; and
- significantly lower interest costs over the last two years as a result of both lower interest rates and the \$1,138 million reduction in budget sector debt. The average savings from lower debt for the two-year period already amounts to \$141 million each year.

In a very tangible way this Budget, and the services it is able to fund, is already benefitting from debt reduction.

The Leader of the Opposition recently proposed deficit funding of this Budget. That is an irresponsible option.

Borrowing money now means bigger bills in the future. It means fewer dollars each and every year to spend on hospitals, on schools, on roads, on law and order.

Lumbering our kids with the debts of this generation means they will face an anxious and uncertain future.

For the second successive year, and for probably only the third time in the 209-year history of New South Wales, this Budget pays all the bills. This Budget guarantees security for our community now, and security for the future.

## **PRIORITY INITIATIVES**

This Budget contains a number of new spending initiatives.

### **Health**

Total recurrent payments on hospitals and health care will be a record \$5,591 million.

This is a massive increase of \$452 million on last year's allocation. It is an increase of \$972 million in budget support since the previous Government's last Budget, in 1994/95.

This year's health allocation includes additional annual recurrent funding of \$370 million to achieve a fairer share of health services in under-resourced areas.

With Medicare under attack, we are determined that ordinary families in regional New South Wales and in the fast growing outer urban areas will have access to first-class health services equal to those enjoyed by people in Sydney's eastern suburbs and on the North Shore.

In the coming year, capital expenditure to rebuild the public health system will total \$471 million, including money to begin \$258 million of major new hospital projects.

These new projects include:

- a women and children's health building and other facilities at Nepean Hospital, at an estimated total cost of \$58.8 million;
- a substantial upgrading of Campbelltown Hospital, the redevelopment of Camden Hospital, new community health centres at Tahmoor and Rosemeadow, the refurbishment of the Campbelltown Community Health Centre and other works in the Macarthur area, at an estimated total cost of \$79 million;
- the upgrading of State Government nursing homes around New South Wales to provide better care for the aged at an estimated total cost of \$75 million;
- a \$5.25 million building to house Westmead Hospital's Virology Research Group, Westmead Institute for Cancer Research, Storr Liver Unit and Institute for Immunology and Allergy Research;
- \$11.7 million for children's health and welfare by establishing a paediatric emergency service at the Royal North Shore Hospital, upgrading paediatric accommodation, boosting child and family health care, and enhancing child protection services.

We are continuing the construction of new health and hospital facilities in rural and regional areas, including:

- the Tweed Heads Stage 3 Development to improve the hospital and provide new therapy and community health services, estimated cost \$25 million;
- the construction of a new community health centre at Long Jetty on the Central Coast, estimated cost \$3 million;
- the redevelopment of Manning Base Hospital, estimated cost \$26.3 million;
- a new clinical services building at Illawarra Regional Hospital, estimated cost \$49.8 million;
- a new hospital at Lithgow, estimated cost \$23.6 million;
- redevelopment of Dubbo Hospital, estimated cost \$18.1 million;

- a new hospital at Coffs Harbour, estimated cost \$53.6 million;
- a new hospital for Broken Hill, estimated cost \$27.5 million;
- redevelopment of the West Wyalong Hospital, estimated cost \$6.4 million;
- completion of the redevelopment of Shoalhaven Hospital, estimated cost \$8.5 million;
- completion of the redevelopment of Maitland Hospital, estimated cost \$28 million;
- completion of the upgrade of Mudgee District Hospital, estimated cost \$2.1 million;
- upgrade of Kiama Hospital, estimated cost \$1.4 million.

## **Education**

Last year President Bill Clinton boasted that by the year 2000 every school in the United States would be connected to the Internet.

New South Wales is years ahead.

As we promised, every government school in New South Wales is now connected to the Internet.

We want our kids to leave school set for life as the best skilled in the world.

We are allocating \$5,435 million to education and training in the coming year.

We are focused on getting the foundation right by improving the literacy and numeracy skills of primary and secondary students, and by promoting excellence in teaching and learning.

