

1996-1997 Budget Summary

" New South Wales - Providing the Right Balance."

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Key Aggregates

"For the first time in eight years NSW will pay its way."

	1995-96	1996-97	1997-98	1998-99
	\$m	\$m	\$m	\$m
-				
Current	-	-	-	-
Outlays	18,579	19,246	19,618	20,276
Receipts	20,503	21,490	21,919	22,604
Surplus	1,925	2,243	2,301	2,328
Capital	-	-	-	-
Outlays	1,262	3,035	3,331	3,140
Receipts	862	937	1,185	980
TOTAL SURPLUS/(DEFICIT)	-	-	-	-
Actual	1,524	145	155	167
Underlying	(282)	5	155	167

- The Budget forecasts an underlying \$5 million surplus in 1996-97 (actual surplus of \$145 million), a \$155 million surplus in 1997-98 and a \$167 million surplus in 1998-99 (excluding abnormal items).

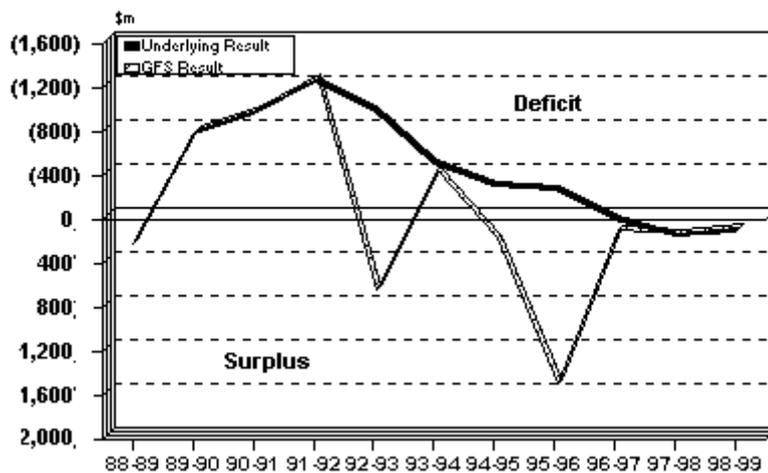
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- These results meet the Government's commitment in its June 1995 Financial Statement, achieving a sustainable Budget surplus by 1997-98.
- No new taxes or tax increases in the Budget.
- The Budget abolishes tax on loan refinancing.
- Current outlays will increase by 3.6% in 1996-97. This reflects Government initiatives in the key areas of health, education, social and community services, police, crime prevention and public safety and the environment.
- Over the 3 year period to 1998-99 current outlays will increase by 1.4% in real terms.
- Unfunded superannuation liabilities for the Budget Sector will decline by about \$2.5 billion in real terms by June 2006.

Budget Sector net debt as a percentage of GSP is projected to decline from a high of 10.1 per cent in June 1994 to 6.7 per cent in June 1999.



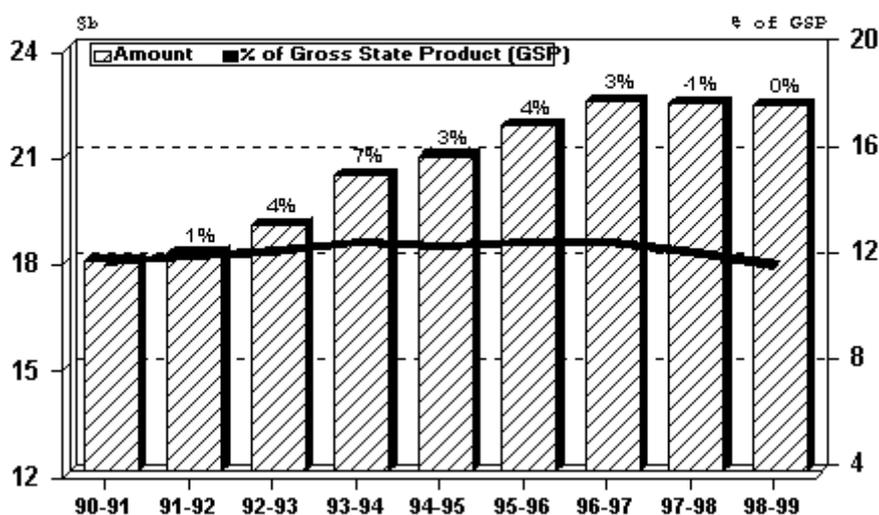
Trends in Budget Aggregates

Budget Sector Financial Results 1988-89 to 1998-99



Budget Receipts

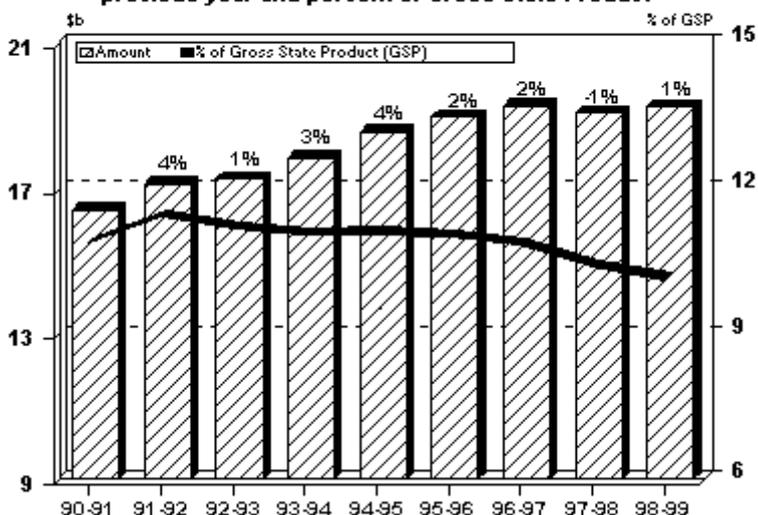
Payments in real terms, 1996-97 base; annual % change



- This Budget consolidates the Government's strategy for achieving sustainable Budget surpluses.
-
- This is the first Budget since 1988-89 to result in a surplus on an "underlying" basis, i.e. after excluding the impact of equity restructure payments from Non Budget Sector agencies and sale of Government businesses such as the GIO and the State Bank.
- The last underlying surplus in 1988-89 was driven by revenue from the booming property market rather than any long term financial strategy.
- The Budget thereafter rapidly deteriorated, with the deficit peaking at \$1,273 million in 1991-92, reflecting the impact of the economic recession, as well as growth in outlays.

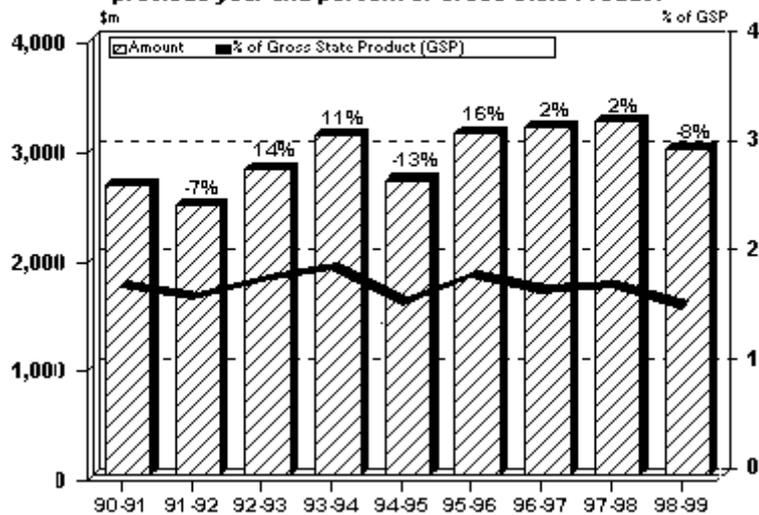
Budget Sector Current Outlays

Real Terms, 1996-97 base; percentage change on previous year and percent of Gross State Product



Budget Sector Capital Outlays (a)

Real Terms, 1996-97 base; percentage change on previous year and percent of Gross State Product



(a) Excludes revenue offsets from the sale of business assets and equity restructure payments

- The deficit has trended down since 1991-92, mainly due to improved revenues, including a large increase in contributions from Government Trading Enterprises.
-
- Reflecting continuing control on outlays and steady revenues, the surplus is projected to increase in the forward years to around \$150 million a year.
- Excluding special factors, Budget Sector capital outlays will increase by 1.5% in real terms in 1996-97.