To help achieve this, we are funding an extra 250 teaching positions in 1997/98. By the end of the financial year we will have provided an extra 776 teaching positions since taking office.

And we will spend \$65 million through the School Technology program to ensure New South Wales classrooms continue to be equipped with the most up-to-date technology.

We are also building new facilities. The education and training capital program provides for 15 major new school projects.

We're funding seven new major TAFE projects at Hornsby, Griffith, Wetherill Park, Lithgow, Bathurst, Liverpool and Blacktown. We're also connecting all TAFE colleges to the Internet.

## **Community Services**

This year the Government will increase spending on community, aged and disability services by \$63.2

million, or 5.2 per cent over last year's allocation.

This builds on our record. Since coming to office we have increased spending in these areas by \$362.8 million, or 36.6 per cent.

This year we will spend \$65 million to protect children from abuse and neglect.

We will provide \$6.4 million to undertake joint investigation work between the Department of Community Services, the Police Service and the Department of Health where serious child abuse has occurred, or is at risk of occurring.

There will be an extra \$4 million in 1997/98 and another \$8 million to follow to develop foster care and residential services, and improve existing services.

The Home and Community Care Program will receive a \$12.3 million boost in 1997/98 to help the frail aged, and people with disabilities to continue to live independently.

### **Back-to-School Allowance**

As I said at the outset of my speech, people across Australia are experiencing great uncertainty because of Federal Government cuts.

In these circumstances, the New South Wales Government has decided to help mothers and their children in a direct and practical way.

We will provide an annual \$50 back-to-school allowance to be paid to the mothers, or in special circumstances the fathers or guardians, of the 1.1 million children in Government and non-Government schools.

Its purpose is to help defray the heavy costs, particularly for families with a number of school-age children, of equipping and outfitting them at the beginning of each year.

The total costs of equipping a child for school is, of course, very much more than \$50 per year. That's simply all the more reason for the introduction of this new allowance.

This allowance will help ordinary New South Wales families who have borne the brunt of the wage restraint and economic restructuring.

The Government considered excluding very wealthy families, but the administrative effort and cost would have exceeded the small savings from any reasonable means or asset test.

From January next year, every child from kindergarten to Year 12 is eligible for the allowance which will be paid soon after school resumes each year.

## **Corrective Services**

In July we will open the new 900-bed Metropolitan Remand and Reception Centre at Silverwater - the largest correctional facility in Australia.

In the coming year, a start will also be made on redevelopment of Long Bay Gaol and the construction of a 300-bed minimum security extension of the John Morony facility at Windsor.

These new facilities will better complement specialised rehabilitative programs.

The Home Detention Program has also begun and will be progressively implemented over the next two years.

## **Police**

We will continue to increase our spending on police, to make our streets safer.

We will hire 100 extra police, and return hundreds more to frontline duties to fight crime through the continued restructuring of the service.

In addition, the Government will spend \$4.5 million on modern, self-loading weapons to replace older service revolvers.

We will also spend \$3.8 million to upgrade random breath testing and speed detection equipment as part of an \$8.8 million program over three years.

## **Road Transport**

This year we will continue to deliver better roads and better public transport.

The Budget includes a record \$2.19 billion roads program, including:

- \$145 million for roads in the west and south west of Sydney;
- \$1.24 billion on roadworks in country and regional New South Wales including \$100 million for State Pacific Highway projects, plus another \$120 million funded dollar for dollar by the State and Commonwealth Governments; \$15 million for construction of the West Charlestown bypass; \$13 million for widening the F6; \$4.5 million to upgrade The Entrance Road, Tuggerah; \$5.7 million for road and bridge works at Wagga; \$11.4 million to maintain Summerland Way between Grafton and Queensland; and \$2.9 million to reconstruct and seal the Monaro Highway at Bombala.

Work on the M5 east extension will commence this year along with stage three of the City West Link Road.

## **Public Transport**

Public transport funding this year will exceed \$1.8 billion, an increase of \$335 million on last year's allocation.

Rail operations will receive \$1.27 billion. This includes \$348 million for rail infrastructure.

This year we will spend \$12 million as part of a program to acquire new suburban rail cars.