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Major Spending Initiatives

Police, Crime Prevention and Public Safety

- An additional 100 police officers as part of the Government's commitment to provide an extra 650 police.
-
- Upgrade of police weapons over the next five years - total cost \$11.2 million.
- \$7.1 million to allow the Bush Fire Services to acquire an additional 110 tankers for various local government areas.
- New Juvenile Justice centres at Dubbo and northern NSW at a total cost of \$23.7 million.

Education

- An additional 126 teaching positions in schools. This brings to 464 the total additional teaching positions provided by the Government.
-
- 35 new school education capital works projects around NSW, including five new schools

and major upgrades to 12 schools.

- Additional funding for an enhanced schools' technology program, bringing the cost over four years to \$177 million.
- 40 major new capital developments at TAFE facilities across the State.

Health

- A record allocation of \$14.6 million this year specifically for services to improve Aboriginal health.
-
- A further \$15 million for rural health services.
- \$10 million for mental health to ensure services meet the needs of especially disadvantaged people.
- \$477 million on capital works including major new works in the Central Sydney Area Health Service, the redevelopment of hospitals at Taree, Broken Hill and Coffs Harbour, the upgrade of Blue Mountains Hospital and the refurbishment of Calvary Hospital.

Social and Community Services

- \$13 million for a three year program to prevent child abuse.
 - \$4 million in 1996-97 for an additional 45 child protection field staff and 51 new district officers in the Department of Community Services.
 - \$3.2 million to increase allowances for foster carers.
 - \$2 million for families in crisis.
- \$5.5 million to improve services to children with a disability, including \$2 million for respite care centres and therapy equipment.
- \$240 million for the Home and Community Care program to assist the frail aged and people with disabilities.

Housing, Water and Sewerage and the Environment

- \$31 million over the next two years (\$13 million in 1996-97) to improve management of waste by the Environment Protection Authority.
-
- \$22.5 million to promote sustainable agriculture and arrest environmental degradation in irrigation areas.
- \$30 million over three years (\$5 million in 1996-97) to the Heritage Conservation Fund to maintain and conserve heritage assets.
- \$4 million for the Willandra Lakes package of socio-economic measures to address impact of World Heritage listing on land use, funded dollar for dollar with the Commonwealth.

Recreation and Culture

- \$442 million in 1996-97 for Olympic and Paralympic projects, including Government contribution to the Olympic Stadium, rail link and other facilities and venues.
-
- \$14 million for two new urban parks in Western Sydney.
- \$3 million for the NSW Institute of Sport for its first full year of operation.
- \$1.1 million for increased support for cultural, literary, musical, dramatic and artistic activities.

Continuation of the \$50 million 4 year program for new national parks.

Agriculture, Forestry and Fishing

- \$66 million this year to help restructure the NSW timber industry, part of a \$120 million package over five years funded dollar for dollar with the Commonwealth.
-
- \$47 million over three years (\$14.1 million in 1996-97) for additional hardwood plantations.
- \$17.1 million for the State's share of the Murray Darling Basin Agreement.
- \$2.5 million for nine Agricultural Centres of Excellence and upgrade of key research facilities.
- \$5.5 million for additional extension and technical specialists and other agricultural initiatives.

Mining, Energy and Construction

- \$65 million over three years (\$17 million in 1996-97) for the Sustainable Energy Development Authority to cut greenhouse gas emissions through the development, promotion and use of sustainable energy technology.
-

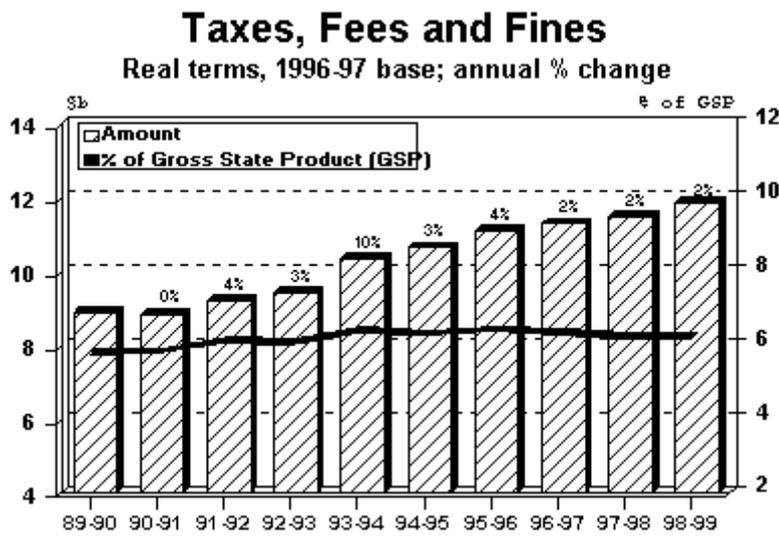
Transport and Communication

- \$145 million a year for roads in the West and South West of Sydney.
-
- Around \$220 million per annum over 10 years for the Pacific Highway comprising -
 - \$100 million for State funded projects;
 -
 - \$120 million from the Pacific Highway Reconstruction Agreement, funded jointly by the State and the Commonwealth Governments on a dollar for dollar basis.

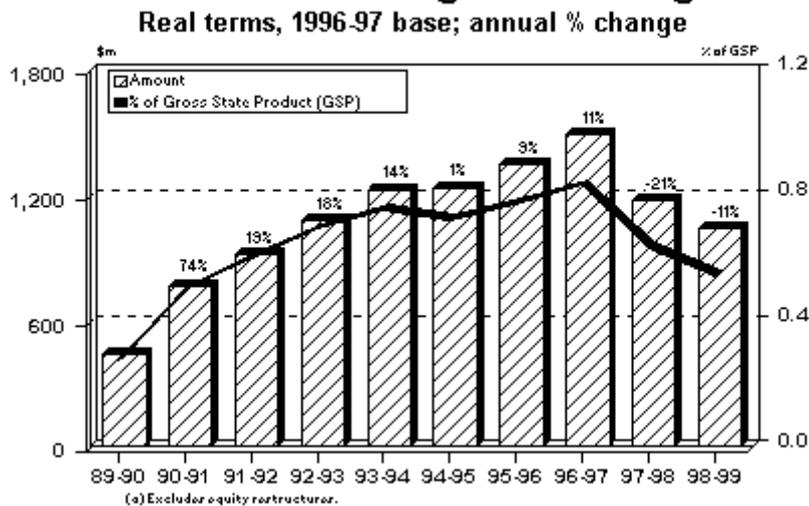
- \$7.6 million per annum for -
 - Additional off-peak rail services;
 -
 - New cross regional services on the Harris Park/Merrylands "Y-link" rail connection for Western Sydney;
 - Improved station security, particularly for night travellers.



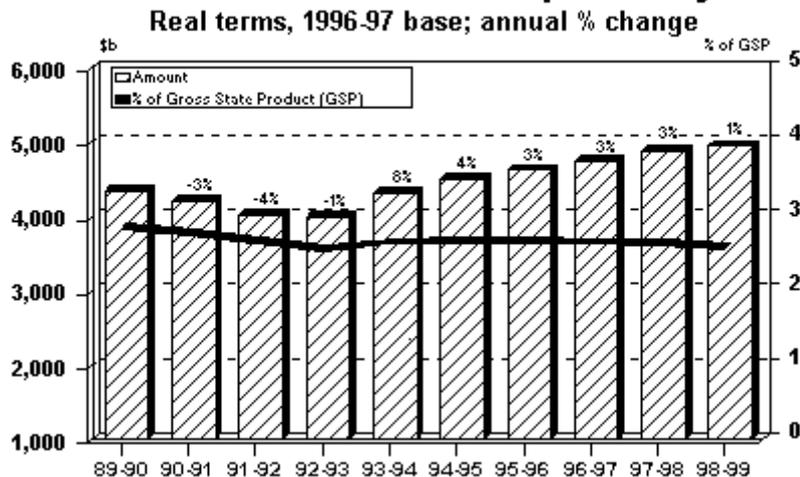
Budget Receipts



Income from Non Budget Sector Agencies



Commonwealth General Purpose Payments



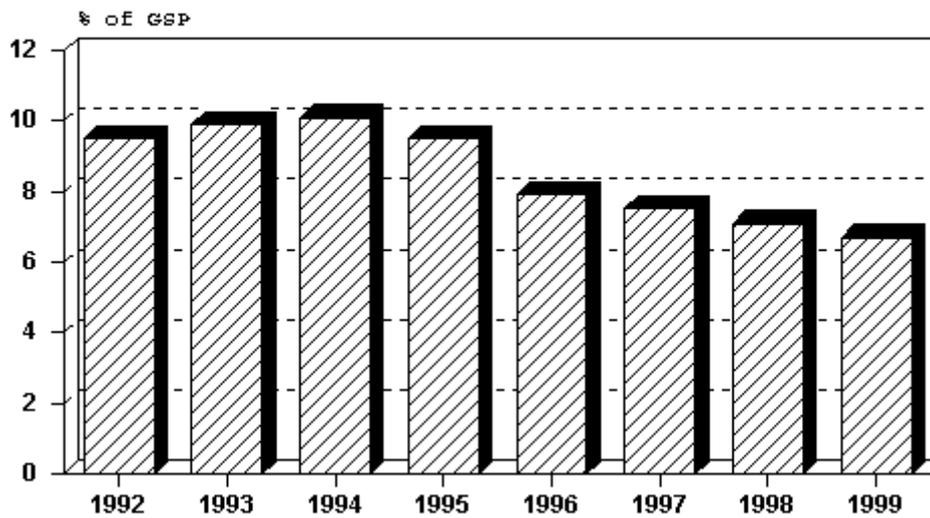
- From 1 July 1996, genuine refinancing transactions will be exempted from Loan Security Duty to promote competition between lenders and a better deal for borrowers. Estimated loss in revenue is \$20 million a year.
-
- Following consultation with the finance industry, Hiring Arrangements Duty will be levied on a broader base from 1 October 1996 and the rate of tax halved to ensure the effect will be revenue neutral.
- Budget Sector receipts are projected to increase by 5.0% in 1996-97 but fall as a percentage of GSP, from 12.8% to 11.9% in real terms over the period 1995-96 to 1998-99.
- Receipts from taxes, fees and fines are projected to increase by 3.7% in 1996-97 (2% in real terms).
- Income from Non Budget Sector agencies will increase by 11% in real terms in 1996-97, before declining in the forward years as electricity prices continue to fall.
- Commonwealth general purpose grants will increase by 2.6% in real terms in 1996-97 but will continue to decline as a proportion of GSP.



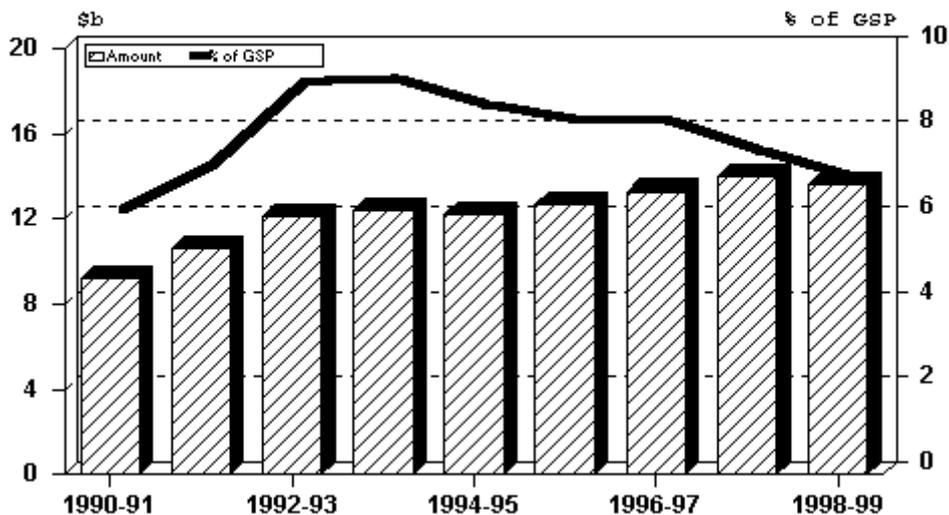
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Debt and Other Liabilities

Budget Sector Net Debt as Percentage of Gross State Product



Budget Sector Unfunded Superannuation Liabilities



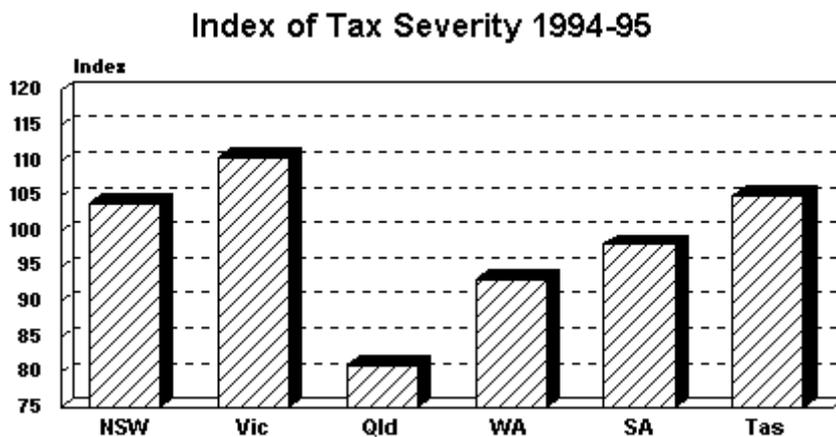
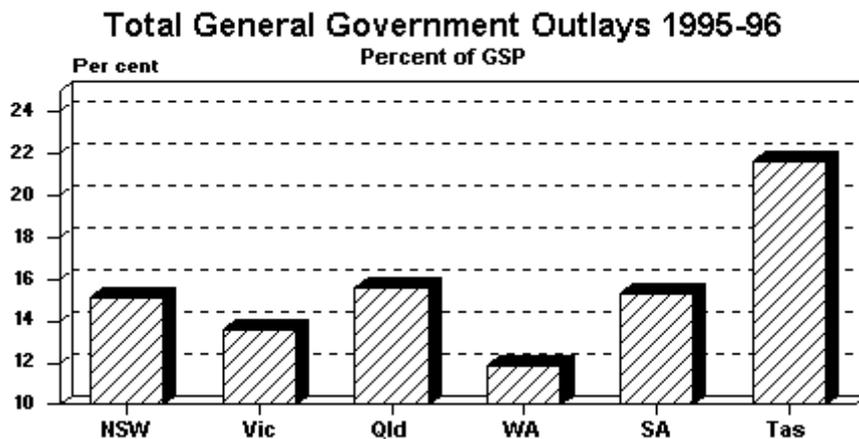
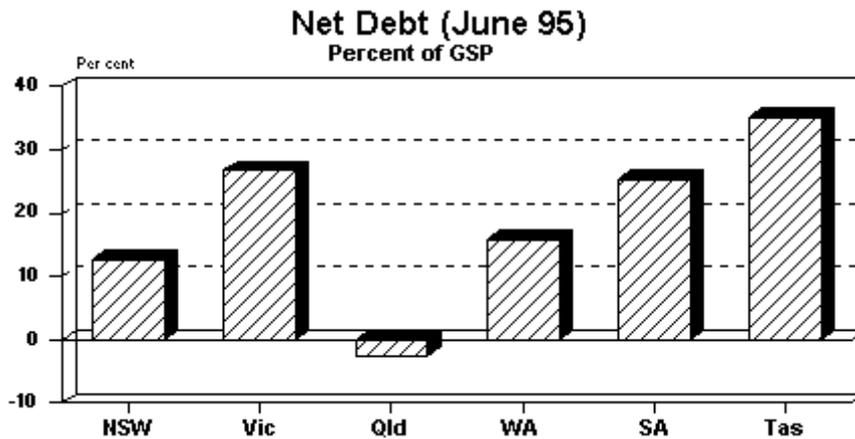
- General Government Debt Elimination Act, proclaimed in February 1996, sets Government's debt and liability management strategies.
-
- The long term target is to eliminate general government net debt by the year 2020 through achieving sustainable Budget surpluses.
- Budget Sector net debt levels as a percentage of GSP expected to decline from a high of 10.1% in 1994 to 6.7% in 1999.
- Budget Sector to receive appropriate equity restructure distributions from the electricity industry and from other corporatised bodies.
- Unfunded superannuation liabilities for the Budget Sector will decline by about \$2.5 billion in real terms by June 2006.