Also, \$12.9 million will be spent to complete the Flemington junction for the Olympic and Showground site in 1997/98.

We will increase the capacity of the Richmond rail line at a cost of \$8 million this year.

Approximately \$18 million will be spent to provide easy access, better security and upgrades at rail stations.

The Public Transport Infrastructure Improvement Program encourages greater use of public transport by improving facilities. The program will receive \$61 million this year.

Projects include the Manly bus/ferry interchange and Liverpool rail station interchange.

## **Environment**

Yet again, this year's Budget reinforces the Carr Government's commitment to the environment.

The Government is continuing with its commitment to reduce waste going to landfill by 60 per cent by the year 2000.

Approximately \$18 million has been provided in 1997/98 as part of a total of \$35.8 million over the three years to 1997/98.

During the next two years, the Government will provide \$17 million to the Heritage Fund to preserve significant heritage items - a total of \$30 million over 1996/97 to 1997/98.

Over the next two years, the Government will spend more than \$36 million to meet the costs of new National Parks and Wilderness Areas.

During 1997/98 the Sustainable Energy Development Authority's funding of \$11.8 million will be directed to improved energy efficiency, co-generation and fuel substitution, and expanding the market for renewable energy technologies.

Almost \$31 million will be provided for backlog sewerage projects in metropolitan fringe areas, and \$6 million for upgrading of the Perisher Waste Treatment Plant.

More than \$17 million will be spent to arrest environmental degradation in irrigation areas.

### **Agriculture, Forestry and Natural Resources**

The Agriculture portfolio will receive a recurrent allocation of \$221.8 million in 1997/98, an increase of 6.9 per cent, after the cost of drought measures is excluded.

Over the next three years, \$7 million will be allocated to the Acid Soil Action Program to help tackle one of the greatest environmental hazards to rural New South Wales.

Grants to local councils to minimise noxious weed problems will be increased to \$6 million.

Another \$32 million will be spent this year on the five year Forestry Industry Adjustment Package. In the first three years, more than 70 businesses will be assisted to invest in value adding and employment creating opportunities.

The eucalypt plantation program which we commenced in 1995/96 will receive \$21.4 million this year, as part of a \$47 million package.

The Budget will provide an additional \$5 million, as part of a three-year, \$15 million package for the establishment of the Native Vegetation Management Fund. In total, \$49.2 million will be spent over the next three years on native vegetation.

To further assist farmers, we will expand the exemption on stamp duty for inter-generational transfers of land to include transfers and lease arrangements between siblings.

This will help secure farming families on the land.

### **Olympics**

Construction and preparation for the Olympics are proceeding at full pace, creating thousands of jobs.

As I said at the opening of this speech, we're determined to provide the best Olympics the world has ever seen.

During 1996/97 close to \$2 billion of work was commenced or contracts placed for major projects at Homebush Bay.

This is the budget that will break the back of Olympic construction expenditure.

Work is underway on the largest-ever Olympic Stadium, the preferred proponent has been chosen for the Athletes' Village and sites have been announced for the velodrome, shooting and softball events.

We have also narrowed the field to two proponents for the Multi-use Arena which will seat 20,000

after the Olympics.

This time next year the people of New South Wales will be able to see the Olympic site taking shape as they travel to the Royal Easter Show by rail, along the new Homebush Bay rail loop.

In total, the cost of constructing the Homebush Bay/Olympic facilities is approximately \$3.2 billion in 1997 dollars.

Approximately \$1.1 billion will be funded by private sector investment. Of the remainder, \$513 million will be financed by SOCOG, the Commonwealth Government and other sources, leaving around \$1.6 billion net to be financed by the New South Wales Government.

This year's capital expenditure is \$628 million.

All of the Olympic construction costs are being paid for now, upfront. Not a single cent will be left owing by September 2000.

By the end of June 1998, two thirds of the total construction budget will have been spent.

### **Investment Promotion**

The international focus on Sydney, New South Wales and Australia in the lead-up to the 2000 Olympics will provide us with a golden opportunity, perhaps never-to-be repeated, to sell our wares to the world.