- Projections indicate that the accrued superannuation liability will be fully funded by 2020, while the past unfunded liability will be eliminated by 2045.



Interstate Comparisons

"New South Wales continues to be in a strong financial position."

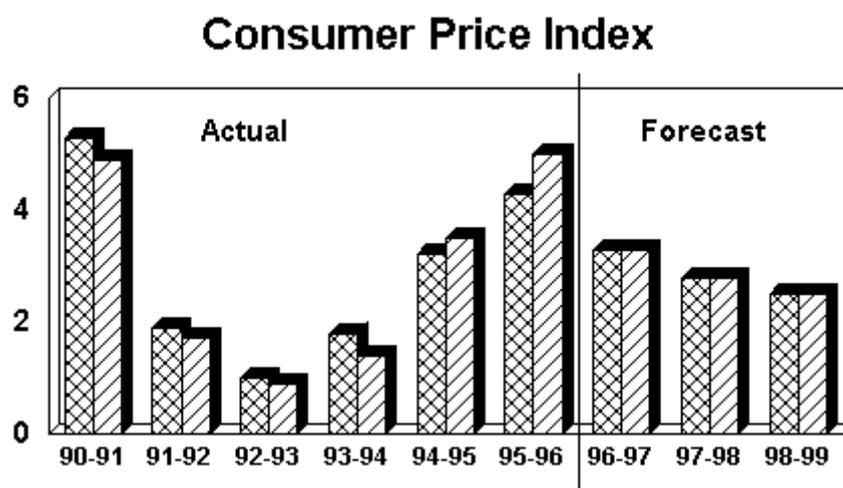
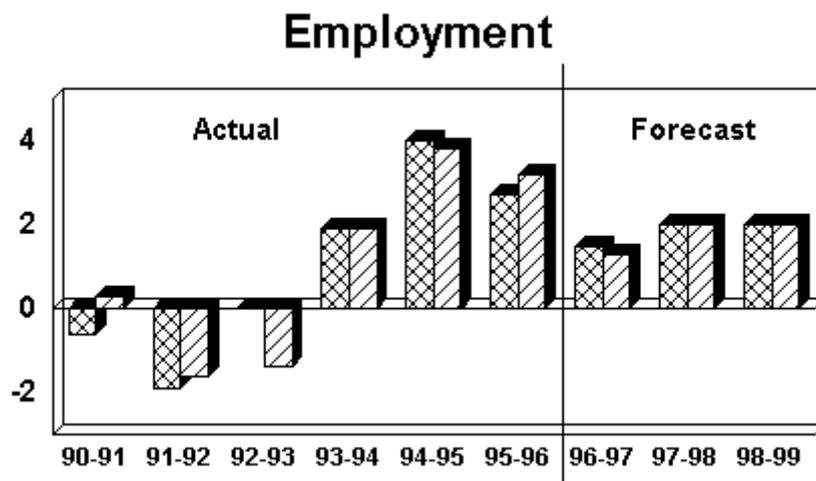


- Queensland and New South Wales are the only States with AAA credit ratings.

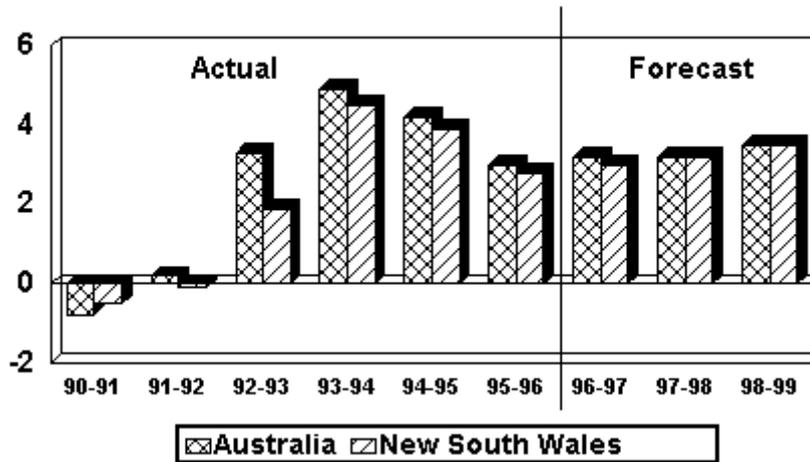
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- After Queensland, NSW has the lowest net debt of the Australian States.
- As NSW is required to cross-subsidise smaller States and Territories to the extent of \$1.3 billion a year, it is forced to rely more on its own source revenue than other jurisdictions. Despite this, the severity of NSW taxes relative to other States is on average only 3.9% higher and has declined marginally over time.
- The cross-subsidy also severely constrains NSW's ability to increase expenditure and means the Government has to contain its outlays.
- Public sector employment in NSW on a per capita basis is lower than in all other States except Victoria.



Economic Overview



Gross Domestic Product



- Economic growth in NSW is expected to be a little under 3% in 1995-96.
-
- National economic growth slowed to an estimated 3.0% due to slower growth in private consumption and business investment.
- Forecasts for 1996-97 suggest only small changes in economic growth rates from 1995-96 on a year on year basis, but a pick up in economic activity is expected over the course of the year, following the relatively flat 6 month period ending June 1996.
- The medium term outlook is for economic growth rates in both Australia and NSW to remain at a little over 3% in 1997-98 with a slight acceleration to about 3.5% in 1998-99.
- Employment in 1996-97 is forecast to grow by 1.3% in NSW and 1.5% for Australia.
- A modest acceleration in world economic growth is expected in 1996-97, with a slight improvement in the US economy and recovery in Japan.



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Key Economic Assumptions

- Nationally, private consumption is expected to grow at about 2.5%, while growth of public expenditure is forecast to be less than 1%.
-
- Dwelling investment in Australia is forecast to fall by 3% following an estimated 12.5% drop in 1995-96, with a smaller decrease in NSW.
- Growth of business investment is forecast to rise both nationally and in NSW to slightly over 8%.
- Little or no change is expected in short term interest rates during the course of 1996-97, but long term rates are forecast to decline marginally.
- The headline rate of inflation is expected to drop below 3.5% in 1996-97 from close to 4.5% the previous year, in line with the upper limit of the Reserve Bank inflation target.

- Wages growth is projected to moderate, increasing by about 4.5% in 1996-97. In order to achieve consistency with inflation targets, productivity increases will be necessary.
- Following a year of relatively strong employment growth in NSW, employment growth is expected to be slightly below the national average in 1996-97.
- Budget forecasts are sensitive to assumptions about the outlook for the economy -
 - a significant wage blow-out across the economy could lead to a deterioration in the Budget outcome of up to \$300 million.
 -
 - however, significantly stronger economic growth than forecast could add up to \$200 million to the Budget outcome.
 - A 1 per cent increase in public sector wages would lead to a deterioration in the Budget outcome of around \$100 million.

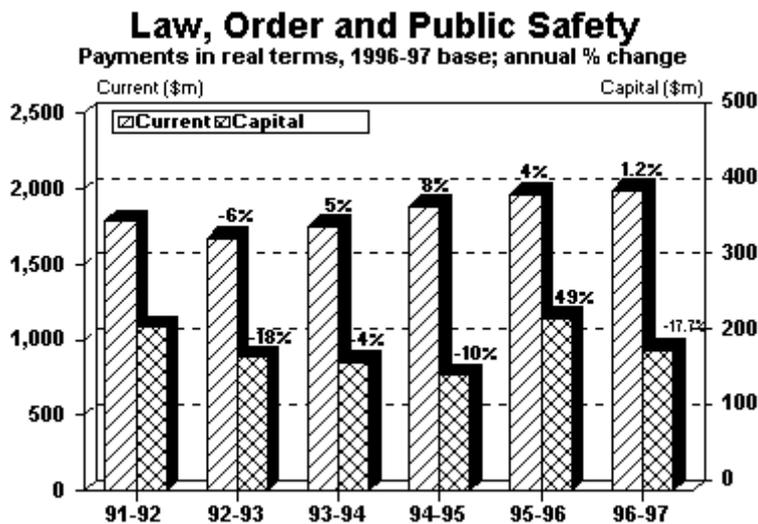


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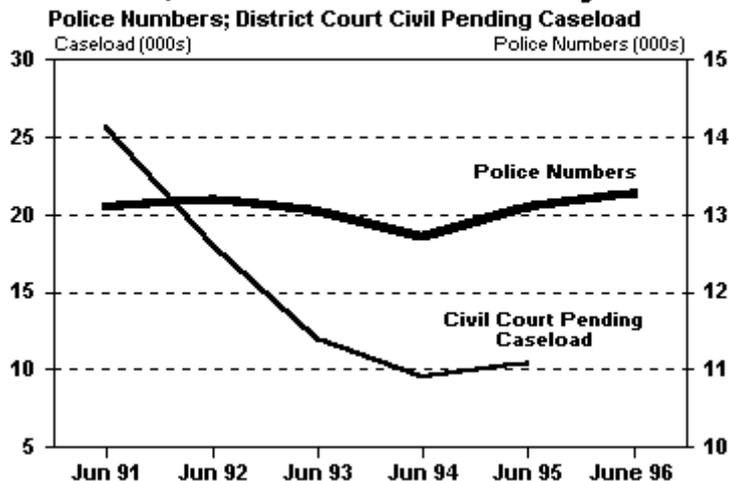
Payments by Policy Area

Police, Crime Prevention and Public Safety

"More money for extra police, a safer community and a better deal for victims."



Law, Order and Public Safety



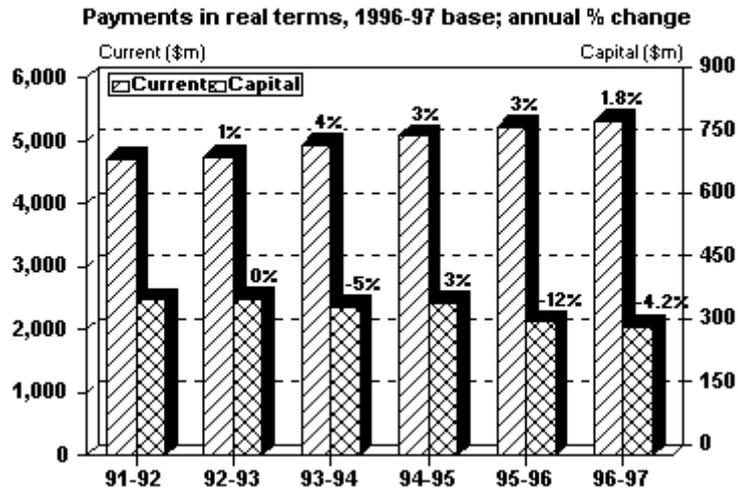
- Total current payments in this area will be \$1,988 million in 1996-97 - up \$60 million on last year. The capital allocation is \$187.1 million.
-
- An additional 100 police officers as part of the Government's commitment to provide an extra 650 police.
- Upgrading of existing police weapons over the next five years - total cost \$11.2 million.
- The new \$81.2 million Metropolitan Remand and Reception Centre at Silverwater will be completed by July 1997.
- An additional \$14.1 million for the NSW Fire Brigades for fire fighting and prevention.
- \$7.1 million to allow the Bush Fire Services to acquire an additional 110 tankers for various councils.
- Reduction in court backlogs through the appointment of acting judges and other reforms.
- New Juvenile Justice centres at Dubbo and northern NSW - total cost \$23.7 million.
- \$2.5 million for closed circuit television in children's courts.



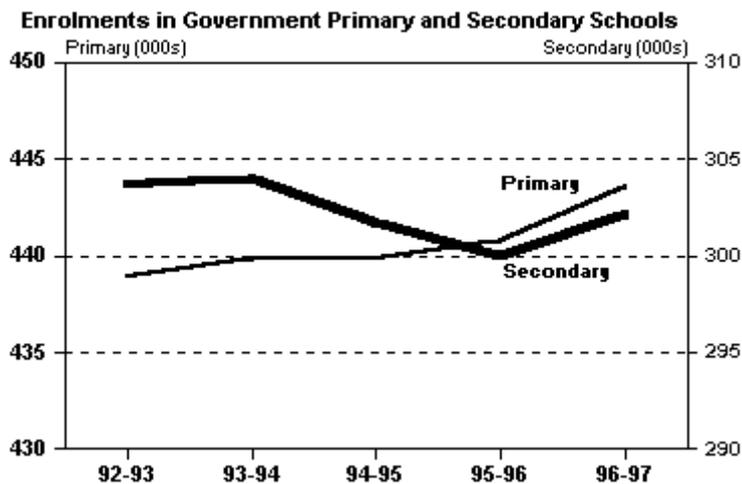
Education

"More teachers and better technology to help prepare kids for the workplaces of the next century."

Education



Education



- Total current payments in this area will be \$5,317 million in 1996-97 - up \$191 million on last year. The capital allocation in this area will be \$305.5 million.
-
- An additional 126 teaching positions in schools for literacy, technology and small schools. This brings to 464 the number of new teaching positions provided by the Government.
- 35 new school education building projects including five new schools and major upgrades of 12 schools.
- Additional funding for the schools technology program, bringing its cost over four years to \$177 million.
- 40 new building projects at TAFE facilities around NSW.