It's an opportunity we won't miss.

The Olympic Business Round Table has already formulated the strategies for show casing our products and technologies to the world and promoting Sydney, New South Wales and Australia as a first class location for business and investment.

Investment 2000, an investment promotions campaign jointly sponsored and funded by the New South Wales Government, Telstra and the Westpac Bank, is already underway.

New South Wales will also be stepping up its campaign to attract Asia/Pacific regional headquarters.

We have set 2005 as the target date for overtaking Singapore as a preferred Asia/Pacific headquarters location.

### **CAPITAL PROGRAM AND EMPLOYMENT**

In 1997/98, the total State public works program will amount to \$5.6 billion, with a record \$3.9 billion spent by the Budget Sector.

Key features of the capital program include:

- \$1,109 million for road construction;
- \$348 million for rail projects;
- \$471 million for construction of hospitals and other health facilities;
- \$236 million for schools, TAFE colleges and other education projects;
- \$628 million for Homebush Bay/Olympic construction projects;

The public works and capital program will generate both directly and indirectly, the equivalent of nearly 110,000 full-time jobs.

Of the total program, more than \$2 billion relates to projects outside the Sydney metropolitan area. This will generate the equivalent of more than 56,000 direct and indirect jobs.

## **SAVINGS MEASURES**

The Government will continue to drive efficiency improvements in the public sector to provide additional funding for high priority services.

In this Budget, savings measures are being introduced that will yield \$146 million on a full year basis. Of this, \$27 million will come from further savings in corporate support and \$32 million from driving savings in Budget Sector agencies through service competition.

In addition, agencies will be required to deliver a further \$87 million, either from efficiency gains or by allocating funds away from low priority programs.

During the coming year, the Government will commence a four year program to review all of the Government's service delivery programs.

Each program will be reviewed by a small project team of three or four members, drawn from senior officers from other departments and at least one person from outside the public sector, reporting to the Council on the Cost of Government.

The purpose of each review is to assess whether programs have clear, worthwhile objectives that meet community needs and aspirations, and whether those objectives are being met in the most economical, efficient and effective way.

## **NEW REVENUE MEASURES**

The new revenue measures, raising almost \$400 million in the coming year, are designed as far as

possible to protect the less well off, at the same time broadening the State's tax base in order to provide better services to the community.

The targeted package of measures is as follows:

\* Land tax will be extended to residential properties with a land value of \$1 million or more, commencing from the 1998 land tax year. The million dollar land threshold, which will be indexed annually, compares with the Victorian threshold on owner-occupied properties of \$200,000. Only 4,000 residential properties will be affected. The value of these almost exclusively Sydney properties very much depends on the huge amount of taxpayers' money that goes into making Sydney the world's finest city. This measure will raise \$50 million in a full year.

\* The general rate of land tax will be increased from 1.65 per cent to 1.85 per cent, compared to a top rate of five per cent in Victoria. The rate will be reduced to 1.7 per cent in 1999 when the Commonwealth Government's Howard/Costello levy on the States expires. This measure will raise \$80 million in a full year. Total land tax revenue in 1997/98, of \$786 million will still be considerably below the peak level of \$826 million in 1991/92.

\* The concessional rate of duty on general insurance premiums will be increased from 2.5 per cent to 5 per cent to bring it more into line with rates levied in other States. This measure will raise an additional \$56 million in a full year. Crop and livestock insurance will be exempted.

\* The tax rate on poker machine profits of more than \$1 million per year will be increased to 30 per cent, from the current rate of 22.5 per cent on profits between \$1 million and \$2.5 million, and 24.75 per cent of profits in excess of \$2.5 million. More than 1,000, or 70 per cent, of licensed clubs with annual poker machine profits of less than \$1 million will not be affected. Nor will it affect hotels which already pay a 40 per cent tax rate. This measure will raise \$74 million per year.

Even after these measures, the after-tax poker machine profits made by licensed clubs in 1997/98 are expected to reach \$1,750 million compared with a similar amount this year.