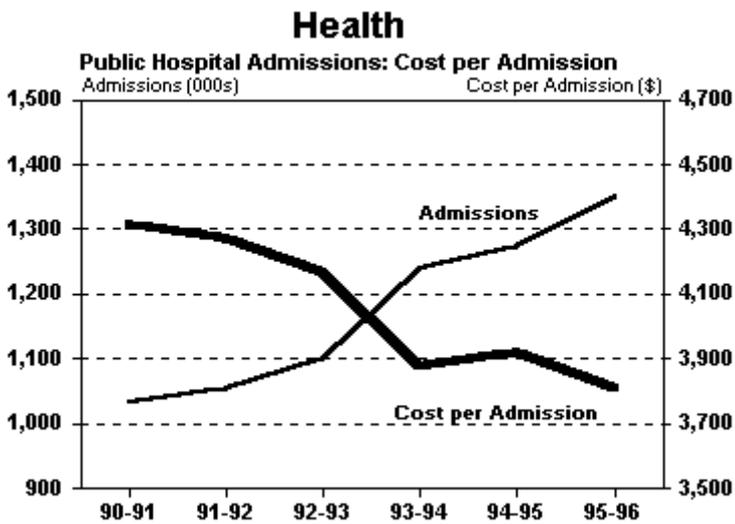
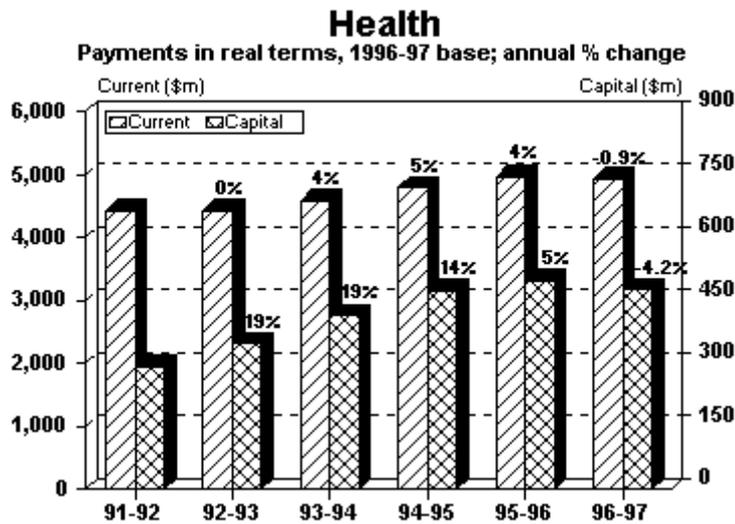


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Health

"Record expenditure of \$5,616 million will build more hospitals, improve Aboriginal and mental health and provide a fairer share of health resources, especially to the rural"

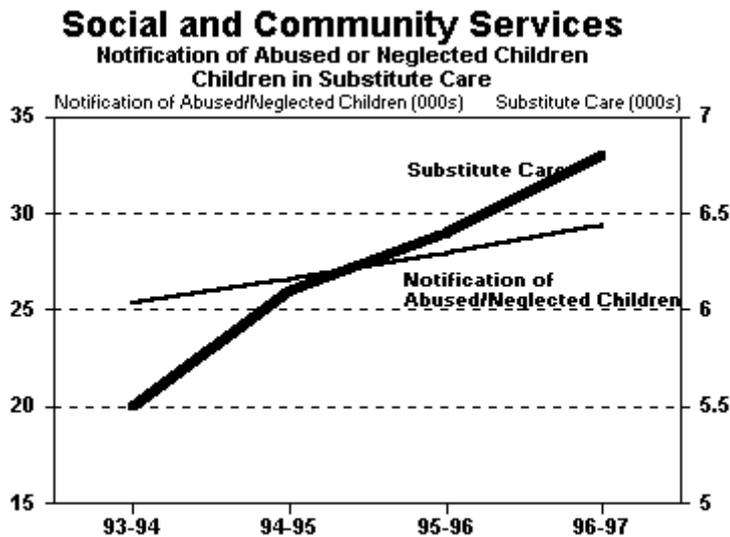
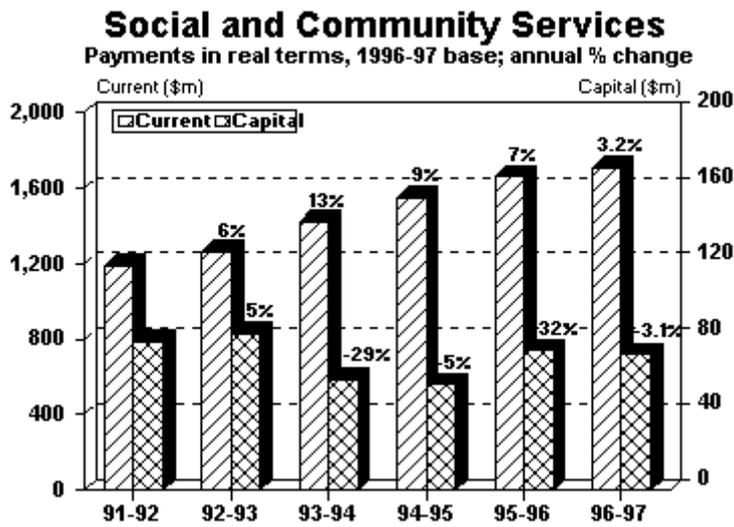
community."



- Total current payments in the health policy area will be \$4,937 million - up \$52 million on last year.
-
- The Department of Health will receive \$127 million more in recurrent Budget support than was allocated in 1995-96. The Department's total expenditure will be \$5,616 million, comprising current payments of \$5,139 million and a capital budget of \$477 million.
- A record allocation of \$14.6 million this year specifically for services to improve Aboriginal health.
- A further \$15 million for rural health services.
- \$10 million for mental health to ensure services meet the needs of especially disadvantaged people.



"This Budget reinforces the Government's commitment to assist the disadvantaged and those at risk and to protect children from abuse and sexual assault."



- Total current payments of \$1,714 million in 1996-97 - \$85 million more than 1995-96. The capital allocation for this area will be \$71.6 million.
-
- \$13 million for a three year program to prevent child abuse (including \$3.5 million classified to Police, Crime Prevention and Public Safety).
- \$4 million in 1996-97 for an additional 45 child protection field staff and 51 new district officers in the Department of Community Services.
- \$3.2 million for increased allowances for foster carers to help rectify the shortage of such carers for adolescents.
- \$2 million for families in crisis.
- \$5.5 million to improve services to children with a disability, including \$2 million for respite centres and therapy equipment.

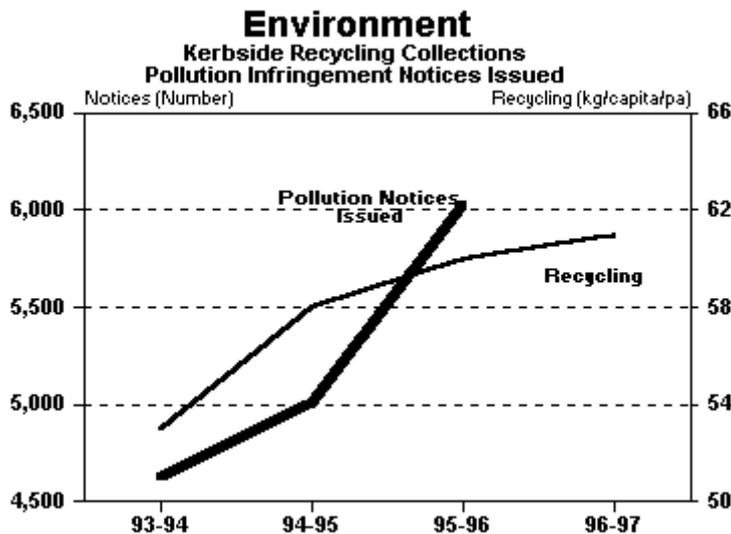
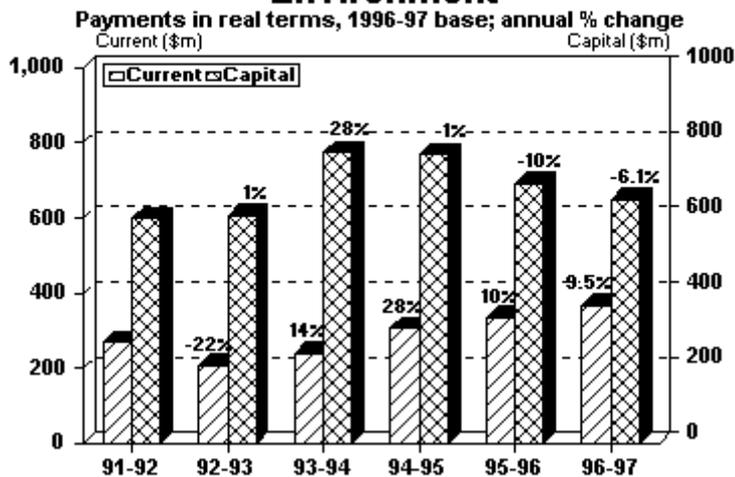
- \$240 million for the Home and Community Care program to assist frail aged and people with disabilities.
- \$1 million for joint aged care policy initiatives developed by the Minister for Aged Services and the Minister for Health.



Environment

"This Government's aim is to improve environmental protection measures, including efficient and equitable mechanisms to promote reuse and recycling of waste."

Housing, Water and Sewerage and the Environment



- Total current payments in this area will be \$367.8 million in 1996-97 - up \$32 million on last year. The capital allocation in this area will be \$647.5 million.
-
- \$31 million over two years (\$13 million in 1996-97) to improve management of waste by the Environment Protection Authority.

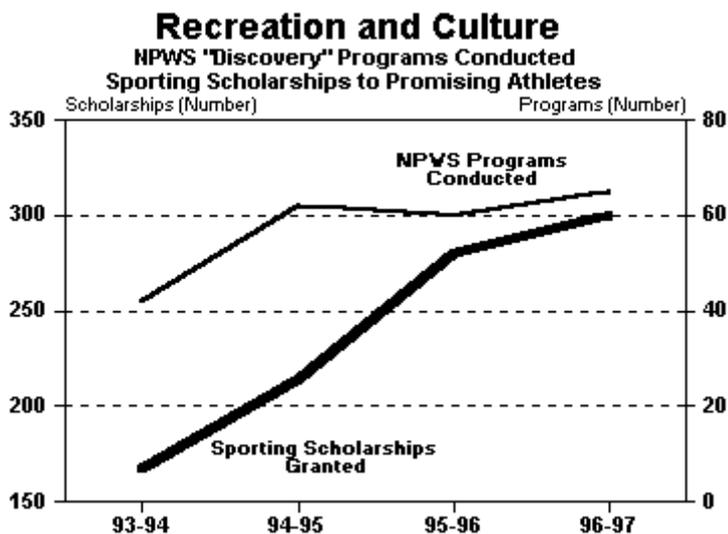
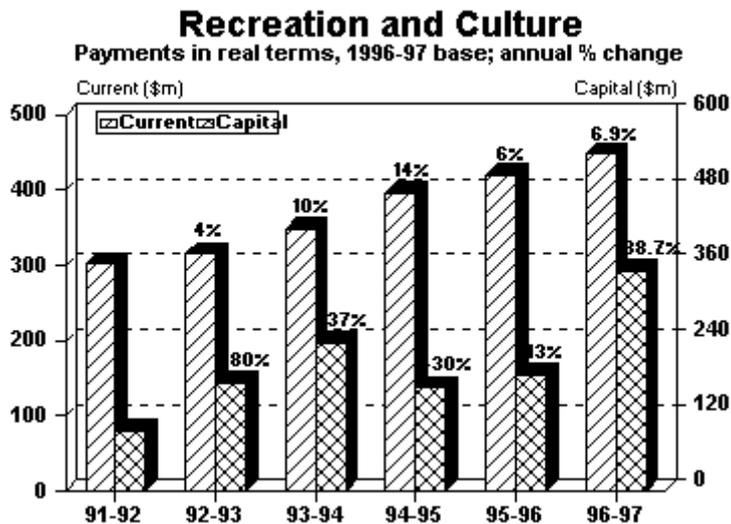
- \$30 million over three years (\$5 million in 1996-97) to the Heritage Conservation Fund towards the maintenance and conservation of heritage assets.
- \$22.5 million to promote sustainable agriculture and arrest environmental degradation in irrigation areas.
- \$5 million for Total Catchment Management to help 43 Catchment Management Committees and Trusts and some 900 groups.
- \$4 million for a package of socio-economic measures to address the land use impact of Willandra Lakes achieving World Heritage listing (funded dollar for dollar with the Commonwealth).



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Recreation and Culture

"The people of NSW will have top quality Olympic facilities that will provide decades of service, as well as an Olympic Games of which they can be proud."



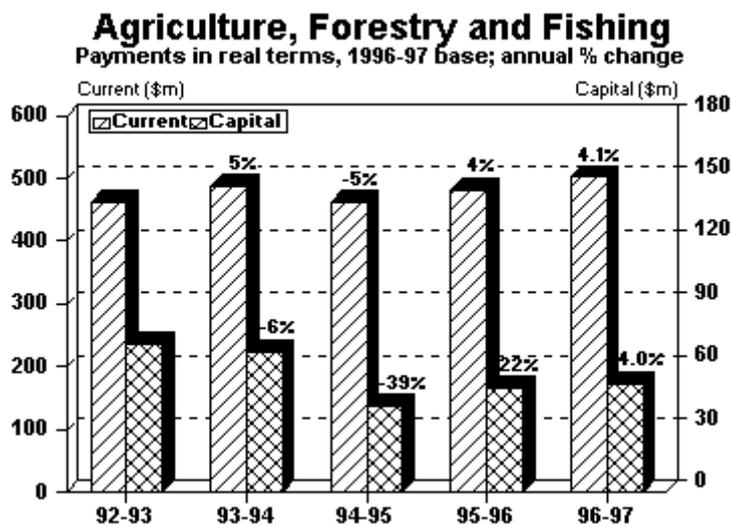
- Total current payments in this area will be \$447.7 million in 1996-97 - up \$36.8 million on last year. The capital allocation in this area will be \$351.1 million.
-
- \$442 million in 1996-97 on Olympic and Paralympic projects -
 - \$219 million for infrastructure and remediation works, including \$57 million for the rail link;
 -
 - \$170 million for relocation of the Royal Agricultural Society to Homebush Bay;
 - \$45 million on facilities and venues, and \$8 million contribution to Olympic Stadium construction.
- \$3 million for the NSW Institute of Sport for its first full year of operation.
- \$4.6 million increased support for preservation of endangered species.
- Continuation of the \$50 million 4 year program for new national parks; 2 new urban parks in Western Sydney for a total cost of \$14 million.
- \$1.1 million for increased support for cultural, literary, musical, dramatic and artistic activities.



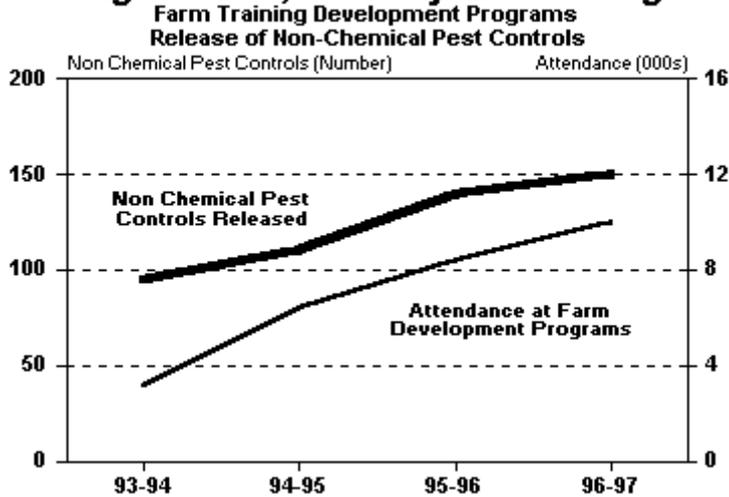
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Agriculture, Forestry and Fishing

"Better services to farmers and a priority on extension services and research."