\* A 10 per cent accommodation tax will be imposed in the Sydney CBD and equivalent areas, so that interstate and international visitors start contributing to the huge expense of maintaining and improving what the Conde Nast Travel magazine has rated as "the world's most attractive city". Sydney has been almost the only great city of the world without such a tax. This measure will raise \$64 million in a full year.

\* Stamp duty on the value of luxury motor vehicles above a \$45,000 threshold will be increased from three to five per cent, effective from 1 July. This will raise \$11 million in a full year.

\* An electricity distributor levy raising approximately \$100 million per year will also be imposed. Distributors will be able to recoup this levy from contestable customers only. It will

mean an average increase of five per cent of the previously regulated tariff for those large electricity users who in recent months, with the introduction of the competitive market, have benefited from electricity cost savings of between 20 and 40 per cent.

\* To help discourage excessive use of private motor vehicles resulting in road congestion and pollution in central Sydney, the CBD parking space levy will be increased from \$200 to \$400 per annum from 1 July 1997. This will raise an extra \$8 million per year which will be applied to public transport improvements.

## **COMMONWEALTH FINANCIAL GRANTS**

If New South Wales received its fair share of Commonwealth financial grants to the states, none of these revenue measures would be necessary.

These grants were originally intended to compensate the states for the income taxing powers they ceded to the Commonwealth during the Second World War.

The unequal and unfair distribution of these grants means that on a per capita basis, New South Wales is subsidising the other states to the extent of \$866 million a year.

However, on the basis of the amount New South Wales taxpayers actually pay the Commonwealth in income tax each year, the New South Wales subsidy to the other states is \$1,292 million a year.

In other words, every person - every man, woman and child - in New South Wales is subsidising the other states to the extent of \$205 a year.

It is one thing for New South Wales to have to pay all of its own bills. It is entirely unacceptable and entirely unfair for New South Wales to be forced to pay the bills of the other states as well.

## **THE BUDGET RESULT**

The Budget result for 1997/98 is an underlying surplus of \$27 million.

It should be remembered that this surplus covers all of our annual recurrent expenditure and all of our capital investment.

On the recurrent budget, we have a huge surplus of \$2,247 million. This surplus, together with capital revenues, completely funds our long-term investment on new capital works.

It also funds our superannuation outlays of \$1.45 billion, which are some \$400 million in excess of annual emerging benefit payments.

This policy of funding accruing superannuation liabilities, means that New South Wales is a significant contributor to national savings, with an expected \$880 million negative Loan Council Allocation in

1997/98.

It also means that New South Wales will avoid the unfunded superannuation catastrophe that will confront the Commonwealth and all other States, except Queensland, a little way down the track.

## CONCLUSION

Mr Speaker / Mr President,

This Budget consolidates the hard work and the progress of our first two years in office.

It's a Budget that is squarely aimed at achieving a strong, robust economy, a sound and improving financial position, excellent public services, a fair sharing of the costs, and a fair sharing of the benefits.

More than any other Budget before it, this Budget is about fair sharing and security for all our citizens.

As I said at the outset, it is every inch a Labor Budget.

*Mr Speaker/President*

There is an addendum to this Budget.

As members will be aware, this Budget was finalised and sent to the printer some time ago, well before BHP's announcement on the future of steel making in Newcastle.

BHP's announcement is a significant setback to the Hunter's growth and to its confidence. We have to make sure that it is only a temporary setback.

In recent years the Hunter economy has grown and diversified enormously.

In just over three years, jobs in the Hunter have grown by 20,000 in industries as diverse as education, aerospace, defence, tourism, coal, aluminium, agriculture, business services, ports and transport and high-tech manufacturing.

To maintain the impetus and to help overcome the recent setback, the New South Wales Government proposes the establishment of a \$25 million Hunter Advantage Fund to promote Hunter exports, new business investment, expansion of existing businesses and, most importantly, more jobs for the Hunter.

The New South Wales Government will allocate \$10 million from our 1996/97 surplus and will also request the Federal Government to contribute \$10 million and BHP to contribute \$5 million.

The New South Wales Government will not let down the Hunter.

We will help secure its future as a truly regional, modern, economic powerhouse.