Agriculture, Forestry and Fishing



- Total current payments in this area will be \$502.3 million in 1996-97 - an increase of \$29.4 million on last year. The capital allocation in this area will be \$52.1 million.
-
- \$66 million in 1996-97 for the Forestry Industry Structural Adjustment Package (a total of \$120 million over the period 1995-96 to 1999-2000), funded dollar for dollar with the Commonwealth.
- \$47 million total package over three years for additional eucalypt hardwood plantations; \$14.1 million in 1996-97.
- \$10.6 million of State funding for the Rural Adjustment Scheme.
- \$17.1 million for the State's share of the Murray Darling Basin Agreement.
- \$2.5 million for nine Agriculture Centres of Excellence and upgrade of key research facilities.
- \$2.0 million for the recruitment, training and operation of "whole of industry" extension and technical specialists.
- \$3.5 million for other sustainability, research and environmental protection projects.

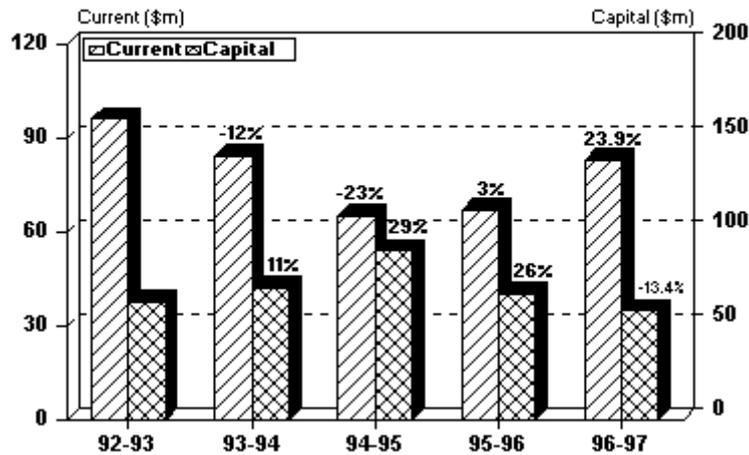


Mining, Energy and Construction

"Leadership in tackling the greenhouse effect and responsible development of mineral resources."

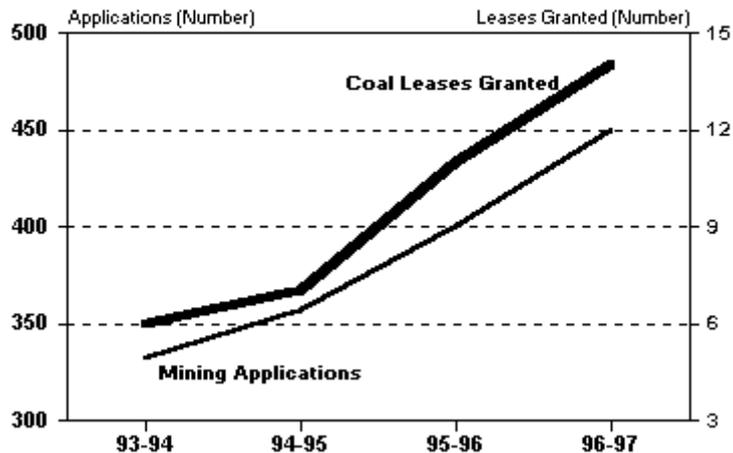
Mining, Energy and Construction

Payments in real terms, 1996-97 base; annual % change



Mining, Energy and Construction

Coal and Mineral Applications Determined
Major Coal Leases Granted



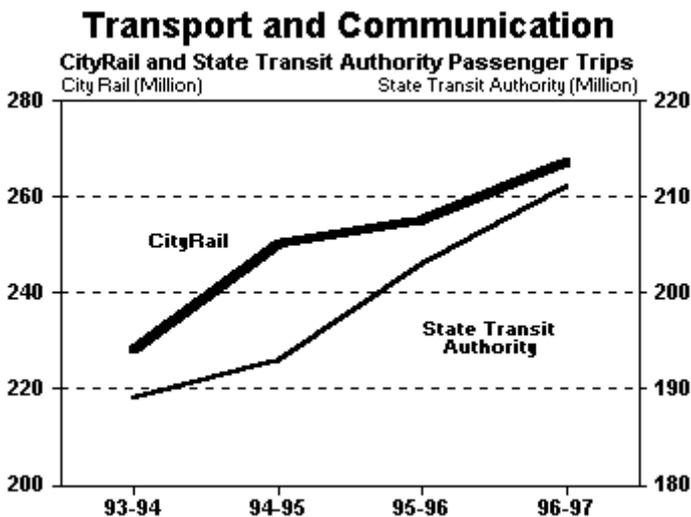
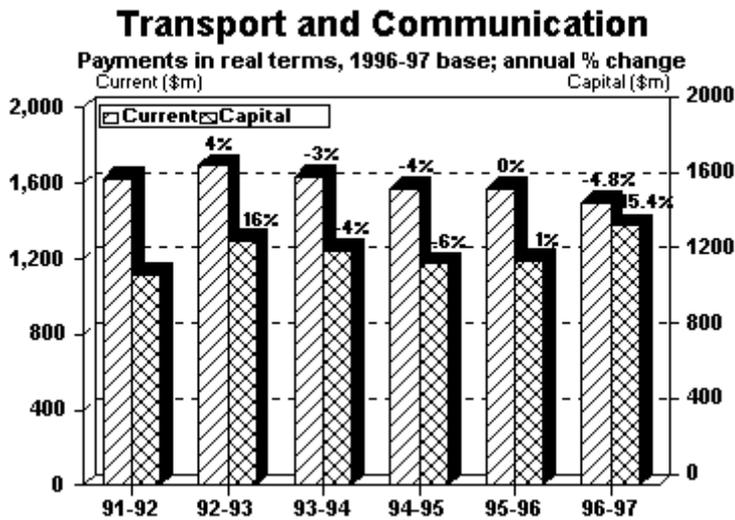
- Total current payments in this area will be \$83 million in 1996-97 - up \$16 million on last year. The capital allocation in this area will be \$58 million.
-
- \$65 million over three years (\$17 million in 1996-97) for the Sustainable Energy Development Authority to cut greenhouse gas emissions through the development, promotion and use of sustainable energy technology.
- \$1.6 million towards energy research and development in the electricity and gas sectors.
- \$50 million for coal compensation payments to former owners of coal rights acquired by the State.
- Funding of \$4.5 million for the "Discovery 2000" project aimed at improving and updating the State's geoscience database.



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Transport and Communication

"A safe, reliable, clean and efficient transport system that meets the needs of the community and business."



- Total current payments in this area will be \$1,498 million in 1996-97. The capital allocation in this area will be \$1,395 million, an increase of \$206 million on last year.
-
- \$145 million a year for roads in the West and South West of Sydney.
- Around \$220 million per annum over 10 years for the Pacific Highway comprising -
 - \$100 million for State funded projects, and
 -
 - \$120 million from the Pacific Highway Reconstruction Agreement, funded jointly by the State and the Commonwealth Governments on a dollar for dollar basis.
- \$7.6 million for -
 - Additional off-peak rail services;

-
- New cross regional services on the Harris Park/Merrylands
"Y-link" rail connection for Western Sydney;
- Improved station security, particularly for night travellers.



For further information about the New South Wales Budget Papers, contact the New South Wales Treasury, Governor Macquarie Tower, 1 Farrer Place, Sydney 2000 or Email to [John Hogg](#), NSW Treasury.

